

*For the year ended 31 December 2011
together with Independent Auditors' Report*

CONTENTS

INDEPENDENT AUDITORS' REPORT

Statement of Financial Position	1
Statement of comprehensive income	2
Statement of changes in equity	3
Statement of cash flows	4

NOTES TO THE FINANCIAL STATEMENTS

1. Principal activities	5
2. Basis of preparation	5
3. Summary of significant accounting policies	5
4. Significant accounting judgements and estimates	14
5. Cash and cash equivalents	15
6. Amounts due from credit institutions	15
7. Net investment in finance leases	15
8. Embedded derivative financial instruments	16
9. Inventories	17
10. Investment property	17
11. Other assets and liabilities	17
12. Amounts due to credit institutions	18
13. Debt securities issued	18
14. Taxation	18
15. Share capital	19
16. Fee and commission income	19
17. Personnel and other operating expenses	20
18. Earnings per share	20
19. Contingent liabilities	20
20. Risk management	21
21. Fair value of financial instruments	25
22. Maturity analysis of financial assets and liabilities	27
23. Related party disclosures	27

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 2011, 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 about 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' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Temirleasing JSC as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP



Evgeny Zhemaletdinov
Auditor / General Director
Ernst and Young LLP



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

Auditor Qualification Certificate No. 0000553
dated 24 December 2003

20 April 2012

STATEMENT OF FINANCIAL POSITION

At 31 December 2011

(Thousands of Tenge)

	Notes	2011	2010
Assets			
Cash and cash equivalents	5	540,610	96,530
Amounts due from credit institutions	6	36,516	—
Net investment in finance leases	7	2,217,448	2,333,439
Embedded derivative financial instruments	8	14,270	54,194
Inventories	9	131,531	124,599
Investment property	10	988,019	1,017,680
Property and equipment		4,743	5,502
Current corporate income tax assets		3,750	3,750
Other assets	11	74,730	66,720
Total assets		4,011,617	3,702,414
Liabilities			
Amounts due to credit institutions	12	1,404,798	1,008,693
Debt securities issued	13	512,966	509,015
Deferred corporate income tax liabilities	14	48,079	52,322
Other liabilities	11	99,381	216,624
Total liabilities		2,065,224	1,786,654
Equity	15		
Share capital		1,684,113	1,684,113
Retained earnings		262,280	231,647
Total equity		1,946,393	1,915,760
Total equity and liabilities		4,011,617	3,702,414

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

Slamkulov N. O.

General Director

Temirzhanova Zh. K.

Chief accountant



20 April 2012

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 2011

(Thousands of Tenge)

	Notes	2011	2010
Interest income			
Net investment in finance leases		353,586	309,815
		<u>353,586</u>	<u>309,815</u>
Interest expenses			
Amounts due to credit institutions		(161,217)	(105,604)
Debt securities issued		(53,538)	(50,150)
		<u>(214,755)</u>	<u>(155,754)</u>
Net interest income		138,831	154,061
(Charge) / recovery of allowance for impairment on interest bearing assets	7	(32,047)	11,068
Net interest income after allowance		<u>106,784</u>	<u>165,129</u>
 Fee and commission income	16	8,199	6,188
Net income from initial recognition of loans received / financial lease granted at below market rates		67,452	43,128
Income from operating lease		62,164	59,461
Proceeds from sale of inventory		(433)	(493)
Net expenses from foreign currencies:			
- dealing		(18,880)	(58,962)
- translation differences		(3,701)	(5,474)
Other income		7,996	5,847
Non-interest income		<u>122,797</u>	<u>49,695</u>
 Personnel expenses	17	(104,191)	(86,230)
Depreciation and amortization	10	(26,461)	(26,714)
Other provisions	11	-	(141)
Loss from impairment of inventory		-	(6,574)
Other operating expenses	17	(72,539)	(62,545)
Non-interest expense		<u>(203,191)</u>	<u>(182,204)</u>
 Profit before corporate income tax expense		26,390	32,620
Corporate income tax benefit / (expense)	14	4,243	(7,238)
Profit for the year		<u>30,633</u>	<u>25,382</u>
 Other comprehensive income		-	-
Total comprehensive income for the year		<u>30,633</u>	<u>25,382</u>
Basic and diluted earnings per share (in Tenge)	18	19.63	16.27

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

(Thousands of Tenge)

	<i>Share capital</i>	<i>Retained earnings</i>	<i>Total capital</i>
31 December 2009	1,684,113	206,265	1,890,378
Total comprehensive income for the year	—	25,382	25,382
31 December 2010	1,684,113	231,647	1,915,760
Total comprehensive income for the year	—	30,633	30,633
31 December 2011	1,684,113	262,280	1,946,393

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 2011
(Thousands of Tenge)

