

**Temirleasing JSC**  
**Financial statements**

*For the year ended 31 December 2010*  
*together with Independent Auditors' report*

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## INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Temirleasing JSC:

We have audited the accompanying financial statements of Temirleasing JSC (the "Company"), which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

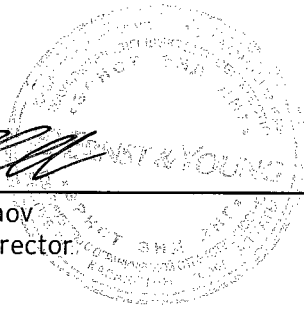
**Opinion**

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

*Ernst & Young LLP*

*[Handwritten signature]*

Evgeny Zhemaletdinov  
Auditor / General Director  
Ernst & Young LLP



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

Auditor Qualification Certificate No. 0000553 dated 24 December 2003

20 April 2011

**STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2010**  
*(Thousands of tenge)*

	<i>Note</i>	<i>2010</i>	<i>2009</i>
<b>Assets</b>			
Cash and cash equivalents	5	96,530	48,354
Net investment in finance leases	6	2,333,439	1,795,815
Derivative financial instruments	7	54,194	113,180
Inventory	8	124,599	169,630
Investment property	9	1,017,680	1,042,428
Property and equipment		5,502	6,454
Current corporate income tax assets		3,750	3,750
Other assets	10	66,720	35,884
<b>Total assets</b>		<b>3,702,414</b>	<b>3,215,495</b>
<b>Liabilities</b>			
Amounts due to credit institutions	11	1,008,693	691,702
Debt securities issued	12	509,015	509,953
Deferred corporate income tax liabilities	13	52,322	45,084
Other liabilities	10	216,624	78,378
<b>Total liabilities</b>		<b>1,786,654</b>	<b>1,325,117</b>
<b>Equity</b>			
Share capital	14	1,684,113	1,684,113
Retained earnings		231,647	206,265
<b>Total equity</b>		<b>1,915,760</b>	<b>1,890,378</b>
<b>Total equity and liabilities</b>		<b>3,702,414</b>	<b>3,215,495</b>

Signed and authorized for release on behalf of the management of the Company:

Sydykbekov B. Sh.

General Director

Temirzhanova Zh. K.

Chief Accountant

20 April 2011

*The accompanying notes on pages 5 to 28 are an integral part of these financial statements*

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

*(Thousands of tenge)*

	<i>Note</i>	<i>2010</i>	<i>2009</i>
<b>Interest income</b>			
Net investment in finance leases		309,815	436,654
Available-for-sale securities		–	2,532
		<u>309,815</u>	<u>439,186</u>
<b>Interest expense</b>			
Amounts due to credit institutions		(105,604)	(151,832)
Debt securities issued		(50,150)	(56,594)
		<u>(155,754)</u>	<u>(208,426)</u>
<b>Net interest income</b>			
Allowance for impairment of assets	6	11,068	(149,115)
<b>Net interest income after allowance</b>		<u>165,129</u>	<u>81,645</u>
<b>Non-interest income</b>			
Commission income	15	6,188	2,520
Net income from initial recognition of loans received/financial leasing granted at below market interest rates		43,128	–
Operating lease income		59,461	58,521
Income from the sale of inventory		(493)	16,944
Net gains / (losses) from foreign currencies:			
- dealing		(58,962)	87,958
- translation differences		(5,474)	(13,749)
Other income		5,847	1,792
<b>Non-interest income</b>		<u>49,695</u>	<u>153,986</u>
<b>Non-interest expense</b>			
Losses from available-for-sale securities		–	(23,473)
Personnel expenses	16	(86,230)	(78,491)
Depreciation and amortization	9	(26,714)	(26,865)
Other provisions	10	(141)	(6,413)
Loss from inventory impairment		(6,574)	(11,716)
Other operating expenses	16	(62,545)	(68,230)
<b>Non-interest expense</b>		<u>(182,204)</u>	<u>(215,188)</u>
<b>Profit before corporate income tax expense</b>			
		32,620	20,443
Corporate income tax expense	13	(7,238)	(9,007)
<b>Profit for the year</b>		<u>25,382</u>	<u>11,436</u>
<b>Other comprehensive income</b>			
Unrealised loss from revaluation of available-for-sale securities		–	(23,449)
Net loss from impairment of available-for-sale securities, reclassified to income / expenses		–	23,473
<b>Other comprehensive income for the year, net of allowance</b>		<u>–</u>	<u>24</u>
<b>Total comprehensive income for the year</b>		<u>25,382</u>	<u>11,460</u>
<b>Basic and diluted earnings per share (tenge)</b>	17	<u>16.27</u>	<u>7.33</u>

*The accompanying notes on pages 5 to 28 are an integral part of these financial statements*

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2010**  
*(Thousands of tenge)*

	<i>Share capital</i>	<i>Retained earnings</i>	<i>Reserve for revaluation of available-for-sale securities</i>	<i>Total equity</i>
<b>31 December 2008</b>	1,684,113	194,829	(24)	1,878,918
Comprehensive income for the year	–	11,436	24	11,460
<b>31 December 2009</b>	1,684,113	206,265	–	1,890,378
Comprehensive income for the year	–	25,382	–	25,382
<b>31 December 2010</b>	<b>1,684,113</b>	<b>231,647</b>	<b>–</b>	<b>1,915,760</b>

*The accompanying notes on pages 5 to 28 are an integral part of these financial statements*

**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2010**  
*(Thousands of tenge)*

	<i>Note</i>	<i>2010</i>	<i>2009</i>
<b>Cash flows from operating activities:</b>			
Interest received		283,994	448,341
Interest paid		(148,678)	(204,579)
Commission income received		4,703	2,520
Operating lease income received		59,376	57,407
Other operating income received		3,839	1,092
Losses from dealing in foreign currencies		(5,678)	(4,299)
Personnel expenses paid		(78,550)	(78,491)
Other operating expenses paid		(84,173)	(69,166)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>34,833</b>	<b>152,825</b>
<i>Net decrease / (increase) in operating assets</i>			
Net investments in finance leases		(642,571)	711,380
Inventory		74,752	22,652
Other assets		(17,117)	(7,784)
<i>Net increase in operating liabilities</i>			
Other liabilities		152,194	3,847
<b>Net cash flows (used in)/ generated from operating activities before income tax</b>		<b>(397,909)</b>	<b>882,920</b>
Income tax paid		-	-
<b>Net cash flows (used in)/generated from operating activities</b>		<b>(397,909)</b>	<b>882,920</b>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment		(375)	(110)
<b>Net cash used in investing activities</b>		<b>(375)</b>	<b>(110)</b>
<b>Cash flows from financing activities:</b>			
Amounts received from credit institutions		1,375,821	-
Repayment of amounts due to credit institutions		(925,979)	(856,488)
Repayment of debt securities issued		(3,382)	-
<b>Net cash generated from/(used in) financing activities</b>		<b>446,460</b>	<b>(856,488)</b>
<b>Net increase of cash and cash equivalents</b>		<b>48,176</b>	<b>26,322</b>
<b>Cash and cash equivalents, beginning</b>		<b>48,354</b>	<b>22,032</b>
<b>Cash and cash equivalents, ending</b>	5	<b>96,530</b>	<b>48,354</b>

*The accompanying notes on pages 5 to 28 are an integral part of these financial statements*



*(Thousands of tengee)***1. Principal activities**

Temirleasing JSC (the “Company”) was formed on 5 March 2001 in the Republic of Kazakhstan. The Company’s principal business activity is carrying out financial leasing operations.

