

**JSC Fund for Entrepreneurship
Development “Damu” (formerly JSC
Fund for Small Entrepreneurship
Development)**

Financial Statements
for the year ended 31 December 2008

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Independent Auditors' Report

To the Management of JSC Fund for Entrepreneurship Development "Damu" (formerly JSC Fund for Small Entrepreneurship Development)

Report on the Financial Statements

We have audited the accompanying financial statements of JSC Fund for Entrepreneurship Development "Damu" (the "Company"), which comprise the balance sheet as at 31 December 2008, and the income statement, 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 notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility


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

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

Opinion


In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.


Berdalina J. K.
Certified Auditor
President



KPMG Audit LLC
Licence # 0000021 dated 6 December 2006
to conduct audits




Gregor William Mowat
Audit Partner

17 March 2009

*JSC Fund for Entrepreneurship Development "Damu"
(formerly JSC Fund for Small Entrepreneurship Development)
Income Statement for the year ended 31 December 2008*

		2008	Restated 2007
	Note	'000 KZT	'000 KZT
Interest income	4	10,088,520	3,273,510
Interest expense	4	(4,299,542)	(451,194)
Net interest income		5,788,978	2,822,316
Net foreign exchange loss		(439)	(12,433)
Other income	5	35,260	29,894
		5,823,799	2,839,777
Impairment losses	6	(2,828,898)	(1,559,361)
General administrative expenses	7	(1,794,756)	(1,384,676)
Profit/(loss) before income tax		1,200,145	(104,260)
Income tax expense	8	(414,937)	(91,203)
Profit/(loss) for the year		785,208	(195,463)

The financial statements as set out on pages 5 to 46 were approved by management and signed on its behalf on 17 March 2009 by:

Amrin G.K.
Chairman of the Board



Abdieva G.K.
Chief Accountant



The income statement is to be read in conjunction with the notes to, and forming part of, the financial statements.

*JSC Fund for Entrepreneurship Development "Damu"
(formerly JSC Fund for Small Entrepreneurship Development)
Balance Sheet as at 31 December 2008*

		2008	Restated 2007
	Note	'000 KZT	'000 KZT
ASSETS			
Cash and cash equivalents	9	2,769,031	833,692
Amounts receivable under reverse repurchase agreements	10	5,739,671	8,058,732
Loans to banks	11	106,489,900	50,030,896
Available-for-sale assets	12	6,089,253	8,313,413
Loans to customers	13	11,597,018	16,223,235
Investments in unconsolidated subsidiary and associates	14	17,099	22,154
Income tax prepaid		322,106	101,371
Property and equipment	15	541,295	535,831
Intangible assets	16	93,535	64,260
Deferred tax asset	17	431,866	681,757
Other assets	18	179,259	466,253
Total assets		134,270,033	85,331,594
LIABILITIES AND EQUITY			
Loans from banks and other financial institutions	19	7,720,314	811,599
Loans from the Shareholder Group	20	86,327,627	48,947,671
Debt securities issued	21	-	3,109,123
Other liabilities	22	749,485	499,395
Total liabilities		94,797,426	53,367,788
Equity			
Share capital	23	44,920,273	37,120,273
Other reserves		316,430	316,430
Revaluation reserve for available-for-sale assets		(1,958,463)	(882,056)
Accumulated losses		(3,805,633)	(4,590,841)
Total equity		39,472,607	31,963,806
Total liabilities and equity		134,270,033	85,331,594



The balance sheet is to be read in conjunction with the notes to, and forming part of, the financial statements.