	<i>Notes</i>	<i>2011</i>	<i>2010</i>
Cash flows from operating activities			
Interest received		334,603	283,994
Interest paid		(180,061)	(148,678)
Commission income received		9,684	4,703
Income from operating lease received		63,363	59,376
Other operating income received		11,902	3,839
Expenses from foreign currencies		(3,560)	(5,678)
Personnel expenses paid		(104,150)	(78,550)
Other operating expenses paid		(65,989)	(84,173)
Cash flows from operating activities before changes in operating assets and liabilities		65,792	34,833
<i>Net decrease / (increase) in operating assets</i>			
Net investment in finance leases		119,846	(642,571)
Amounts due from credit institutions		(35,000)	—
Inventories		(7,364)	74,752
Other assets		(15,267)	(17,117)
<i>Net increase / (decrease) in operating liabilities</i>			
Other liabilities		(123,982)	152,194
Net cash flows from / (used in) operating activities before income tax		4,025	(397,909)
Income tax paid		—	—
Net cash from / (used in) operating activities		4,025	(397,909)
Cash from investing activities			
Sale of property and equipment		5,603	—
Purchase of property and equipment		(971)	(375)
Net cash used in investing activities		4,632	(375)
Cash flows from financing activities			
Repayment of amounts due to credit institutions		435,423	449,842
Coupon bonds		—	(3,382)
Net cash from / financing activities		435,423	446,460
Net increase in cash and cash equivalents		444,080	48,176
Cash and cash equivalents, at the beginning of the year		96,530	48,354
Cash and cash equivalents, at the end of the year	5	540,610	96,530

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

(Thousands of tenge)

1. Principal activities

Temirleasing JSC (the "Company") was incorporated in accordance with the law of the Republic of Kazakhstan on 5 March 2001. The Company's principal activity is to grant equipment under financial lease agreements.

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

The number of employees as of 31 December 2011 was 29 persons (31 December 2010: 27 persons).

As at 31 December the following shareholders owned more than 2.5% of the outstanding shares.

Shareholders

	2011 %	2010 %
BTA Bank JSC	35.35	26.75
Temirbank JSC	18.88	18.88
NAK – LTD LLP	9.62	9.62
CARTE BLANCH LTD LLP	9.56	9.56
SMKK LLP	5.87	5.87
FRANCIS ALLIANCE LTD UL	5.64	5.64
Company Premium Invest LLP	5.06	5.06
Corvet LLP	3.35	3.35
INTELLECTUAL CREATIVE SOLUTIONS LTD UL	2.56	2.56
Alau Co LLP	–	8.60
Other	4.11	4.11
Total	100.00	100.00

As at 31 December 2011 authorised and paid capital of the Company comprised 1,560,000 common shares. The controlling shareholder of the Company as at 31 December 2011 is the Government of the Republic of Kazakhstan through BTA Bank JSC and Temirbank JSC.

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 ("KZT" or "Tenge"), except per share amounts and unless otherwise indicated.

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

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 principal effects of these changes are as follows:

IAS 24 Related Party Disclosures (Revised)

The revised IAS 24, issued in November 2009 and effective for annual periods beginning on or after 1 January 2011, 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 disclosure of the transactions with related parties in accordance with the revised Standard is presented in the Note 23.

(Thousands of tenge)

3. Summary of significant accounting policies (continued)

Changes in accounting policy (continued)

Amendment to IAS 32 "Financial Instruments: Presentation": Classification of Rights Issues"

The amendment was issued in October 2009 and became effective for financial years beginning on or after 1 February 2010. The amendment alters the definition of a financial liability to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment had no impact on the Company's financial statements.

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. This interpretation had no impact on the Company's financial statements.

Improvements to IFRSs

In May 2010 the IASB issued the third omnibus of amendments, 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. Each standard has its own transitional provisions. Amendments included in Improvements to IFRS had some impact on the financial policy, financial position or financial results of the Company as follows:

1. IFRS 7 Financial Instruments: Disclosures introduces the amendments to quantitative and credit risk disclosures. Additional requirements have had little impact, since the required information was easily accessible.
2. Other amendments to IFRS 1, IFRS 3, IAS 1, IAS 27, IAS 34 and IFRIC 13 will have no impact on the accounting policies, financial position or performance of the Company.

The following amendments to standards and interpretations did not have any impact on the Company's accounting policies, financial position or results of operations:

3. IFRS 1 First-time Adoption of International Financial Reporting Standards - Voluntary exclusion with the limited scope from the requirement on disclosure of comparative information under IFRS 7, for companies using IFRS for the first time
4. IFRIC 14 Prepayments of a minimum funding requirement

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, available-for-sale financial assets, as appropriate. At initial recognition financial assets are measured at fair value. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The 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 regular way 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.