The Company’s registered office is located at: Abai ave. 68/74, Almaty, Republic of Kazakhstan.

The number of employees as of 31 December 2010 was 27 (31 December 2009: 23).

As of 31 December, the following shareholders owned more than 2.5% of the outstanding shares:

<i>Shareholders</i>	<i>2010 %</i>	<i>2009 %</i>
BTA Bank JSC	<b>26.75</b>	26.75
Temirbank JSC	<b>18.88</b>	18.88
NAK – LTD LLP	<b>9.62</b>	9.62
CARTE BLANCH LTD LLP	<b>9.56</b>	9.56
Alau Co LLP	<b>8.60</b>	8.60
SMKK LLP	<b>5.87</b>	5.87
FRANCIS ALLIANCE LTD UL	<b>5.64</b>	5.64
Company Premium Invest LLP	<b>5.06</b>	5.06
Corvet LLP	<b>3.35</b>	3.35
INTELLECTUAL CREATIVE SOLUTIONS LTD UL	<b>2.56</b>	2.56
Other	<b>4.11</b>	4.11
<b>Total</b>	<b>100.00</b>	100.00

As at 31 December 2010 authorised and paid capital of the Company comprised 1,560,000 common shares.

**2. Basis of preparation****General**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These financial statements are presented in thousands of Kazakh tenge, except per share amounts and unless otherwise indicated.

The financial statements are prepared under the historical cost convention, except as disclosed in summary of accounting policies below. For example, derivative financial instruments were measured at fair value.

(Thousands of tengee)

### 3. Summary of significant accounting policies

#### Changes in accounting policies

The Company has adopted the following amended IFRS and new IFRIC Interpretations during the year. The effects of these changes are as follows:

##### *IAS 24 "Related party disclosures" (Revised)*

The revised IAS 24, issued in November 2009, simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Previously, an entity controlled or significantly influenced by a government was required to disclose information about all transactions with other entities controlled or significantly influenced by the same government. The revised standard requires disclosure about these transactions only if they are individually or collectively significant. The revised IAS 24 is effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. The Company has decided to early adopt the revised IAS 24 from 1 January 2010. The amendment had no significant impact on the Company's financial statements.

##### *Amendment to IAS 39 "Financial Instruments: recognition and measurement" - Eligible Hedged Items*

The amendment to IAS 39 was issued in August 2008, and became effective for annual periods beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The amendment did not affect the Company's financial statements as the Company has not entered into any such hedges.

##### *IFRS 3 "Business Combinations" (new revision) and IAS 27 "Consolidated and Separate Financial Statements" (new revision)*

The revised standards were issued in January 2008 and became effective for financial years beginning on or after 1 July 2009. Revised IFRS 3 introduces a number of changes in the accounting for business combinations that impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Revised IAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change has no impact on goodwill, nor it gives rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised Standards are applied prospectively. These amendments did not have any impact on the financial statements of the Company, because the Company did not enter into such transactions.

##### *IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions*

The amendment to IFRS 2 was issued in June 2009 and became effective for financial years beginning on or after 1 January 2010. The amendment clarifies the scope and the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. This amendment had no impact on the Company's financial statements.

##### *IFRIC 17 "Distribution of Non-Cash Assets to Owners"*

IFRIC Interpretation 17 was issued on 27 November 2008 and is effective for annual periods beginning on or after 1 July 2009. IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions and requires that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. This interpretation had no impact on the Company's financial statements.

(Thousands of tengee)

### 3. Summary of significant accounting policies (continued)

#### Changes in accounting policies (continued)

##### *Improvements to IFRSs*

In April 2009 the IASB issued the second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after 1 January 2010. There are separate transitional provisions for each standard. Amendments included in April 2009 "Improvements to IFRS" had no impact on the accounting policies, financial position or performance of the Company, except the following amendments resulting in changes to accounting policies, as described below.

- ▶ IFRS 8 Operating Segment Information: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. The amendment did not have an impact on financial position or performance of the Company because the Company does not allocate operating segments.
- ▶ IAS 7 Statement of Cash Flows: explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- ▶ IAS 36 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment had no impact on the Company's financial statements because the Company does not allocate individual operating segments.

#### Financial assets

##### *Initial recognition*

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments; or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

##### *Date of recognition*

All standard operations of purchases and sales of financial assets are recognized on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

##### *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to net income/(losses) from available-for-sale securities.

##### *Determination of fair value*

The fair value for financial instruments traded in active market at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

##### *Loans granted to customers and receivables*

Loans granted to customers and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the loans granted to customers and receivables are derecognised or impaired, as well as through the amortisation process.

(Thousands of tengee)

### 3. Summary of significant accounting policies (continued)

#### Financial assets (continued)

##### *Offsetting*

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

##### *Reclassification of financial assets*

A financial asset classified as available for sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category of the Company has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognized in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

#### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and amounts due from financial institutions which mature within ninety days of the origination date and are free from contractual encumbrances.

#### Embedded derivative financial instruments

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair in the statement of financial position with changes in fair value recognised in the statement of comprehensive income within net gains /(losses) on foreign currencies (dealing). Realised income on derivatives embedded in financial lease agreements are recorded in the statement of comprehensive income within interest income.

#### Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments.

Such instruments include amounts due to credit institutions and debt securities issued initially recognized at fair value of consideration received, net of expenses directly related to transaction. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the borrowings are derecognised as well as through the amortisation process. If the Company purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in the statement of comprehensive income.

#### Leases

##### *Finance – Company as a lessor*

The Company recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

Assets owned by the Company but subject to finance lease are included in the financial statements as “Net investment in finance lease”, which is the gross investment in finance lease less unearned finance income. Unearned finance income is amortized over the lease term, applying the annuity method, so as to produce a systematic return on the net investment in finance lease.

The lease term is the non-cancelable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, which option at the inception of the lease it is reasonably certain that the lessee will exercise.

Gross investment in a lease is the aggregate of the minimum lease payments under a finance lease from the standpoint of the lessor. Minimum lease payments are the payments over the lease term that the lessee is, or can be required, to make excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor.

(Thousands of tengee)

### 3. Summary of significant accounting policies (continued)

#### Leases (continued)

##### *Finance – Company as a lessor (continued)*

Unearned finance income is the difference between the aggregate of the minimum lease payments under a finance lease from the standpoint of the lessor and the present value of those minimum lease payments, at the interest rate implicit in the lease.