JSC Fund for Entrepreneurship Development "Damu"
(formerly JSC Fund for Small Entrepreneurship Development)
Statement of Cash Flows for the year ended 31 December 2008

	2008 '000 KZT	Restated 2007 '000 KZT
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before income tax	1,200,145	(104,260)
<i>Adjustments for:</i>		
Depreciation and amortisation	92,875	46,584
Impairment losses	2,828,898	1,559,361
Loss/(gain) on disposal of property and equipment	2,186	(4,801)
Vacation accrual	58,656	-
Accrued interest (income)/expense, net	(351,787)	135,127
Amortisation of discount, net	(13,029)	(50,023)
Operating income before changes in net operating assets	3,817,944	1,581,988
(Increase)/decrease in operating assets		
Amounts receivable under reverse repurchase agreements	2,321,457	(6,224,483)
Loans to banks	(55,051,856)	(46,371,843)
Loans to customers	2,078,466	(6,072,216)
Other assets	42,837	(91,959)
Increase/(decrease) in operating liabilities		
Loans from banks and other financial institutions	6,811,650	(863,594)
Loans from the Shareholder Group	36,304,466	48,800,000
Other liabilities	100,835	58,725
Net cash used in operating activities before income taxes paid	(3,574,201)	(9,183,382)
Income taxes paid	(385,781)	(150,366)
Cash flows used in operations	(3,959,982)	(9,333,748)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale assets	-	(1,999,993)
Proceeds from sale of available-for-sale assets	1,251,537	2,033,054
Proceeds from sales of subsidiaries and associates	5,055	-
Purchase of property and equipment	(117,329)	(60,574)
Proceeds from sale of property and equipment	31,374	11,243
Purchase of intangible assets	(43,845)	(4,938)
Cash flows from/(used in) investing activities	1,126,792	(21,208)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	7,800,000	9,000,000
Debt securities repurchased	(3,031,471)	(7,153)
Cash flows from financing activities	4,768,529	8,992,847
Net increase/(decrease) in cash and cash equivalents	1,935,339	(362,109)
Cash and cash equivalents at beginning of year	833,692	1,195,801
Cash and cash equivalents at end of year (Note 9)	2,769,031	833,692



The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

JSC Fund for Entrepreneurship Development "Damu"
(formerly JSC Fund for Small Entrepreneurship Development)
Statement of Changes in Equity for the year ended 31 December 2008

	Share capital	Other reserves	Revaluation reserve for available-for-sale assets	Accumulated losses	Total equity
'000 KZT					
Balance at 1 January 2007, as previously reported	28,120,273	316,430	(239,107)	(4,309,840)	23,887,756
Adjustments to prior periods (Note 2 (e))	-	-	-	(85,538)	(85,538)
Balance at 1 January 2007, restated	28,120,273	316,430	(239,107)	(4,395,378)	23,802,218
Net loss for the year, restated (Note 2 (c))	-	-	-	(195,463)	(195,463)
Net unrealised losses on available-for-sale assets	-	-	(642,949)	-	(642,949)
Total recognised income and expense	9,000,000	-	-	-	(838,412)
Shares issued					9,000,000
Balance at 31 December 2007, restated	37,120,273	316,430	(882,056)	(4,590,841)	31,963,806
Net profit for the year	-	-	-	785,208	785,208
Net unrealised losses on available-for-sale assets	-	-	(1,076,407)	-	(1,076,407)
Total recognised income and expense	7,800,000	-	-	-	(291,199)
Shares issued					7,800,000
Balance at 31 December 2008	44,920,273	316,430	(1,958,463)	(3,805,633)	39,472,607



The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

1 Background

(a) Principal activities

JSC Fund for Entrepreneurship Development "Damu" (the "Company") was established under the act of the Government of Republic of Kazakhstan No. 665 dated 26 April 1997 with the purpose of stimulating and encouraging economic growth of small entrepreneurship in the Republic of Kazakhstan; to increase efficient use of state funds aimed at supporting small entrepreneurship; and to implement Decree of the Republic of Kazakhstan No. 3398 dated 6 March 1997 "On measures of reinforcing state support for and development of small entrepreneurship". Prior to June 2008, the Company operated under the name of JSC Fund for Small Entrepreneurship Development.

The Company is registered as a legal entity (registration certificate No. 12840-1910-AO dated 16 October 2003) in the form of a Joint Stock Company and provides financial services.

The Company conducts its business under license No. 4 issued on 5 April 1994 by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Markets and Financial Organisations (the "FMSA") for conducting operations under banking legislation of the Republic of Kazakhstan in local and foreign currency.