Day 1' profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Company immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit) in the income statement. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

(Thousands of tenge)

3. Summary of significant accounting policies (continued)

Financial assets (continued)

Fair value determination

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.

Amounts granted to customers and receivables

Amounts 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 amounts granted to customers and receivables are derecognised or impaired, as well as through the amortisation process.

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 if 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 previously recognized in the statement of comprehensive income 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, amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Embedded derivative financial instruments

Derivatives embedded in other financial instruments are accounted for separately and recorded at fair value if their risks and characteristics are not closely related to those of the host contracts and the host contracts are not held for trading or revalued at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value, with changes in fair value recognised in the statement of comprehensive income within net gains/ (losses) from 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.

Borrowings that comprise 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.

(Thousands of tenge)

3. Summary of significant accounting policies (continued)

Leases

Finance – Company as 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-cancellable 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.

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 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 lessor

The Company presents assets subject to operating leases in the statement of financial position according to the nature of the asset. Income from operating lease is recognized in the statement of comprehensive income on a straight line basis over the life of a lease. 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 interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised 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 it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed 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 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 recognized in the statement of comprehensive income.

(Thousands of tenge)

3. Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

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 realized 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 collateralized 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 that considers asset type, industry, geographical location, type of security, past-due status and other relevant factors.

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 changes in unemployment rates, property 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.

Renegotiated investments 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 finance leases conditions.

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.

(Thousands of tenge)

3. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial liabilities

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

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

Taxation

The current corporate income tax expense is calculated in accordance with the regulations 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 taxable 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.

Republic of Kazakhstan also has various operating taxes that are assessed on the Company's activities. These taxes are recorded within other operating expenses in the statement of comprehensive income.

Property and equipment

Property and equipment are carried at historical cost less day-to-day maintenance costs and accumulated depreciation and any accumulated impairment in value. 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:

	<i>Years</i>
Furniture and office equipment	10
Computers and office automation	4-5
Other property and equipment	10-14

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

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

Investment property

Investment property, including 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.

(Thousands of tenge)

3. Summary of significant accounting policies (continued)

Investment property (continued)

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 owner 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. 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.

Inventories

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 recognized 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. These expenses are charged in the period the related salaries are earned. The Company has no post-retirement benefits or significant other compensated 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.

Contingent liabilities

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.

Revenue and expense recognition

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:

(Thousands of tenge)

3. Summary of significant accounting policies (continued)

Recognition of income and expenses

Interest and similar income and expenses

For all financial instruments measured at amortised cost and interest bearing 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.

Proceeds from 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 items include commission income from project evaluation and other advisory services.

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 at the functional currency rate ruling at the date of the transactions. 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 the Republic of Kazakhstan at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the statement of comprehensive income as net gains / (losses) from foreign currencies - translation differences. 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. Non-monetary items measured at fair value in a foreign currency are translated using the official exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the market exchange rate on the date of the transaction are included in net gains from dealing in foreign currencies. As at 31 December 2011 and 2010 the official exchange rates were KZT 148.4 and KZT 147.4 to 1 USD, respectively, and KZT 191.72 and KZT 195.23 to 1 Euro, respectively.

(Thousands of tenge)

3. Summary of significant accounting policies (continued)

Future changes in accounting policies

Standards and interpretations issued but not yet effective

IFRS 9 "Financial Instruments" (first phase)

In November 2009 and 2010 the IASB issued the first phase of IFRS 9 Financial instruments. This Standard will eventually replace IAS 39 "Financial Instruments: Recognition and Measurement." IFRS 9 is effective for annual periods beginning on or after 1 January 2015. 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.

IFRS 10 Consolidated Financial Statements

IFRS 10 Consolidated Financial Statements provides a unified control model that is applicable to all types of entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. In addition IFRS 10 introduces specific application guidance for agency relationships. The standard also contains accounting requirements and consolidation procedures, which are carried over unchanged from IAS 27. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements and is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. Adoption of this amendment will not have any impact on the financial position or performance of the Company.

IFRS 11 Joint Arrangements

IFRS 11 eliminates the possibility of accounting for jointly controlled entities using the proportionate consolidation. Instead, the jointly controlled entities that meet the definition of joint ventures are accounted for using the equity method. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities—Non-monetary Contributions by Venturers and is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. Adoption of this amendment will not have any impact on the financial position or performance of the Company.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 combines the disclosure requirements that were previously contained in IAS 27 as related to consolidated financial statements, as well as IAS 31 and IAS 28. These disclosure requirements apply to shares of the company's participation in subsidiaries, joint venture, associates and structured companies. With respect to such companies were introduced a number of new disclosure requirements. The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. Adoption of this amendment will not have any impact on the financial position or performance of the Company.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The adoption of the IFRS 13 may have effect on the measurement of the Company's assets and liabilities accounted for at fair value. Currently the Company evaluates possible effect of the adoption of IFRS 13 on its financial position and performance.