The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments to be equal to the fair value of the leased asset.

Fair value is the amount for which a leased asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

##### *Operating – Company as a lessee*

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

##### *Operating – Company as a lessor*

The Company presents assets subject to operating leases in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in the statement of comprehensive income on a straight-line basis over the lease term as other income. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

#### Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in repayment of its contractual obligation, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics i.e. on the basis of the Company's grading process that considers asset type, industry, geographical location, type of security, past-due status and other relevant factors.

*(Thousands of tengee)***3. Summary of significant accounting policies (continued)****Impairment of financial assets (continued)**

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as employment level changes, real estate prices, commodity prices, payment status or other factors that are indicative of incurred losses in the Company or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

*Available-for-sale financial investments*

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the statement of comprehensive income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

*Renegotiated investment in finance leases*

Where possible, the Company seeks to restructure investment in finance leases rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new conditions of lease issuance:

The accounting treatment of such restructuring is as follows:

- ▶ If the currency of the investment in finance lease has been changed the old finance lease payables are derecognised and the new finance lease payables are recognized in the statement of financial position;
- ▶ If the restructuring is not caused by the financial difficulties of the lessee, the Company uses the same approach as for financial liabilities described below;
- ▶ If the restructuring is due to the financial difficulties of the lessee and the finance lease investment is impaired after restructuring, the Company recognizes the difference between the present value of future cash flows discounted using the original effective interest rate and the carrying amount before restructuring within the impairment expenses for the reporting period. In case finance lease investment is not impaired after restructuring the Company recalculates the effective interest rate.

**Derecognition of financial assets and liabilities***Financial assets*

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

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

*Financial liabilities*

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

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

*(Thousands of tengee)***3. Summary of significant accounting policies (continued)****Taxation**

The current corporate income tax expense is calculated in accordance with the legislation of the Republic of Kazakhstan.

Deferred tax assets and liabilities are calculated using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

The Republic of Kazakhstan also has various operating taxes, which are assessed on the Company's activities. These taxes are included as a component of other operating expenses in the statement of comprehensive income.

**Property and equipment**

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Furniture and office equipment	10
Computers and office appliances	4
Other property, plant and equipment	14

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

**Investment property**

Investment property, including office premises, is intended to earn rentals or capital appreciation, and which is not used by the Company as fixed assets.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost, less accumulated depreciation. Investment property is depreciated on a straight-line basis over the period of useful life, which is 40 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of comprehensive income in the year of retirement or disposal.

Transfers to and from investment property are made when, and only when, there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company as an owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

**Impairment of property and equipment and investment property**

The carrying amounts of property and equipment and investment property are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. The recoverable amount of property and equipment and investment property is the greater of the net selling price and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

*(Thousands of tengee)*

### 3. Summary of significant accounting policies (continued)

#### Inventory

Inventory represents forfeited collateral or leased object and are stated at the lower of cost and net realizable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction from the proceeds in equity.

#### Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

#### Retirement and other employee benefit obligations

The Company does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. In addition, the Company has no significant post-retirement benefits requiring accrual.

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made

#### Contingencies

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

#### Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### *Interest and similar income and expense*

For all financial instruments measured at amortised cost, and interest financial instruments classified as available for sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options). The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

##### *Income from the sale of inventory*

Revenue is recognized when the significant risks and rewards of ownership of finance lease items have passed to the buyer and the amount of revenue can be measured reliably. The profit from the sale of inventory comprises of the difference between sales revenue and the cost of the sales. The cost of sale recognized at the commencement of the lease term is the cost, or carrying amount if different, of the leased property less the discounted value of the non-guaranteed residual value.

##### *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income from project evaluation and other advisory services.



(Thousands of tengee)

### 3. Summary of significant accounting policies (continued)

#### Operating expenses

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

#### Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into KZT at the market exchange rate quoted by the Kazakhstan Stock Exchange (“KASE”) and reported by the National Bank of Republic of Kazakhstan at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Gains and losses resulting from the translation of foreign currency transactions are recognized in the statement of comprehensive income as net gains/(losses) from foreign currencies (translation differences). Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in foreign currency and the market exchange rate on the date of the transaction are included in gains less losses from foreign currencies. As at 31 December 2010 and 2009 the official exchange rates were KZT 147.4 and KZT 148.46 to 1 USD, respectively, and KZT 195.23 and KZT 213.95 to 1 Euro, respectively.

#### Future changes in accounting policies

*Standards and interpretations issued but not yet effective*

*Amendments to IAS 32 “Financial instruments: Presentation”: Classification of Rights Issues”*

In October 2009, the IASB issued amendment to IAS 32. Entities shall apply that amendment for annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment alters the definition of a financial liability in IAS 32 to classify rights issues and certain options or warrants as equity instruments. This is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity’s non-derivative equity instruments, in order to acquire a fixed number of the entity’s own equity instruments for a fixed amount in any currency. The Company expects that this amendment will have no impact on the Company’s financial statements.

*IFRS 9 “Financial instruments (Phase 1)”*

In November 2009 and 2010 the IASB issued the first phase of IFRS 9 Financial instruments. This Standard will eventually replace IAS 39 Financial Instrument: Recognition and Measurement. IFRS 9 becomes effective for financial years beginning on or after 1 January 2013. Entities may adopt the first phase of the standard ahead of schedule. The first phase of IFRS 9 introduces new requirements on classification and measurement of financial assets. In particular, for subsequent measurement all financial assets are to be classified at amortised cost or at fair value through profit or loss with the irrevocable option for equity instruments not held for trading to be measured at fair value through other comprehensive income. A requirement relating to accounting of changes in fair value specified by credit risk was introduced with respect to financial liabilities through profit or loss using fair value measurement in other comprehensive income. The Company now evaluates the impact of the adoption of new Standard and considers the initial application date.

*IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”*

IFRIC Interpretation 19 was issued in November 2009 and is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. IFRIC 19 is not expected to have any material impact on the Company’s financial statements.

(Thousands of tenge)

### 3. Summary of significant accounting policies (continued)

#### Future changes in accounting policies (continued)

*Standards and interpretations issued but not yet effective (continued)*

##### *Improvements to IFRSs*

In May 2010 the IASB issued the third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after 1 January 2011. There are separate transitional provisions for each standard. Amendments included in May 2010 "Improvements to IFRS" will have impact on the accounting policies, financial position or performance of the Company, as described below.