The principal activities of the Fund is lending to small and medium sized entrepreneurs ("SME") and microcredit centers through conditional placement of funds with second tier banks. The Fund uses its own and borrowed funds to finance SMEs throughout the Republic of Kazakhstan.

The Company has 16 regional branches from which it conducts business throughout the Republic of Kazakhstan.

The registered address of the Company's head office is 111, Gogol Street, Almaty, Republic of Kazakhstan.

The majority of the Company's assets and liabilities are located in the Republic of Kazakhstan.

(b) Shareholder Group

As at 31 December 2008 the sole shareholder of the Company was JSC Sovereign Wealth Fund "Samruk-Kazyna" (the legal successor of JSC Fund for Sustainable Development "Kazyna", the "Parent company"). The Parent company and its subsidiaries are together referred to as the "Shareholder Group". As at 31 December 2007 the sole shareholder of the Company was JSC Foundation for Sustainable Development "Kazyna". The ultimate controlling party is the Government of the Republic of Kazakhstan. Related party transactions are detailed in Note 28.

(c) Kazakhstan business environment

The Republic of Kazakhstan has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in Kazakhstan involve risks that typically do not exist in other markets. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.



2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that available-for-sale assets are stated at fair value.

(c) Functional and presentation currency

The national currency of the Republic of Kazakhstan is the Kazakhstan Tenge ("KZT"), which is the Company's functional currency and the currency in which these financial statements are presented. All financial information presented in KZT has been rounded to the nearest thousand, except information related to the par value of shares in Note 23.

(d) Use of estimates and judgments

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRS. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 13 - Loans to customers.

(e) Adjustments to prior period

In 2008 the Company identified errors in the application of IAS 12 *Income Taxes* and IAS 39 *Financial Instruments: Recognition and Measurement*. The effect of correction of the errors on the corresponding figures can be summarised as follows:



2 Basis of preparation, continued

(e) Adjustments to prior period, continued

	As previously reported	Effect of correction of errors	Restated
Balance sheet as at 1 January 2007			
Income tax prepaid	151,615	(85,538)	66,077
Total assets	29,005,756	(85,538)	28,920,218
Accumulated losses	(4,309,840)	(85,538)	(4,395,378)
Total equity	23,887,756	(85,538)	23,802,218
Income statement for the year ended 31 December 2007			
Interest income	3,362,486	(88,976)	3,273,510
Loss before income tax	(15,284)	(88,976)	(104,260)
Income tax benefit/(expense)	23,869	(115,072)	(91,203)
Profit/(loss) for the year	8,585	(204,048)	(195,463)
Balance sheet as at 31 December 2007			
Loans to banks	50,119,872	(88,976)	50,030,896
Income tax prepaid	301,981	(200,610)	101,371
Total assets	85,621,181	(289,587)	85,331,594
Accumulated losses	(4,301,254)	(289,587)	(4,590,841)
Total equity	32,253,393	(289,587)	31,963,806

(i) *Adjustment for recognition of income taxes withheld from interest income*

During 2006 and 2007, the Company recorded income tax withheld from interest income on available-for-sale assets and bank term deposits as deductible income tax assets. In 2008 the Company determined that it had no right to carry forward these assets as they were deductible only in the years of related income origination, whereas the Company experienced tax losses in these years. As at 1 January 2007 and 31 December 2007, the effect of the correction of this error was to decrease income tax prepaid by KZT 85,538 thousand and KZT 200,610 thousand, respectively, and increase accumulated losses by KZT 85,538 thousand and KZT 200,610 thousand, respectively. Additionally, income tax benefit and profit for the year decreased by KZT 115,072 thousand for the year ended 31 December 2007.

(ii) *Adjustment for interest income accrued on impaired loans to banks*

During 2007, the Company recognised interest income on impaired loans in the amount of KZT 88,976 thousand, even though there was objective evidence that the asset was impaired. As at 31 December 2007, the effect of the correction of this error was to decrease loans to banks and increase accumulated losses by KZT 88,976 thousand. Additionally, interest income and profit for the year decreased by KZT 88,976 thousand for the year ended 31 December 2007.