IAS 27 Separate Financial Statements (Revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment is effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed - IAS 28 Investments in Associates and Joint Ventures. Revised standard describes the application of the equity method to investments in joint ventures in addition to associates. The amendment is effective for annual periods beginning on or after 1 January 2013.

(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)

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 amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment changes requirements to disclosures only and will not have any impact on the Company's financial position or performance.

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. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The Company now evaluates the impact of the adoption of this amendment.

IAS 19 Employee Benefits (Amendment)

The amendment becomes effective for annual periods beginning on or after 01 January 2013. The amendment makes significant changes in accounting for employee benefits, in particular it removes the possibility of deferred recognition in plan assets and liabilities (corridor mechanism). In addition, the amendment limits the change in net pension assets (liabilities) recognized in profit or loss, by net interest income (expense) and costs of services. The amendment will not have any impact on the financial position or performance of the Company.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (Amendment)

The amendment becomes effective for annual periods beginning on or after 1 July 2012. The amendment to IAS 1 changes the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment will affect presentation only and will not have any impact on the Company's financial position or performance.

Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards - A significant hyperinflation and cancellation of fixed dates for companies applying IFRS for the first time

This amendment is effective for annual periods beginning on or after 1 July 2011. The amendment introduces an additional exemption for the use of deemed cost by companies that had undergone significant hyperinflation. The amendment will not have any impact on the financial position or performance of the Company.

4. Significant accounting judgements and estimates

Estimation uncertainty

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

Allowance for impairment of trade and other receivables

The Company analyses its leases and receivables to assess impairment on a monthly basis. The Company uses its experienced judgement 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 judgements 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 at 31 December 2011, 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 comprise the following:

	2011	2010
Cash on hand	53	50
Current accounts – Temirbank JSC	540,557	96,480
Cash and cash equivalents	540,610	96,530

6. Amounts due from credit institutions

Amounts due to credit institutions comprise:

	2011	2010
Time deposits - Kazkommertsbank JSC	36,516	–
Amounts due from credit institutions	36,516	–

7. Net investment in finance leases

Net investment in finance leases includes:

	2011	2010
Minimum lease payments receivable	3,179,966	3,280,508
Unearned finance income	(554,185)	(551,834)
Net minimum lease payments receivable	2,625,781	2,728,674
Less – Allowance for impairment	(408,333)	(395,235)
Net investment in finance leases	2,217,448	2,333,439
Current portion	1,528,466	1,563,273
Less – Allowance for impairment	(408,333)	(395,235)
Current portion, net	1,120,133	1,168,038
Non-current portion	1,097,315	1,165,401
Net investment in finance leases	2,217,448	2,333,439

In 2011 and 2010 leased equipment transferred to finance lease amounted to KZT 1,128,790 thousand and KZT 1,177,765 thousand, respectively.

The interest rates on net investment in finance leases in 2011 range from 8% to 21% (2010: 8% to 21%). The effective interest rate on net investment in finance leases in 2011 was 15.54% p.a. (2010: 15.01% p.a.).

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

	2011		2010	
Years	General Investments	Net investments	General investments	Net investments
2011	–	–	1,663,686	946,311
2012	1,384,378	693,319	691,879	590,377
2013	892,616	725,913	420,374	351,703
2014	512,592	438,269	222,565	189,920
2015	264,668	240,375	168,498	151,380
2016	125,712	119,572	113,506	103,748
	3,179,966	2,217,448	3,280,508	2,333,439

(Thousands of tenge)

7. Net investment in finance leases (continued)

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

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

	2011	2010
As at 1 January	395,235	406,303
Charge / (reversal) for the year	32,047	(11,068)
Write-offs	(18,949)	–
As at 31 December	408,333	395,235
Individual impairment	353,921	269,692
Collective impairment	54,412	125,543
	408,333	395,235
Total amount of investment in finance leases, individually determined to be impaired, before deducting impairment allowance	562,765	531,003

Individually impaired investments in finance leases

Interest income accrued on assets individually determined as impaired, for the year ended 31 December 2011, amounted to KZT 62,170 thousand (2010 - KZT 92,714 thousand).

The fair value of collateral that the Company holds relating to investment in finance leases individually determined to be impaired at 31 December 2011 amounts to KZT 694,375 thousand (31 December 2010: KZT 709,262 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 enhancements

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, and monitors the market value of collateral obtained 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 166,112 thousand (2010: vehicles and specialized equipment totalling to KZT 47,698 thousand) (Note 9). Currently, the Company sells this equipment. According to the Company's policy property that is levied is realized or leased in due course. The proceeds are used to reduce or repay the current debt. As a rule, the Company does not use such property for commercial purposes.