- ▶ IFRS 3 Business combinations: limits the scope of the measurement choices that only the components of NCI that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. As the amendment should be applied from the date the Company applies IFRS 3 Revised, it may be required to restate for effects incurred under IFRS 3 Revised, but before the adoption of this amendment. The Company expects that other amendments to IFRS 3 will have no impact on financial statements of the Company.
- ▶ IFRS 7 Financial instruments: Disclosures; introduces the amendments to quantitative and credit risk disclosures. The additional requirements are expected to have minor impact as information is expected to be readily available.
- ▶ IAS 34 Interim Financial Reporting: adds disclosure requirements about the circumstances affecting fair values and classification of financial instruments, about transfers of financial instruments between levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. Additional disclosures required will be introduced in interim financial statements of the Company.
- ▶ Amendments to IFRS 1, IAS 1, IAS 27 and IFRIC 13 will have no impact on the accounting policies, financial position or performance of the Company.

##### *Amendments to IFRS 7 "Financial Instruments: Disclosures"*

The Amendments were issued in October 2010 and are effective for annual periods beginning on or after 1 July 2011. The Amendments introduce additional disclosure requirements for transferred financial assets that are not derecognized. The Company expects that these amendments will have no impact on the Company's financial position.

##### *Amendments to IAS 12 "Income Taxes" – Deferred tax: Recovery of underlying assets*

In December 2010 the IASB issued amendments to IAS 12 effective for annual periods beginning on or after 1 January 2012. In accordance with the adjustments, the deferred tax on investment property measured using the fair value model and non-amortized assets where IAS 16 is applied should be determined on the basis that its carrying amount will be recovered through sale of asset. The Company now evaluates the impact of the adoption of these amendments.

### 4. Significant accounting judgments and estimates

#### Estimation uncertainty

In the process of applying the Company's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgments and estimates are as follows:

##### *Allowance for impairment of assets and other receivables*

The Company analyzes its leases and receivables to assess impairment on a monthly basis. The Company uses its experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Company estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or local economic conditions that correlate with defaults on assets in the group. The Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of leases and receivables. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(Thousands of tenge)

**4. Significant accounting judgments and estimates (continued)****Estimation uncertainty (continued)***Taxation*

Kazakh tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant regional and state authorities. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. As of 31 December 2010 management believes that its interpretation of the relevant legislation is appropriate and that the Company's tax, currency and customs positions will be sustained.

**5. Cash and cash equivalents**

Cash and cash equivalents consist of the following:

	<i>2010</i>	<i>2009</i>
Cash on hand	50	43
Current accounts – Temirbank JSC	96,480	48,311
<b>Cash and cash equivalents</b>	<b>96,530</b>	<b>48,354</b>

**6. Net investment in finance leases**

Net investment in finance leases comprises:

	<i>2010</i>	<i>2009</i>
Minimum lease payments receivable	3,280,508	2,524,385
Unearned finance income	(551,834)	(322,267)
Net minimum lease payments receivable	2,728,674	2,202,118
Less allowance for impairment	(395,235)	(406,303)
<b>Net investment in finance leases</b>	<b>2,333,439</b>	<b>1,795,815</b>
Current portion	1,563,273	1,471,219
Less allowance for impairment	(395,235)	(406,303)
Current portion, net	1,168,038	1,064,916
Long-term portion	1,165,401	730,899
<b>Net investment in finance leases</b>	<b>2,333,439</b>	<b>1,795,815</b>

In 2010 and 2009 leased equipment transferred to finance lease amounted to KZT 1,177,765 thousand and KZT 197,526 thousand, respectively.

The interest rates on net investment in finance leases in 2010 range from 8% to 21% (2009: from 17% to 22%). The effective interest rate on net investment in finance leases in 2010 was 15.01% per annum (2009: 16.66% per annum).

Outstanding maturities of gross and net investment in finance leases at 31 December are as follows:

<i>Years</i>	<i>2010</i>		<i>2009</i>	
	<i>Gross investment</i>	<i>Net investment</i>	<i>Gross investment</i>	<i>Net investment</i>
2010			1,568,786	1,064,916
2011	1,663,686	946,311	661,917	496,494
2012	691,879	590,377	268,328	215,372
2013	420,374	351,703	18,718	13,930
2014	222,565	189,920	6,636	5,103
2015	163,072	151,380	–	–
2016	118,932	103,748	–	–
	<b>3,280,508</b>	<b>2,333,439</b>	<b>2,524,385</b>	<b>1,795,815</b>

At the end of the lease term, the ownership of the leased assets is transferred to the lessees.

(Thousands of tenge)

**6. Net investment in finance leases (continued)**

A reconciliation of allowance for impairment of investment in finance leases is as follows:

	<u>2010</u>	<u>2009</u>
<b>At 1 January</b>	<b>406,303</b>	319,967
(Recovery)/charge for the year	<b>(11,316)</b>	100,064
Write-offs	–	(15,908)
Reclassification from allowance for impairment of other assets (Note 10)	–	2,180
<b>At 31 December</b>	<b>395,235</b>	<b>406,303</b>
Individual impairment	<b>269,692</b>	320,489
Collective impairment	<b>125,543</b>	85,814
	<b>395,235</b>	<b>406,303</b>
Gross amount of investment in finance leases, individually determined to be impaired, before deducting impairment allowance	<b>531,003</b>	747,477

Allowance for impairment of assets in the statement of comprehensive income for the year ended 31 December 2009 includes transfer of allowance for impairment of funds granted to customers in the amount of KZT 49,051 thousand.

*Investments in financial leases individually assessed as impaired*

Interest income accrued on assets individually assessed as impaired for 2010 comprised KZT 92,714 thousand (In 2009: KZT 145,287 thousand).

The fair value of collateral that the Company holds relating to investment in finance leases individually determined to be individually impaired at 31 December 2010 amounts to KZT 709,262 thousand (31 December 2009: KZT 907,164 thousand). Investment in leases may only be written off with the approval of the Board of Directors and, in certain cases, with the respective decision of the Court.

*Collateral and other credit enhancement*

The amount and type of collateral required by the Company depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement during its review of the adequacy of the allowance for impairment.

During the year the Company has acquired specialized equipment and vehicles, with total value of KZT 47,698 thousand (In 2009: vehicles and specialized equipment totaling to KZT 169,630 thousand) (Note 8). Currently, the Company sells this equipment. According to the Company's policy property that is levied is realized or leased in due course. Proceeds from realization are used to reduce or discharge the current debt. As a rule, the Company does not use such property for commercial purposes.

*Concentration of investments in finance leases*

As at 31 December 2010 the Company had a concentration of investments in finance lease represented by KZT 1,343,112 thousand due from 10 largest lessee (49% of net minimum lease payments receivable or 70% of equity) (31 December 2009: KZT 1,172,796 thousand (53% of net minimum lease payments receivable or 62% of equity)). At 31 December 2010 a provision of KZT 85,429 thousand was formed against these investments (31 December 2009: KZT 94,422 thousand).

**7. Derivative financial instruments**

The table below shows the fair values of derivative financial instruments reflected in financial statements together with their notional amounts.