3 Significant accounting policies

The following significant accounting policies have been applied in the preparation of the financial statements. The accounting policies have been consistently applied.

(a) Accounting for investments in associates

Associates are those enterprises in which the Company has significant influence, but not control, over the financial and operating policies. Investments in associates are stated at cost.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the appropriate functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in the income statement.

(c) Cash and cash equivalents

The Company considers petty cash and nostro accounts with the National Bank of the Republic of Kazakhstan ("NBRK") and other local banks to be cash and cash equivalents.

(d) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments); or,
- upon initial recognition, designated by the Company as at fair value through profit or loss.

The Company designates financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed and evaluated on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported liabilities.



3 Significant accounting policies, continued

(d) Financial instruments, continued

(i) Classification, continued

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that:

- the Company intends to sell immediately or in the near term;
- the Company upon initial recognition designates as at fair value through profit or loss;
- the Company upon initial recognition designates as available-for-sale; or
- the Company may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity, other than those that:

- the Company upon initial recognition designates as at fair value through profit or loss;
- the Company designates as available-for-sale; or
- meet the definition of loans and receivables.

Available-for-sale assets are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Management determines the appropriate classification of financial instruments at the time of the initial recognition.

(ii) Recognition

Financial assets and liabilities are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method;
- held-to-maturity investments which are measured at amortised cost using the effective interest method; and
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(iii) *Measurement*

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost. Amortised cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognised immediately in the statement of income. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognised over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

(iv) *Fair value measurement principles*

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

(v) *Gains and losses on subsequent measurement*

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in the consolidated income statement;
- a gain or loss on an available-for-sale financial asset is recognised directly in equity through the statement of changes in equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Interest in relation to an available-for-sale financial asset is recognised as earned in the income statement calculated using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in the income statement when the financial asset or liability is derecognised or impaired, and through the amortization process.

(vi) *Derecognition*

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Company transfers substantially all of the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognised separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Company also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.



3 Significant accounting policies, continued

(d) Financial instruments, continued

(vii) Repurchase and reverse repurchase agreements

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts receivable under reverse repo transactions. The differences between the purchase and resale prices are treated as interest income and accrued over the term of the reverse repo agreement using the effective interest method.

If assets purchased under agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(viii) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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 realise the asset and settle the liability simultaneously.

(e) Property and equipment

(i) Recognition and measurement

Items of property and equipment, except for land, are measured at cost less accumulated depreciation and impairment losses. Land is stated at cost less impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are recognised net in "other income" in the income statement.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the income statement as incurred.



3 Significant accounting policies, continued

(e) Property and equipment, continued

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Building	8 years
Equipment	7 years
Vehicles	8 years
Other	10 years

(f) Intangible assets

Intangible assets, which are acquired by the Company, are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of 7 years.

(g) Impairment

(i) Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans, other receivables and unquoted available-for-sale debt securities ("loans and receivables"). The Company reviews its loans and receivables, to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a Company of assets such as adverse changes in the payment status of borrowers in the Company, or economic conditions that correlate with defaults in the Company.

The Company first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables 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.



3 Significant accounting policies, continued

(g) Impairment, continued

(i) *Financial assets carried at amortised cost, continued*

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Company uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in the income statement and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. The Company writes off a loan balance (and any related allowances for loan losses) when the Company's management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

(ii) *Financial assets carried at cost*

Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in the income statement and can not be reversed.

(iii) *Non financial assets*

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.



3 Significant accounting policies, continued

(g) Impairment, continued

(iii) Non financial assets, continued

All impairment losses in respect of non financial assets are recognised in the income statement and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Leases

The Company's lease transactions are classified as either finance or operating leases at inception in accordance with IAS 17, *Leases*.

Finance leases are leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The lease is classified as a finance lease if, individually or in combination:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

The Company, as a lessor, initially measures finance leases at an amount equal to the net investment in the lease. Subsequently the recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the finance lease.

(i) Credit related commitments

In the normal course of business, the Company enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included within other liabilities.