Concentration of investment in finance leases

As at 31 December 2011 the Company had a concentration of investments in finance lease represented by KZT 1,351,893 thousand, due from 10 largest lessee (52% of net minimum lease payments receivable or 70% of equity) (31 December 2010: KZT 1,343,112 thousand (49% of net minimum lease payments receivable or 70% of equity)). At 31 December 2011 a provision of KZT 38,961 thousand was formed against these investments (31 December 2010: KZT 85,429 thousand).

8. Embedded derivative financial instruments

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

	2011			2010		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Currency option	115,893	14,270	–	515,885	54,194	–

As at 31 December 2011 and 2010, the Company had certain investment in finance leases that are foreign currency 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 certain floor (the floor is generally set at the spot rate that prevailed during 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 the original level.

(Thousands of tenge)

8. Embedded derivative financial instruments (continued)

The Company believes that the above feature comprising an embedded foreign currency option is an 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.

9. Inventories

Inventory comprises finance lease items taken back from lessees and either held for resale or for leasing out under finance lease. As at 31 December 2011 and 2010 inventory comprise vehicles and other specialized equipment.

10. Investment property

The movements in investment property were as follows:

	<i>Land</i>	<i>Buildings</i>	<i>Total</i>
Cost:			
31 December 2009 and 2010	158,552	986,604	1,145,156
Disposal	(1,199)	(4,380)	(5,579)
31 December 2011	<u>157,353</u>	<u>982,224</u>	<u>1,139,577</u>
Accumulated depreciation			
31 December 2009	–	(102,728)	(102,728)
Charges	–	(24,748)	(24,748)
31 December 2010	–	(127,476)	(127,476)
Charges	–	(24,721)	(24,721)
Disposal	–	639	639
31 December 2011	<u>–</u>	<u>(151,558)</u>	<u>(151,558)</u>
Net book value:			
31 December 2011	<u>157,353</u>	<u>830,666</u>	<u>988,019</u>
31 December 2010	<u>158,552</u>	<u>859,128</u>	<u>1,017,680</u>
31 December 2009	<u>158,552</u>	<u>883,876</u>	<u>1,042,428</u>

Depreciation and amortisation in the 2011 statement of comprehensive income comprises amortization of fixed assets in the amount of KZT 1,075 thousand and intangible assets in the amount of KZT 665 thousand (2010: KZT 1,327 thousand and KZT 639 thousand, respectively).

11. Other assets and liabilities

Other assets comprise:

	<i>2011</i>	<i>2010</i>
Receivables on sold inventory	45,395	40,308
Advances and prepayments	12,684	7,715
Taxes recoverable, other than corporate income tax	11,023	11,772
Accounts payable on reimbursable expenses	10,769	12,468
Deferred expenses on insurance premiums	1,960	998
Intangible assets	1,412	1,997
Lease insurance receivable	593	593
Other	34	27
	<u>83,870</u>	<u>75,878</u>
Less – Allowance for impairment	<u>(9,140)</u>	<u>(9,158)</u>
Other assets	<u>74,730</u>	<u>66,720</u>

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

	<i>Other assets</i>
At 1 January 2010	9,017
Charge for the year	141
At 31 December 2010	<u>9,158</u>
Write-off for the year	(18)
At 31 December 2011	<u>9,140</u>

(Thousands of tenge)

11. Other assets and liabilities (continued)

Other liabilities comprise:

	2011	2010
VAT payable	64,640	59,470
Advances from lessees	15,941	90,733
Payables to suppliers	14,206	63,214
Professional services payable	3,206	3,207
Other	1,388	—
Other liabilities	99,381	216,624

12. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	2011	2010
JSC "Entrepreneurship Development Fund "Damu "	907,647	361,073
Loans from Temirbank JSC, Tenge	497,151	647,620
Amounts due to credit institutions	1,404,798	1,008,693

As at 31 December 2011 nominal interests rates on loans range from 3.5% to 13% p.a. (31 December 2010: from 3.5% to 16%).

The Company has a credit line from TemirBank JSC of KZT 2,300,000 thousand. It expires on 25 December 2018. The credit facility is collateralized by investment properties belonging to the Company with carrying value of KZT 988,019 thousand at 31 December 2011 (2010: KZT 1,017,680 thousand).

In 2011 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 585,200 thousand for the period of 84 months. Terms of this credit line comprise certain financial and non-financial covenants. In particular, the financial position of a borrower 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. As at 31 December 2011 the Company was in compliance with covenants under the agreement. As at 31 December 2010 there were no obligations to comply with financial indicators on amounts due to credit institutions.