	<u>2010</u>		<u>2009</u>			
	<i>Notional principal</i>	<i>Fair value</i>		<i>Notional principal</i>	<i>Fair value</i>	
		<i>Asset</i>	<i>Liability</i>		<i>Asset</i>	<i>Liability</i>
Currency option	<b>515,885</b>	<b>54,194</b>	–	1,463,905	113,180	–

As at 31 December 2010 and 2009 the Company had certain lease agreements that are foreign currencies linked debt instruments with a floor feature, i.e. where interest and principal payments are linked to foreign currencies, in such a way, that the Company has an option to demand higher payments if the foreign currency specified in the contract will appreciate above a certain floor (floor is generally set at the level of spot rates prevailing on the lease issue date). At the same time, if the foreign currency rates will fall below the floor, interest and principal payments will remain at original level.

The Company believes that the above feature comprises an embedded foreign currency option, is embedded derivative that should be separated from the host contract and recorded as a separate financial instrument measured at fair value through profit or loss in the financial statements.

(Thousands of tenge)

**8. Inventory**

Inventory comprises finance lease items taken back from lessees and either held for resale or for leasing out under finance lease. As of 31 December 2010 and 2009 inventory comprise vehicles and other specialized equipment.

**9. Investment property**

The movements in investment property are as follows:

	<i>Land</i>	<i>Buildings</i>	<i>Total</i>
<b>Cost:</b>			
31 December 2008, 2009 and 2010	158,552	986,604	1,145,156
<b>Accumulated depreciation:</b>			
31 December 2008	–	(77,979)	(77,979)
Depreciation charge	–	(24,749)	(24,749)
31 December 2009	–	(102,728)	(102,728)
Depreciation charge	–	(24,748)	(24,748)
31 December 2010	–	(127,476)	(127,476)
<b>Net book value:</b>			
31 December 2008	158,552	908,625	1,067,177
31 December 2009	158,552	883,876	1,042,428
31 December 2010	158,552	859,128	1,017,680

Depreciation and amortisation in the 2010 statement of comprehensive income comprises amortization of fixed assets in the amount of KZT 1,327 thousand and intangible assets in the amount of KZT 639 thousand (In 2009: KZT 1,524 thousand and KZT 529 thousand, respectively).

**10. Other assets and liabilities**

Other assets comprise:

	<i>2010</i>	<i>2009</i>
Receivables on sold inventory	40,308	17,645
Accounts payable on reimbursable expenses	12,468	7,652
Taxes, other than corporate income tax recoverable	11,772	8,901
Advances and prepayments	7,715	6,921
Intangible assets	1,997	2,395
Lease insurance receivable	593	593
Deferred expenses on insurance premiums	998	592
Other	27	202
	75,878	44,901
Less allowance for impairment	(9,158)	(9,017)
<b>Other assets</b>	<b>66,720</b>	<b>35,884</b>

The movements in allowance for impairment of other assets are as follows:

	<i>Other assets</i>
At 1 January 2009	4,784
Charge for the year	6,413
Reclassification to allowance for impairment of net investment in finance leases ( <i>Note 8</i> )	(2,180)
<b>At 31 December 2009</b>	<b>9,017</b>
Charge for the year	141
<b>At 31 December 2010</b>	<b>9,158</b>

Other liabilities comprise:

	<i>2010</i>	<i>2009</i>
Advances from customers	90,733	–
Payables to suppliers	63,214	–
VAT payable	59,470	75,020
Professional fees payable	3,207	3,110
Other	–	248
<b>Other liabilities</b>	<b>216,624</b>	<b>78,378</b>

*(Thousands of tengee)***11. Amounts due to credit institutions**

Amounts due to credit institutions comprise:

	<u>2010</u>	<u>2009</u>
Loans from Temirbank JSC, tenge	647,620	618,997
Loans from Temirbank JSC, US dollars	–	72,705
The Fund for Development of Entrepreneurship “DAMU”	361,073	–
<b>Amounts due to credit institutions</b>	<b>1,008,693</b>	<b>691,702</b>

At 31 December 2010 interests rates on loans range from 3.5% to 16% per annum (31 December 2009: from 13% to 16%).

The Company has a credit line from TemirBank JSC of KZT 1,500,000 thousand, which expires on 25 December 2017. The credit facility is collateralized by investment properties belonging to the Company with carrying value of KZT 1,017,680 thousand at 31 December 2010.

In 2010 the Company was granted a loan from the Fund for Development of Entrepreneurship “DAMU” JSC to finance leasing transactions of small and medium businesses in the amount of KZT 479,800 thousand for the period of 84 months. In accordance with the terms of the loan agreement with the Fund for Development of Entrepreneurship “DAMU” FS, the Company is obligated to comply with certain financial covenants. In particular, the financial position should not be defined as “Unstable” in accordance with the Resolution of the Government of the Republic of Kazakhstan, Clause 3, No. 2275 dated 30 December 2009. The default event also comes into force in case of failure to comply with the terms of investment in finance leases. At 31 December 2010 the Company met the requirements to comply with covenants under the agreement.

At 31 December 2009 there were no obligations to meet financial indicators on amounts due to credit institutions.

**12. Debt securities issued**

Debt securities issued comprise:

	<u>2010</u>	<u>2009</u>
Debt securities issued	509,015	509,953
<b>Debt securities issued</b>	<b>509,015</b>	<b>509,953</b>

In May 2007 the Company issued 500 thousand unsecured bonds on KASE, with a par value of KZT 1,000 each for a total amount of KZT 500,000 thousand. The bonds mature on 2 April 2012. As at 31 December 2009 the coupon rate on bonds was 11% per annum. Starting from 2 April 2010 the coupon rate is determined depending on the level of inflation index with minimum and maximum coupon values established at 9% and 11%, respectively, in accordance with the bond issue terms. Interest on bonds is payable semiannually.

**13. Taxation**

Corporate income tax expense comprises:

	<u>2010</u>	<u>2009</u>
Current corporate income tax expense	–	–
Deferred corporate income tax expense – origination and decrease of temporary differences	7,238	9,007
<b>Corporate income tax expense</b>	<b>7,238</b>	<b>9,007</b>

In accordance with the Kazakhstan legislation, income derived from leasing of equipment for a period of more than three years, with subsequent transfer of the title of equipment to lessee, is exempt from corporate income tax. As a result, the Company deducts interest income from finance leases for the purpose of computing net income liable to tax. This computation gives rise to tax losses that are not subject to carry forward to future periods.

In accordance with changes in 2010 tax legislation, the applied corporate income tax rate is set at 20% starting from 2010. Previously, the tax legislation stipulated a decrease of the corporate income tax rate to 17.5% from 1 January 2013 and to 15% from 1 January 2014.