3 Significant accounting policies, continued

(j) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) Dividends

The ability of the Company to declare and pay dividends is subject to the rules and regulations of Kazakh legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(k) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Income and expense recognition

Interest income and expense are recognised in the statement of income using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest rate method.

Other income and expense items are recognised when the corresponding service has been provided.



3 Significant accounting policies, continued

(m) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2008, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Company's operations. The Company plans to adopt this pronouncement when it becomes effective. The Company has not yet analysed the likely impact of the new Standard on its financial position or performance.

- Revised IAS 1 *Presentation of Financial Statements (2007)* which becomes mandatory for the Company's 2009 financial statements is expected to have a significant impact on the presentation of the financial statements. The Standard introduces the concept of total comprehensive income and requires presentation of all owner changes in equity in the statement of changes in equity, separately from non-owner changes in equity.
- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purpose, will come into effect not earlier than 1 January 2009. The Company has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Net interest income

	2008 '000 KZT	2007 '000 KZT
Interest income		
Loans to banks	7,315,806	331,699
Loans to customers	1,347,076	1,469,879
Amounts receivable under reverse repurchase agreements	755,288	668,325
Available-for-sale assets	670,350	803,607
	10,088,520	3,273,510
Interest expense		
Loans from the Shareholder Group	(4,014,215)	(147,671)
Loans from banks and other financial institutions	(200,245)	(48,025)
Debt securities issued	(85,082)	(255,498)
	(4,299,542)	(451,194)

5 Other income

	2008 '000 KZT	2007 '000 KZT
Rental income	31,597	24,304
(Loss)/gain on disposal of property and equipment	(2,186)	4,801
Other	5,849	789
	35,260	29,894

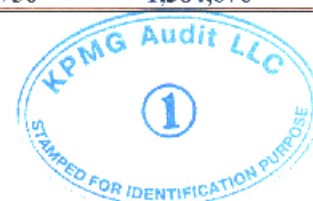


6 Impairment losses

	2008 '000 KZT	2007 '000 KZT
Impairment losses		
Loans to customers (Note 13)	2,547,751	2,883,864
Other assets (Note 18)	244,157	20,371
Provisions for losses under financial guarantees (Note 26)	90,599	138,544
Loans to banks (Note 11)	36,231	-
	2,918,738	3,042,779
Reversal of impairment losses		
Available-for-sale assets (Note 12)	(89,840)	-
Loans to banks (Note 11)	-	(1,483,418)
	(89,840)	(1,438,418)
Net impairment losses	2,828,898	1,559,361

7 General administrative expenses

	2008 '000 KZT	2007 '000 KZT
Employee compensation	1,129,181	891,386
Depreciation and amortisation	92,875	46,584
Payroll related taxes	88,145	100,195
Travel expenses	83,740	46,067
Occupancy	79,711	52,661
Repairs and maintenance	61,079	28,789
Communications and information services	56,431	35,895
Advertising	26,398	15,766
Materials	24,064	9,991
Insurance	18,889	10,979
State duties	16,880	3,456
Consulting services	13,978	12,791
Training	9,852	11,729
Bank charges	9,215	7,902
Taxes other than on income	9,056	4,656
Professional services	3,900	10,221
Penalties and fines	194	32,279
Other	71,168	63,329
	1,794,756	1,384,676



8 Income tax expense

	2008 '000 KZT	2007 '000 KZT
<i>Current tax expense</i>		
Current year	165,046	115,072
	165,046	115,072
<i>Deferred tax expense</i>		
Deferred income tax expense/(benefit)	416,965	(50,260)
(Over)/underprovided in prior period	(167,074)	26,391
	249,891	(23,869)
Total income tax expense in the income statement	414,937	91,203

In 2008, deferred tax expense overprovided relates to interest income on reverse repo transactions which was estimated to be taxable income in prior years but determined to be non-taxable in 2008.

The Company's applicable tax rate for current tax was 30% (2007: 30%) and for deferred taxes was 20% (2007: 30%). With effect from 1 January 2009 the income tax rate for Kazakh companies has been reduced to 20% in 2009, 17.5% in 2010 and 15% in 2011 and subsequently.