13. Debt securities issued

Debt securities issued comprise:

	2011	2010
Debt securities issued	499,522	498,015
Interest payable	13,444	11,000
Debt securities issued	512,966	509,015

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. On 4 April 2012 the Company fully redeemed debt securities issued. 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.

14. Taxation

The corporate income tax ("CIT") expense comprises:

	2011	2010
Current CIT expenses	—	—
Deferred CIT (benefit) /expense – origination and decrease of temporary differences	(4,243)	7,238
CIT (benefit) /expense	(4,243)	7,238

In accordance with Kazakhstan legislation, income derived from financial leasing for a period of more than three years, with subsequent transfer of the title of equipment to a lessee, is exempt from CIT. 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 the tax legislation the applied CIT rate is 20%.

(Thousands of tenge)

14. Taxation (continued)

A reconciliation of the CIT expense calculated at the statutory rate is as follows:

	2011	2010
Profit before tax	26,390	32,620
Statutory CIT rate	20%	20%
Theoretical CIT expense at statutory rate	5,278	6,524
Change in unrecognised deferred tax assets	—	(265,429)
Non-taxable income from finance leases	(53,577)	(36,161)
Difference associated with the change in tax rate	—	(787)
Decrease in tax loss carried forward as per Tax Code changes	43,361	295,847
Expenses on derivative financial instruments	3,776	13,631
Allowance for impairment of assets	15,454	806
Other	(10,049)	(7,193)
CIT expenses	4,243	7,238

	<i>Origination and decrease of temporary differences in the statements of comprehensive income</i>		<i>Origination and decrease of temporary differences in the statements of comprehensive income</i>		
	2009	2010	2010	2011	
Tax effect of deductible temporary differences:					
Tax losses carried forward	246,500	(246,500)	—	—	—
Advances paid	991	(386)	605	36	641
Allowance for impairment of assets	17,938	(17,938)	—	—	—
Deferred tax assets	265,429	(264,824)	605	36	641
Unrecognised deferred tax assets	(265,429)	265,429	—	—	—
Deferred tax asset	—	605	605	36	641
Tax effect of taxable temporary differences:					
Investment property and property and equipment	(45,084)	(7,843)	(52,927)	4,207	(48,720)
Deferred tax liability	(45,084)	(7,843)	(52,927)	4,207	(48,720)
Deferred tax liability, net	(45,084)	(7,238)	(52,322)	4,243	(48,079)

At 31 December 2011 for financial reporting purposes, deferred tax assets totalling KZT 20,599 thousand (31 December 2010: KZT 128,675 thousand), were not recognized due to prudence and due to the uncertainties surrounding the realization of these deferred tax assets.

15. Share capital

As at 31 December 2011 and 2010 authorised and paid capital of the Company comprised 1,560,000 common shares. The placement value was KZT 1,000 per share. In 2011 and 2010 the Company did not declare and pay any dividends.

16. Fee and commission income

Fee and commission income comprises:

	2011	2010
Income from expertise of potential lessee's projects	5,359	3,411
Income from agent agreements	2,572	2,206
Income from restructuring of payment schedules	268	571
Fee and commission income	8,199	6,188

(Thousands of tenge)

17. Personnel and other operating expenses

Personnel and other operating expenses comprise the following:

	2011	2010
Salaries and bonuses	(95,019)	(78,550)
Social security costs	(9,172)	(7,680)
Personnel expenses	(104,191)	(86,230)
Utilities	(16,165)	(13,263)
Rent	(14,719)	(14,834)
Taxes other than CIT	(13,694)	(14,228)
Bank charges	(10,527)	(4,460)
Professional fees	(10,367)	(9,346)
Business trip expenses	(1,868)	(1,546)
Communication	(1,775)	(1,836)
Advertising expenses	(1,046)	(1,316)
Other expenses	(2,378)	(1,716)
Other operating expenses	(72,539)	(62,545)

18. Earnings per share

Basic and diluted earnings per share is 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.

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

	2011	2010
Net income attributable to common shareholders	30,624	25,382
Weighted average number of common shares	1,560,000	1,560,000
Basic and diluted earnings per share (Tenge)	19.63	16.27

19. Contingent liabilities**Taxation**

Various types of legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual.

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

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

Because of the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, penalties and fines, if any, may be in excess of the amount expensed to date and accrued at 31 December 2011. 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 Kazakhstan 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 complaints.

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 above described contingent liabilities.

(Thousands of tenge)

20. Risk management

Introduction

Risk is inherent in the Company's activities. The Company manages these risks 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 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 counterparty, industry concentration and type of asset, 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 obligations and by changing those limits where appropriate. Exposure to credit risk is also managed by insuring the leased assets. The Company has also 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.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

The carrying amount of components of the statement of financial position, including derivatives, without the influence of risk mitigation through the use of master netting agreements and collateral agreements, most accurately reflects the maximum credit exposure on these components.