(Thousands of tengee)

**13. Taxation (continued)**

A reconciliation of the corporate income tax expense calculated at the statutory rate is as follows:

	<u>2010</u>	<u>2009</u>
Profit before taxation	32,620	20,443
Statutory tax rate	20%	20%
<b>Theoretical corporate income tax expense at the statutory rate</b>	<b>6,524</b>	<b>4,089</b>
Change in unrecognized assets on deferred tax	(136,754)	5,141
Non taxable income from finance leases	(36,161)	(19,622)
Difference due to changes in tax rates	(787)	1,074
Decrease in tax loss carried forward as per Tax Code changes	167,171	-
Expense/(income) on derivative financial instruments	13,631	(17,592)
Allowance for impairment of assets	806	35,152
Other	(7,192)	765
<b>Corporate income tax expense</b>	<b>7,238</b>	<b>9,007</b>

	<i>Origination and decrease of temporary differences in the statement of comprehensive income</i>		<i>Origination and decrease of temporary differences in the statement of comprehensive income</i>		
	<i>2008</i>		<i>2009</i>		<i>2010</i>
<b>Tax effect of deductible temporary differences:</b>					
Tax losses carried forward	246,500	-	246,500	(131,009)	115,491
Accounts payable	641	350	991	(386)	605
Allowance for impairment of assets	13,147	4,791	17,938	(5,359)	12,579
<b>Deferred tax assets:</b>	<b>260,288</b>	<b>5,141</b>	<b>265,429</b>	<b>(136,754)</b>	<b>128,675</b>
Unrecognised deferred tax assets	(260,288)	(5,141)	(265,429)	136,754	(128,675)
Deferred tax asset	-	-	-	-	-
<b>Tax effect of taxable temporary differences:</b>					
Investment property and property and equipment	(36,077)	(9,007)	(45,084)	(7,238)	(52,322)
<b>Deferred tax liability</b>	<b>(36,077)</b>	<b>(9,007)</b>	<b>(45,084)</b>	<b>(7,238)</b>	<b>(52,322)</b>
<b>Net deferred tax liability</b>	<b>(36,077)</b>	<b>(9,007)</b>	<b>(45,084)</b>	<b>(7,238)</b>	<b>(52,322)</b>

As at 31 December 2010 for financial reporting purposes, deferred tax assets totalling KZT 128,676 thousand (31 December 2009: KZT 265,429 thousand) are not recognized due to prudence and due to the uncertainties surrounding the realization of these deferred tax assets.

**14. Share capital**

As at 31 December 2010 and 2009 the Company's declared and paid capital comprised 1,560,000 common shares. The placement value was KZT 1,000 per share. In 2010 and 2009 the Company did not declare and pay any dividends.

**15. Commission income**

Fee and commission income comprises:

	<u>2010</u>	<u>2009</u>
Income from expertise of potential lessee's projects	3,411	-
Income from agent agreements	2,206	-
Income from restructuring of payment schedules	571	2,520
<b>Commission income</b>	<b>6,188</b>	<b>2,520</b>

*(Thousands of tenge)***16. Personnel and other operating expenses**

Personnel and other operating expenses comprise the following:

	<u>2010</u>	<u>2009</u>
Salaries and bonuses	(78,550)	(71,558)
Social security costs	(7,680)	(6,933)
<b>Personnel expenses</b>	<b>(86,230)</b>	<b>(78,491)</b>
Rent	(14,834)	(16,883)
Taxes other than corporate income tax	(14,228)	(17,118)
Utilities	(13,263)	(11,530)
Professional fees	(9,346)	(8,922)
Bank services	(4,460)	(3,014)
Communication	(1,836)	(1,662)
Business travel	(1,546)	(737)
Advertising	(1,316)	(1,330)
Fines	(239)	(3,967)
Other expenses	(1,477)	(3,067)
<b>Other operating expenses</b>	<b>(62,545)</b>	<b>(68,230)</b>

**17. Earnings per share**

Basic and diluted earnings per share are calculated by dividing the net income for the year attributable to common shareholders by the weighted average number of shares outstanding during the year. The Company does not have any options or convertible debt or equity instruments at 31 December 2010 and 2009.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	<u>2010</u>	<u>2009</u>
Net income attributable to common shareholders	25,382	11,436
Weighted average number of common shares	1,560,000	1,560,000
<b>Basic and diluted earnings per share (tenge)</b>	<b>16.27</b>	<b>7.33</b>

**18. Contingencies****Taxation**

The provisions of various legislation and regulations are not always clearly written and their interpretation is subject to the opinions and interpretations of the local tax inspectors and the officials of the Ministry of Finance. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual.

The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's law, are severe. Penalties include fines, which are generally 50% of the taxes additionally assessed and interest assessed at a rate of 20 % per annum. As a result, penalties and interest can amount to multiples of any unreported taxes.

The Management believes that it has paid or accrued all taxes that are applicable. Where practice concerning the tax application is unclear, the Company has accrued tax liabilities based on management's best estimate.

Because of the uncertainties associated with the Kazakhstani 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 31 December 2010. Although such amounts may be possible and material, it is the opinion of the Company's management that these amounts are either not probable, not reasonably determinable, or both.

The Company's operations and financial position may be affected by Kazakh political developments, including the application of existing and future legislation and tax regulations. The Company does not believe that these contingencies, as related to its operations, are any more significant than those of similar enterprises in Kazakhstan.

**Legal actions 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 such actions or claims will not have a material adverse effect on the financial position or the results of future operations of the Company.

The Company assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated. No provision has been made in these financial statements for any of the contingent liabilities.



(Thousands of tengee)

## 19. Risk management

### Introduction

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Company is primarily exposed to credit risk, liquidity risk, currency risk and operational risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Company's strategic planning process. The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles. The Company's internal risk management technique focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. Risk management is carried out by Finance function (which includes Risk Management function).

### Credit risk

Credit risk is the risk that the Company will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations, arising primarily from the Company's net investment in finance leases. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept by individual counterparties, industry concentrations and type of assets, and by monitoring exposures in relation to such limits.

Exposure to credit risk is managed through regular analysis of the ability of lessees and potential lessees to meet financial repayment obligations and by changing those limits where appropriate. Exposure to credit risk is also managed by insuring the leased assets. The Company also has established authorization structure and limits of credit approval. Adherence to credit policies formulated and approved by the Board of Directors is monitored by a separate Credit Department, which is responsible for overseeing the Company's credit risk.

The table below shows the maximum gross exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements and after allowance for impairment.

	<i>Note</i>	<i>Gross maximum exposure 2010</i>	<i>Gross maximum exposure 2009</i>
Cash and cash equivalents (excluding cash on hand)	5	96,480	48,311
Net investment in finance leases	6	2,333,439	1,795,815
Derivative financial instruments	7	54,194	113,180
Other assets	10	43,618	16,873
<b>Total credit risk exposure</b>		<b>2,527,731</b>	<b>1,974,179</b>

Credit risk on gross amounts due in relation to investment in finance leases is further mitigated by the retention of title on leased assets and obtaining additional collateral, if necessary.

The table below shows the credit quality by class of asset for loan-related statement of financial position lines, based on the Company's credit rating system.