Reconciliation of effective tax rate:

	2008 '000 KZT	%	2007 '000 KZT	%
Profit/(loss) before income tax	1,200,145	100	(104,260)	100
Income tax at the applicable tax rate	360,044	30	(31,278)	30
Change in tax rate	215,933	18	-	-
(Over)/underprovided in prior period	(167,074)	(14)	26,391	(25)
Non-deductible withholding income tax	165,046	14	115,072	(110)
Non-taxable income, net of non-deductible costs excluding non-deductible withholding income tax	(159,012)	(13)	(18,982)	18
	414,937	35	91,203	(87)

9 Cash and cash equivalents

	2008 '000 KZT	2007 '000 KZT
Largest 10 local banks – nostro accounts	2,646,904	408,837
NBRK – nostro accounts	104,476	417,757
Other local banks – nostro accounts	17,178	6,711
Petty cash	473	387
	2,769,031	833,692



9 Cash and cash equivalents, continued

	2008 '000 KZT	2007 '000 KZT
Rated BBB	104,476	606,784
Rated from BB- to BB+	2,646,866	181,163
Rated below B-	2,200	38,647
Not rated	15,489	7,098
	2,769,031	833,692

As at 31 December 2008 and 2007 the Company had 1 and 3 banks, respectively, whose balances exceeded 10% of total cash and cash equivalents. The gross value of these balances as at 31 December 2008 and 2007 were KZT 2,604,421 thousand and KZT 746,908 thousand, respectively.

10 Amounts receivable under reverse repurchase agreements

	2008 '000 KZT	2007 '000 KZT
Auto-repo on the Kazakhstan Stock exchange	5,739,671	8,058,732

Collateral

As of 31 December 2008, amounts receivable under reverse repurchase agreements were collateralised by the following securities:

	2008 '000 KZT	2007 '000 KZT
Government bonds	2,003,378	-
Ordinary shares of local banks	2,001,284	5,071,178
Bonds of corporate entities	1,361,084	346,799
Bonds of local banks	1,212,238	896,922
Ordinary shares of corporate entities	624,091	3,257,173
	7,202,075	9,572,072

11 Loans to banks

	2008 '000 KZT	2007 '000 KZT
<i>Not impaired or past due</i>		
Largest 10 Kazakh banks	93,468,227	48,800,000
Other local banks	11,343,984	996,586
Interest accrued	1,677,689	234,310
	106,489,900	50,030,896
<i>Overdue or impaired</i>		
Other local banks	521,095	484,253
Impairment allowance	(521,095)	(484,253)
	106,489,900	50,030,896

11 Loans to banks, continued

	2008 '000 KZT	2007 '000 KZT
Rated from BB- to BB+	64,827,215	30,500,000
Rated below B-	41,214,281	18,300,000
Not rated	448,404	1,230,896
	106,489,900	50,030,896

(a) Concentration of loans to banks

As at 31 December 2008 and 2007 the Company had 5 banks, whose balances exceeded 10% of total loans to banks. The gross value of these balances as of 31 December 2008 and 2007 were KZT 82,311,428 thousand and KZT 42,700,000 thousand, respectively.

Analysis of movements in the impairment allowance

	2008 '000 KZT	2007 '000 KZT
Balance at beginning of year	484,253	1,967,671
Net charge/(recovery) for the year	36,231	(1,483,418)
Foreign exchange loss	611	-
Balance at end of year	521,095	484,253

12 Available-for-sale assets

	2008 '000 KZT	2007 '000 KZT
Debt		
Local corporate bonds		
Rated from BB- to BB+	822,425	89,982
Rated below B-	-	793,820
Not rated	1,138,515	1,122,513
Total local corporate bonds	1,960,940	2,006,315
Local bank bonds		
Rated BB	369,276	-
Rated from BB- to BB+	1,780,995	3,125,279
Rated below B+	1,791,954	2,994,034
Defaulted	1,786,240	1,876,080
Total local bank bonds	5,728,465	7,995,393
Accrued interest on non-defaulted debt	186,088	187,785
Impairment allowance	(1,786,240)	(1,876,080)
	6,089,253	8,313,413