Where financial instruments are recorded at fair value, their carrying amounts represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

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.

(Thousands of tenge)

20. Risk management (continued)**Credit risk (continued)***Derivative financial instruments (continued)*

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>	2011			
	<i>Standard grade</i>		<i>Impaired</i>	<i>Total</i>
	<i>Total</i>	<i>including Past due but not impaired</i>		
Cash and cash equivalents	540,557	—	—	540,557
Amounts due from credit institutions	36,516	—	—	36,516
Net investment in finance leases	1,698,045	18,063	927,736	2,625,781
Embedded derivative financial instruments	14,270	—	—	14,270
Other assets	51,849	35,855	4,514	56,363
Total	2,341,237	53,918	932,250	3,273,487

<i>Financial assets</i>	2010			
	<i>Standard grade</i>		<i>Impaired</i>	<i>Total</i>
	<i>Total</i>	<i>including Past due but not impaired</i>		
Cash and cash equivalents	96,480	—	—	96,480
Net investment in finance leases	1,501,015	12,230	1,227,659	2,728,674
Embedded derivative financial instruments	54,194	—	—	54,194
Other assets	46,607	29,365	6,169	52,776
Total	1,698,296	41,595	1,233,828	2,932,124

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><30 days</i>	<i>From 30 to 90 days</i>	<i>Total</i>
31 December 2011			
Net investment in finance leases	18,063	—	18,063
Other financial assets	27,767	8,088	35,855
Total	45,830	8,088	53,918
31 December 2010			
Net investment in finance leases	6,756	5,474	12,230
Other financial assets	20,962	8,403	29,365
Total	27,718	13,877	41,595

Leases overdue by over 30 days, but by 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 144,369 thousand (2010: KZT 92,714 thousand). The Company addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

(Thousands of tenge)

20. Risk management (continued)**Credit risk (continued)***Individually assessed allowances*

The Company determines the allowances appropriate for each individually significant lessee or a 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 should bankruptcy ensue; the availability of other financial support and the realisable 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 objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the appropriate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Credit department management is responsible for deciding the length of this period which can extend for as long as 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.

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

	2011	2010
Net investment in finance leases	28,263	111,715
Total	28,263	111,715

Concentration of credit risk

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.

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:

	2011	%	2010	%
Construction	415,120	15.81	480,918	17.62
Transportation	571,750	21.77	593,589	21.75
Services	374,430	14.26	267,488	9.80
Road construction	206,923	7.88	345,368	12.66
Agriculture	506,540	19.29	460,779	16.89
Printing industry	137,829	5.25	176,497	6.47
Manufacturing	260,671	9.93	243,081	8.91
Retail trading	20,902	0.80	23,521	0.86
Food industry	131,616	5.01	137,433	5.04
	2,625,781	100.00	2,728,674	100.00

By geographic concentration:

At 31 December 2011 and 2010, all monetary assets and liabilities of the Company were concentrated in Kazakhstan.

(Thousands of tenge)

20. Risk management (continued)**Liquidity risk and funding management**

Liquidity risk is the risk that the Company will be unable to meet its 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:

	2011	2010
Current Liquidity Ratio (assets receivable or realizable within one year / liabilities repayable within one year)	1.95	3.20
Long-Term Liquidity Ratio (assets receivable or realisable in more than one year / liabilities repayable in more than one year)	0.97	0.95

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2011 and 2010, based on contractual undiscounted payments.

	2011			Total
	<3 months	From 3 to 12 months	From 1 to 5 years	
Financial liabilities				
Amounts due to credit institutions	84,546	343,949	1,414,529	1,843,024
Debt securities issued	27,193	500,306	—	527,499
Other liabilities	17,412	—	—	17,412
Total undiscounted financial liabilities	129,151	844,255	1,414,529	2,387,935
	2010			Total
	<3 months	From 3 to 12 months	From 1 to 5 years	
Financial liabilities				
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
Total undiscounted financial liabilities	174,756	263,656	1,523,905	1,962,317

The Company's capability to meet its liabilities depends upon its ability to realise an equivalent amount of assets within the certain 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 or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices. 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 statement of comprehensive income.

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 2011. The effect on equity does not differ from the effect on the income statement.

	Increase in basis points 2011	Sensitivity of net interest income, 2011
Inflation	150	2,311
	Increase in basis points 2010	Sensitivity of net interest income, 2010
Inflation	130	6,500

(Thousands of tenge)

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

Currency risk is the risk that the value of a financial instrument 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 at 31 December 2011 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. The negative amount in the table reflects a potential net reduction in statement of comprehensive income or equity, while a positive amount reflects a net potential increase.