<i>Financial assets</i>	<i>2010</i>			
	<i>Standard</i>			<i>Total</i>
	<i>Total</i>	<i>Including past due but not impaired</i>	<i>Impaired</i>	
Net investment in finance leases	1,501,015	12,230	1,227,659	2,728,674
Other assets	46,607	29,365	6,169	52,776
<b>Total</b>	<b>1,547,622</b>	<b>41,595</b>	<b>1,233,828</b>	<b>2,781,450</b>

(Thousands of tengee)

**19. Risk management (continued)****Credit risk (continued)**

<i>Financial assets</i>	<i>2009</i>			
	<i>Standard</i>			<i>Total</i>
	<i>Total</i>	<i>Including past due but not impaired</i>	<i>Impaired</i>	
Loans granted to customers	–	–	82,400	82,400
Net investment in finance leases	1,052,479	206,809	1,149,639	2,202,118
Other assets	18,163	1,114	7,727	25,890
<b>Total</b>	<b>1,070,642</b>	<b>207,923</b>	<b>1,239,766</b>	<b>2,310,408</b>

It is the Company's policy to maintain accurate and consistent risk ratings across the lease portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Company's rating policy. The attributable risk ratings are assessed and updated regularly.

Aging analysis of past due but not impaired assets is as follows:

	<i>Less than 30 days</i>	<i>30 to 90 days</i>	<i>Total</i>
<b>31 December 2010</b>			
Net investment in finance leases	6,756	5,474	12,230
Other assets	20,962	8,403	29,365
<b>Total</b>	<b>27,718</b>	<b>13,877</b>	<b>41,595</b>
<b>31 December 2009</b>			
Net investment in finance leases	42,978	163,831	206,809
Other assets	1,114	–	1,114
<b>Total</b>	<b>44,092</b>	<b>163,831</b>	<b>207,923</b>

Lease payments overdue by over 30 days but less than 91 days are considered past due but not impaired, unless other objective information is available to classify the investment in finance leases as impaired. Impaired financial assets are those for which the Company determines that it is probable it will be unable to collect all principal and lease income due according to contractual terms of the finance lease agreements. Financial assets are considered impaired when they are past due by 91 days or more. Unpaid accrued lease income on impaired receivables included in carrying value amounted to KZT 92,714 thousand (2009: KZT 145,287 thousand). The Company addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowance.

*Individually assessed allowances*

The Company determines the allowances appropriate for each individually significant lessee or loan on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

*Collectively assessed allowances*

Allowances are assessed collectively for impairment of investments in finance lease and loans that are not individually significant and provisions for individually significant loans where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration of the following information: historical losses on the portfolio, current economic conditions, the appropriate delay between the time a loss is likely to have been uncured and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Department management is responsible for determination of such period that may continue up to one year.

Financial assets with restructuring terms are those which have been restructured due to deterioration in the customer's financial position and where the Company has made concessions that it would not otherwise consider.

*(Thousands of tenge)***19. Risk management (continued)****Credit risk (continued)**

The table below shows the carrying amount for renegotiated financial assets, by class.

	<i>2010</i>	<i>2009</i>
Net investment in finance leases	<b>111,715</b>	178,918
<b>Total</b>	<b>111,715</b>	178,918

**Concentration of credit risk**

Concentration of credit risk arises when a number of counterparties are engaged in similar business or activities in the same geographic region, or have similar economic features which would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

*By counterparties:*

The Company focuses on small and medium sized business and its credit risk is diversified over a large number of clients.

*By economic sectors:*

Economic sector risk concentrations for financial assets exposed to credit risk are as follows:

	<i>2010</i>	<i>%</i>	<i>2009</i>	<i>%</i>
Construction	480,918	17.62	594,819	27.01
Transport	593,589	21.75	504,324	22.90
Services	267,488	9.80	328,163	14.90
Road construction	345,368	12.66	273,720	12.43
Agriculture	460,779	16.89	240,289	10.91
Printing industry	176,497	6.47	106,793	4.85
Manufacturing	243,081	8.91	98,068	4.45
Retail trade	23,521	0.86	26,120	1.20
Food processing	137,433	5.04	29,822	1.35
	<b>2,728,674</b>	<b>100.00</b>	2,202,118	100.00

*By geographic concentration:*

As at 31 December 2010 and 2009 all monetary assets and liabilities of the Company were concentrated in Kazakhstan.

**Liquidity risk and funding management**

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required. Fund management is carried out by Finance function. It includes managing and monitoring day to day cash flows and funding needs.

The liquidity position is assessed and managed by the Company based on the ratios of net liquid assets and liabilities. As at 31 December, these ratios were as follows:

	<i>2010</i>	<i>2009</i>
Current Liquidity Ratio (assets receivable or realizable within one year / liabilities repayable within one year)	3.20	2.12
Long-Term Liquidity Ratio (assets receivable or realisable in more than one year / liabilities repayable in more than one year)	0.95	1.10

*(Thousands of tenge)***19. Risk management (continued)****Liquidity risk and funding management (continued)***Analysis of financial liabilities by remaining contractual maturities*

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2010 and 2009 based on contractual undiscounted repayment obligations.

	<i>2010</i>			<i>Total</i>
	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	
<b>Financial liabilities</b>				
Amounts due to credit institutions	86,086	229,906	1,012,655	1,328,647
Debt securities issued	22,250	33,750	511,250	567,250
Other liabilities	66,420	–	–	66,420
<b>Total undiscounted financial liabilities</b>	<b>174,756</b>	<b>263,656</b>	<b>1,523,905</b>	<b>1,962,317</b>

	<i>2009</i>			<i>Total</i>
	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	
<b>Financial liabilities</b>				
Amounts due to credit institutions	157,573	418,473	182,345	758,391
Debt securities issued	27,194	35,294	559,011	621,499
Other liabilities	3,358	–	–	3,358
<b>Total undiscounted financial liabilities</b>	<b>188,125</b>	<b>453,767</b>	<b>741,356</b>	<b>1,383,248</b>

The Company's ability to repay its liabilities relies on its ability to realise an equivalent amount of assets within the same period of time.

Management believes that this level of funding will remain with the Company for the foreseeable future and that in the event of withdrawal of funds, the Company would be given sufficient notice so as to realise its liquid assets to enable repayment.

**Market risk**

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges rates and equity instruments. Except for the concentrations within foreign currency, the Company has no significant concentration of market risk.

*Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Company's income statement.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2010. Impact on equity does not differ from the impact on the income statement.

	<i>Increase in basis points 2010</i>	<i>Sensitivity of net interest income 2010</i>
Inflation	130	6,500

At 31 December 2009 interest rate risk did not arise because interest rates on financial assets and liabilities of the Company were fixed.

(Thousands of tenge)

**19. Risk management (continued)****Market risk (continued)***Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Company limits its exposure to currency risk by indexing the minimum lease payments receivable under finance leases to either USD or Euro.

The tables below indicate the currencies to which the Company had significant exposure as of 31 December 2010 on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Tenge, with all other variables held constant on the statement of comprehensive income. The effect on equity does not differ from the effect on the statement of comprehensive income. A negative amount in the table reflects a potential net reduction in the statement of comprehensive income or equity, while a positive amount reflects a net potential increase.