12 Available-for-sale assets, continued

Analysis of movements in the impairment allowance

	2008 '000 KZT	2007 '000 KZT
Balance at beginning of year	1,876,080	1,876,080
Net recovery for the year	(89,840)	-
Balance at end of year	1,786,240	1,876,080

13 Loans to customers

	2008 '000 KZT	2007 '000 KZT
Loans to small and medium businesses ("SME")	6,129,679	12,893,078
Microcredit loans	5,727,012	5,302,458
Finance lease receivables	1,451,695	2,406,677
Small cities program	137,058	487,114
Other programs	188,569	407,856
Accrued interest	180,541	226,477
Gross loans to customers	13,814,554	21,723,660
Impairment allowance	(2,217,536)	(5,500,425)
Net loans to customers	11,597,018	16,223,235

Movements in the loan impairment allowance for the year ended 31 December 2008 are as follows:

	2008 '000 KZT	2007 '000 KZT
Balance at beginning of year	5,500,425	2,616,561
Net charge for the year	2,547,751	2,883,864
Write-offs	(5,840,422)	-
Foreign exchange loss	9,782	-
Balance at the end of the year	2,217,536	5,500,425

(a) Finance lease receivables

The components of net investments in finance lease as at 31 December 2008 and 2007 were as follows:

	2008 '000 KZT	2007 '000 KZT
Within one year	585,089	930,256
Later than one year, but not later than five years	1,127,970	1,981,807
Minimum lease payments	1,713,059	2,912,063
Less unearned finance income	(261,364)	(505,386)
Less impairment allowance	(415,230)	(795,337)
Net investment in finance leases	1,036,465	1,611,340

13 Loans to customers, continued

(b) Credit quality of loan portfolio

The following table provides information on the credit quality of the loan portfolio at 31 December 2008:

	Gross loans	Impairment	Net loans	Impairment to gross loans
	'000 KZT	'000 KZT	'000 KZT	
Loans for which no impairment has been identified:				
- Standard loans	11,412,350	(43,661)	11,368,689	0.38%
Impaired loans:				
- overdue less than 90 days	1,606,610	(1,478,764)	127,846	92.04%
- overdue more than 90 days and less than 1 year	733,487	(633,311)	100,176	86.34%
- overdue more than 1 year	62,107	(61,800)	307	99.51%
Total impaired loans	2,402,204	(2,173,875)	228,329	90.59%
Total loans	13,814,554	(2,217,536)	11,597,018	16.05%

The following table provides information on the credit quality of the loan portfolio as at 31 December 2007:

	Gross loans	Impairment	Net loans	Impairment to gross loans
	'000 KZT	'000 KZT	'000 KZT	
Loans for which no impairment has been identified:				
- Standard loans	15,923,099	(17,493)	15,905,606	0.11%
Impaired loans:				
- overdue less than 90 days	519,288	(496,322)	22,966	95.58%
- overdue more than 90 days and less than 1 year	2,361,895	(2,097,667)	264,228	88.81%
- overdue more than 1 year	2,919,378	(2,888,943)	30,435	98.96%
Total impaired loans	5,800,561	(5,482,932)	317,629	94.52%
Total loans	21,723,660	(5,500,425)	16,223,235	25.32%

The Company reviews its loans on an individual basis for any indications of impairment, whether overdue or not, although management believes that the payment status for these loans is the primary indicator of impairment. The Company has estimated loan impairment for loans based on an analysis of the future cash flows for impaired loans and based on current economic conditions for portfolios of loans for which no indications of impairment has been identified. Impaired loans are assessed by making assumptions on realisable value of collateral and likelihood of successful repossession, the amount and timing of expected receipts and recoveries, the likely deduction of any costs involved in recovery of amounts outstanding. The assumptions are developed for each impaired loan depending on individual circumstances.



13 Loans to customers, continued

(b) Credit quality of loan portfolio, continued

To the extent that the net present value of the estimated cash flows differs by 1%, the loan impairment provision on loans as at 31 December 2008 would be KZT 115,970 thousand lower/higher.