2011				
Currency	Increase in currency rate, in %	Impact on profit	Decrease in currency rate, in %	Impact on profit
		before tax		before tax
USD	10.72	(3,421)	(10.72)	3,421
Euro	16.33	(106)	(16.33)	106

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

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 a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorisation and reconciliation procedures and staff education.

21. Fair value 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; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

(Thousands of tenge)

21. Fair value of financial instruments (continued)*Financial instruments recorded at fair value (continued)*

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

	2011			Total
	Level 1	Level 2	Level 3	
Financial assets				
Derivative financial instruments	–	14,270	–	14,270
	2010			Total
	Level 1	Level 2	Level 3	
Financial assets				
Derivative financial instruments	–	54,194	–	54,194

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

Derivative instruments valued using a valuation technique with market observable inputs are currency option. These derivatives are valued using models incorporate various inputs including foreign exchange forward rates.

Financial instruments 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.

	2011			2010		
	Carrying value	Fair value	Unrecognised gain / (loss)	Carrying value	Fair value	Unrecognised gain / (loss)
Financial assets						
Cash and cash equivalents	540,611	540,611	–	96,530	96,530	–
Amounts due from credit institutions	36,516	36,516	–	–	–	–
Net investment in finance leases	2,217,448	2,233,641	16,193	2,333,439	2,394,012	60,573
Other financial assets	47,224	47,224	–	43,618	43,618	–
Financial liabilities						
Amounts due to credit institutions	1,404,798	1,441,908	37,110	1,008,693	989,173	19,520
Debt securities issued	512,966	512,966	–	509,015	446,266	62,749
Other financial liabilities	17,412	17,412	–	66,420	66,420	–
Total unrecognised change in unrealized fair value			53,303			142,842

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.

(Thousands of tenge)

21. Fair value of financial instruments (continued)**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. The Company is not the subject to externally imposed capital requirements.

22. Maturity analysis of financial assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled:

	2011			2010		
	Within one year	More than one year	Total	Within one year	More than one year	Total
Financial assets						
Cash and cash equivalents	540,610	—	540,610	96,530	—	96,530
Amounts due from credit institutions	36,516	—	36,516	—	—	—
Derivative financial instruments	6,908	7,362	14,270	24,078	30,116	54,194
Inventories	131,531	—	131,531	124,599	—	124,599
Net investment in finance leases	1,120,133	1,097,315	2,217,448	1,168,038	1,165,401	2,333,439
Investment property	—	988,019	988,019	—	1,017,680	1,017,680
Property and equipment	—	4,743	4,743	—	5,502	5,502
Current corporate income tax assets	3,750	—	3,750	3,750	—	3,750
Other assets	72,733	1,997	74,730	64,723	1,997	66,720
Total	1,912,181	2,099,436	4,011,617	1,481,718	2,220,696	3,702,414
Financial liabilities						
Amounts due to credit institutions	328,629	1,076,169	1,404,798	209,194	799,499	1,008,693
Debt securities issued	512,966	—	512,966	56,000	453,015	509,015
Deferred corporate income tax liabilities	—	48,079	48,079	—	52,322	52,322
Other liabilities	99,381	—	99,381	157,151	59,473	216,624
Total	940,976	1,124,248	2,065,224	422,345	1,364,309	1,786,654
Net	971,205	975,188	1,946,393	1,059,373	856,387	1,915,760

23. Related party disclosures

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, and 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 2011 and 31 December 2010 as well as the respective amounts of income and expenses for the years ended 31 December 2011 and 2010 are as follows:

	2011	2010
	Shareholders	Shareholders
Current accounts, beginning of the year	96,480	48,311
Additions	2,987,342	2,475,211
Disposal	(2,543,265)	(2,427,042)
Current accounts, end of the year	540,557	96,480
Amounts due to credit institutions at the beginning of the period	1,008,693	691,702
Loans received	1,241,505	1,467,473
Loans repaid	(845,400)	(1,150,482)
Amounts due to credit institutions at the end of the period	1,404,798	1,008,693
Interest expenses	(161,217)	(105,604)
Income from operating lease	55,031	51,285
Other operating expenses	(10,527)	(4,534)

*(Thousands of tenge)***23. Related party disclosures (continued)**

In 2011 compensation to 3 members of key management personnel (2010: 3 members of key management personnel) comprised of the following:

	<i>2011</i>	<i>2010</i>
Salary and other short-term benefits	<u>28,002</u>	23,375
Social security costs	<u>2,592</u>	2,227
Total key management personnel compensation	<u>30,594</u>	<u>25,602</u>

As described in Note 11, during 2011 the Company received a loan from the Fund for Development of Entrepreneurship "DAMU" JSC in the amount of KZT 585,200 thousand. Temirbank JSC issued a guarantee for the said amount as a security for the loan.