Currency	2010			
	Increase in currency rate, %	Effect on profit before tax	Decrease in currency rate, %	Effect on profit before tax
Dollar	11.56	(1,656)	(11.56)	1,656
Euro	16.05	(8,054)	(16.05)	8,054

Currency	2009			
	Increase in currency rate, %	Effect on profit before tax	Decrease in currency rate, %	Effect on profit before tax
Dollar	19.50	(10,868)	(19.50)	10,868
Rouble	24.30	1,553	(24.30)	(1,553)
Euro	21.80	9,725	(21.80)	(9,725)

**Operational risk**

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access, and authorisation and reconciliation procedures and staff education.

**20. Fair values of financial instruments***Financial instruments recorded at fair value*

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	2010			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Derivative financial instruments	–	54,194	–	54,194

	2009			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Derivative financial instruments	–	113,180	–	113,180

(Thousands of tenge)

**20. Fair values of financial instruments (continued)**

Change in the fair value of derivative financial instruments at 31 December 2010 in comparison to 31 December 2009 is linked to appreciation of tenge towards US dollar.

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

*Derivatives*

Derivatives valued using a valuation technique with market observable inputs are currency options. The models incorporate various inputs including foreign exchange forward rates.

*Financial instruments that are not carried at fair value in the statement of financial position*

Set out below is a comparison of the carrying amounts and fair values of the Company's financial instruments that are not recorded at fair value in the statement of comprehensive income. The table does not include the fair values of non-financial assets and non-financial liabilities.

	2010			2009		
	Carrying value	Fair value	Unrecognised gain / (loss)	Carrying value	Fair value	Unrecognised gain / (loss)
<b>Financial assets</b>						
Cash and cash equivalents	96,530	96,530	–	48,354	48,354	–
Net investment in finance leases	2,333,439	2,394,012	60,573	1,795,815	1,838,157	42,342
Other assets (only monetary)	43,618	43,618	–	16,873	16,873	–
<b>Financial liabilities</b>						
Amounts due to credit institutions	1,008,693	989,173	19,520	691,702	683,835	7,867
Debt securities issued	509,015	446,266	62,749	509,953	264,944	245,009
Other liabilities	66,420	66,420	–	3,358	3,358	–
<b>Total unrecognised change in unrealised fair value</b>			<b>142,842</b>			<b>295,218</b>

*Financial instruments that are not carried at fair value in the statement of financial position (continued)*

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

*Assets for which fair value approximates carrying value*

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

*Fixed rate financial instruments*

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

**Capital management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There are no minimum capital requirements imposed by regulatory authorities for the Company.

(Thousands of tenge)

**21. Maturity analysis of assets and liabilities**

The table below shows financial assets and liabilities according to when they are expected to be settled:

	2010			2009		
	Within one year	More than one year	Total	Within one year	More than one year	Total
<b>Financial assets</b>						
Cash and cash equivalents	96,530	–	96,530	48,354	–	48,354
Derivative financial instruments	24,078	30,116	54,194	28,117	85,063	113,180
Inventory	124,599	–	124,599	169,630	–	169,630
Net investment in finance leases	1,168,038	1,165,401	2,333,439	1,064,916	730,899	1,795,815
Investment property	–	1,017,680	1,017,680	–	1,042,428	1,042,428
Property and equipment	–	5,502	5,502	–	6,454	6,454
Current corporate income tax assets	3,750	–	3,750	3,750	–	3,750
Other assets	64,723	1,997	66,720	32,695	3,189	35,884
<b>Total</b>	<b>1,481,718</b>	<b>2,220,696</b>	<b>3,702,414</b>	<b>1,347,462</b>	<b>1,868,033</b>	<b>3,215,495</b>
<b>Financial liabilities</b>						
Amounts due to credit institutions	209,194	799,499	1,008,693	525,219	166,483	691,702
Debt securities issued	56,000	453,015	509,015	13,444	496,509	509,953
Deferred corporate income tax liabilities	–	52,322	52,322	–	45,084	45,084
Other liabilities	157,151	59,470	216,624	3,358	75,020	78,378
<b>Total</b>	<b>422,345</b>	<b>1,364,306</b>	<b>1,786,654</b>	<b>542,021</b>	<b>783,096</b>	<b>1,325,117</b>
<b>Net</b>	<b>1,059,373</b>	<b>856,389</b>	<b>1,915,760</b>	<b>805,441</b>	<b>1,084,937</b>	<b>1,890,378</b>

**22. Related party transactions**

In accordance with IAS 24 “Related Party Disclosures”, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties include Company’s shareholders, key management personnel and organization in which shareholders or key management personnel of the Company directly or indirectly have the significant influence. Transactions between related parties are effected on the same terms, conditions and amounts as transactions between unrelated parties.

The amount of related party transactions and balances as of 31 December 2010 and 2009 as well as the respective amounts of income and expenses for the years ended 31 December 2010 and 2009 are as follows:

	2010	2009
	Shareholders	Shareholders
<b>Current accounts, beginning of the year</b>	48,311	1,970
Additions	2,475,211	1,387,681
Disposal	(2,427,042)	(1,341,340)
<b>Current accounts, end of the year</b>	<b>96,480</b>	<b>48,311</b>
<b>Time deposits placed up to 90 days, beginning of the year</b>	–	20,028
Additions	–	–
Disposal	–	(20,028)
<b>Time deposits placed up to 90 days, end of the year</b>	<b>–</b>	<b>–</b>
<b>Available-for-sale investment securities, beginning of the year</b>	–	22,248
Additions	–	–
Accrued interest	–	2,444
Allowance for revaluation of securities	–	(23,473)
Redemption of accrued interest	–	(1,219)
<b>Available-for-sale investment securities, end of the year</b>	<b>–</b>	<b>–</b>
Interest income	–	2,444
<b>Amounts due to credit institutions, beginning of the year</b>	691,702	1,532,488
Loans received	982,871	174,076
Loans repaid	(1,026,953)	(1,014,862)
<b>Amounts due to credit institutions, end of the year</b>	<b>647,620</b>	<b>691,702</b>
Interest expense	(82,934)	(151,832)
Operating lease income	51,285	58,521
Other operating expenses	(4,534)	(12,003)

*(Thousands of tenge)***22. Related party transactions (continued)**

In 2010 compensation to 3 members of key management personnel (2009: 3 members of key management personnel) comprised of the following:

	<i>2010</i>	<i>2009</i>
Salaries and other short-term benefits	<u>23,375</u>	<u>19,392</u>
Social security costs	<u>2,227</u>	<u>1,919</u>
<b>Total key management compensation</b>	<u><b>25,602</b></u>	<u><b>21,311</b></u>

As described in Note 11, during 2010 the Company received a loan from the Fund for Development of Entrepreneurship "DAMU" JSC in the amount of KZT 479,800 thousand. Temirbank JSC issued a guarantee for the indicated amount as a security for the loan.