During the year ended 31 December 2008, the Company had no renegotiated loans that would otherwise be past due or impaired (31 December 2007: nil).

(i) Analysis of collateral

The following table provides the analysis of loan portfolio, net of impairment, by types of collateral as at 31 December 2008:

	31 December 2008	% of loan portfolio	31 December 2007	% of loan portfolio
Real estate	8,650,474	74.59	9,159,628	56.46
Motor vehicles and equipment	525,119	4.53	3,418,326	21.07
Guarantees of financial institutions	538,742	4.65	702,180	4.33
Guarantees of other companies	5,128	0.04	146,000	0.90
Other collateral	1,877,555	16.19	2,797,101	17.24
Total	11,597,018	100.00	16,223,235	100.00

The amounts shown in the table above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral.

For the impaired or overdue loans it is impracticable to determine fair value of collateral.

During the year ended 31 December 2008, the Company did not obtain any assets by taking control of collateral accepted as security for loans (31 December 2007: nil).

(c) Industry and geographical analysis of the loan portfolio

Loans to customers are issued primarily to customers located within the Republic of Kazakhstan, who operate in the following economic sectors:

	2008 '000 KZT	2007 '000 KZT
Services	6,983,530	5,282,303
Manufacturing	2,305,472	2,950,055
Construction	382,533	2,116,408
Agriculture, forestry and timber	352,725	2,722,554
Trade	442,549	1,658,952
Other	1,130,209	1,492,963
Total loans to customers	11,597,018	16,223,235

(d) Significant credit exposures

As at 31 December 2008 and 2007, the Company had no borrowers, whose loan balances exceeded 10% of loans to customers.



13 Loans to customers, continued

(e) Loan maturities

The maturity of the Company's loan portfolio is presented in Note 31, which shows the remaining period from the reporting date to the contractual maturity of the loans comprising the loan portfolio. Due to the short-term nature of the credits issued by the Company, it is likely that many of the Company's loans to customers will be prolonged on maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than the classification indicated based on contractual terms.

14 Investments in unconsolidated subsidiary and associates

	2008 '000 KZT	2007 '000 KZT
Investments in associated companies	17,099	21,154
Investments in unconsolidated subsidiary companies	-	1,000
	<u>17,099</u>	<u>22,154</u>

Unconsolidated subsidiary is comprised of:

Name	Country of Incorporation	Main Activity	% Controlled		2008	2007
			2008	2007	Carrying Value '000 KZT	Carrying Value '000 KZT
LLC Education Center	Kazakhstan	Education	-	100	-	1,000
					-	1,000

The financial statements of the unconsolidated subsidiary listed above have not been consolidated into those of the Company, as the effect on the Company's financial statements would be immaterial.

Associates are comprised of:

Name	Country of Incorporation	Main Activity	% Controlled		2008 Carrying Value	2007 Carrying Value
			2008	2007	'000 KZT	'000 KZT
LLC Arkalyksky Credit House	Kazakhstan	Micro financing	49	49	5,099	5,099
LLC Adal Invest	Kazakhstan	Micro financing	29	29	2,000	2,000
LLC Zhainar	Kazakhstan	Micro financing	36	36	2,000	2,000
LLC Best Finance	Kazakhstan	Micro financing	40	40	2,000	2,000
LLC Econom	Kazakhstan	Micro financing	17	17	2,000	2,000
LLC Esil Trade House	Kazakhstan	Micro financing	16	16	2,000	2,000
LLC Tota	Kazakhstan	Micro financing	44	-	2,000	-
LLC Credit region	Kazakhstan	Micro financing	-	16	-	2,000
LLC Kamkor	Kazakhstan	Micro financing	-	16	-	2,000
LLC Kenes Credit	Kazakhstan	Micro financing	-	16	-	2,000
LLC DOS-S	Kazakhstan	Micro financing	-	6	-	55
					17,099	21,154

Due to the limited size and activities of the above listed associate these investments have not been accounted for using the equity method of accounting.

