Joint Stock Company Alliance Leasing and its subsidiary

Consolidated financial statements
For the year ended 31 December 2004

And Independent Auditors' Report

JOINT STOCK COMPANY ALLIANCE LEASING AND ITS SUBSIDIARY

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Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of JSC Alliance Leasing:

We have audited the accompanying consolidated balance sheet of Joint Stock Company Alliance Leasing (the "Company") and its subsidiary Joint Stock Company Alliance Capital (jointly the "Group") as at 31 December 2004, the related consolidated profit and loss account and consolidated statements of cash flows and changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements as at 31 December 2003, and for the year then ended, were audited by another auditor, whose report dated 15 December 2004 expressed an unqualified opinion with regard to those consolidated financial statements.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2004, and the consolidated results of the Group's operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Deloitte & Touche

20 May 2005
Almaty

JOINT STOCK COMPANY ALLIANCE LEASING AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2004
(in thousands of Kazakhstani tenge)

	Notes	2004	2003
ASSETS			
NON-CURRENT ASSETS:			
Long-term portion of net investments in finance leases	4	407,609	386,009
Property and equipment, net	5	356,129	8,207
		763,738	394,216
CURRENT ASSETS:			
Bank deposits	6	88,071	119,413
Trade accounts receivable, net	7	288,459	177,828
Advances paid	8	406,530	140,454
Current portion of net investments in finance leases	4	353,382	297,251
Other current assets, net	9	49,780	44,866
Cash and cash equivalents	10	51,240	74,410
		1,237,462	854,222
TOTAL ASSETS		2,001,200	1,248,438
EQUITY AND LIABILITIES			
EQUITY:			
Charter capital	11	190,000	190,000
Revaluation reserve		74,762	-
Retained earnings/(accumulated deficit)		37,806	(9,019)
		302,568	180,981
Minority interest	19	14,208	-
NON-CURRENT LIABILITIES:			
Long-term loans	12	-	677,090
CURRENT LIABILITIES:			
Short-term and current portion of long-term loans	12	963,707	343,398
Advances received	13	900	35,104
Trade and other payables	14	719,817	11,865
		1,684,424	390,367
TOTAL EQUITY AND LIABILITIES		2,001,200	1,248,438

On behalf of the Board:

Alen N. Iskakov
President

20 May 2005
Almaty

Galina P. Shvec
Chief Accountant

20 May 2005
Almaty

The notes on pages 6-22 form an integral part of these consolidated financial statements.
The Independent Auditors' Report is on page 1.

JOINT STOCK COMPANY ALLIANCE LEASING AND ITS SUBSIDIARY

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004
(in thousands of Kazakhstani tenge)

	Notes	2004	2003
Revenues			
Income from finance leases		178,697	87,834
Income from factoring transactions		71,027	31,180
Income from operating leases		-	1,692
Other income, net	15	4,281	12,540
		254,005	133,246
Costs and expenses			
General and administrative expenses	16	(108,307)	(62,900)
Provision for losses	17	(7,949)	(23,591)
Foreign exchange gain, net		43,851	24,554
Profit from operating activities		181,600	71,309
Interest income on bank deposits		10,553	13,515
Interest expense		(147,620)	(80,502)
Income before income tax and minority interest		44,533	4,322
Income tax expense	18	-	(1,821)
Income before minority interest		44,533	2,501
Minority interest	19	2,292	-
Net profit		46,825	2,501
Earnings per share (in tenge)	20	37.46	2.00

On behalf of the Board:

Alen N. Iskakov
President

20 May 2005
Almaty

Galina P. Shvec
Chief Accountant

20 May 2005
Almaty

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JOINT STOCK COMPANY ALLIANCE LEASING AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUTY
FOR THE YEAR ENDED 31 DECEMBER 2004
(in thousands of Kazakhstani tenge)

	Notes	Charter Capital	Property, plant and equipment revaluation reserve	Retained earnings/ (accumulated deficit)	Total
As at 31 December 2002		-	-	(11,520)	(11,520)
Issue of share capital	11	190,000	-	-	190,000
Net profit for the year		-	-	2,501	2,501
As at 31 December 2003		**190,000**	**-**	**(9,019)**	**180,981**
Property, plant and equipment revaluation reserve	5	-	74,762	-	74,762
Net profit for the year		-	-	46,825	46,825
As at 31 December 2004		**190,000**	**74,762**	**37,806**	**302,568**

On behalf of the Board:

Alen N. Iskakov
President

20 May 2005
Almaty

Galina P. Shvec
Chief Accountant

20 May 2005
Almaty

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JOINT STOCK COMPANY ALLIANCE LEASING

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2004
(in thousands of Kazakhstani tenge)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax and minority interest	44,533	4,322
Adjustments for:		
Interest expense, net	147,620	80,502
Provision for losses (Note 17)	7,949	23,591
Depreciation	13,650	1,075
Interest income on bank deposits	(10,553)	(13,515)
Operating profit before changes in operating assets and liabilities	203,199	95,975
(Increase) in operating assets:		
Net investments in finance leases	(77,731)	(665,463)
Trade accounts receivable	(114,880)	(62,353)
Advances paid	(266,076)	(117,153)
Other current assets	(8,614)	(38,595)
Increase/(decrease) in operating liabilities:		
Advances received	(34,204)	17,268
Trade and other payables	699,899	6,911
Cash used in operations	401,593	(763,409)
Income tax paid	-	(1,821)
Net cash provided by/(used in) operating activities	401,593	(765,230)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(286,810)	(22,965)
Proceeds from disposal of property and equipment	-	16,582
Placement of bank deposits	(100,000)	(148,000)
Repayment of bank deposits	131,342	28,587
Interest received on bank deposits	10,553	13,515
Net cash used in investing activities	(244,915)	(112,281)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans	345,165	1,685,963
Repayment of loans	(401,946)	(850,744)
Interest on loans paid	(139,567)	(80,807)
Payment of the share capital of subsidiary by the minority	16,500	-
Proceeds from issue of share capital	-	190,000
Net cash (used in)/provided by financing activities	(179,848)	944,412
NET CHANGE IN CASH AND CASH EQUIVALENTS	(23,170)	66,901
CASH AND CASH EQUIVALENTS, at the beginning of year	74,410	7,509
CASH AND CASH EQUIVALENTS, at the end of year (Note 10)	51,240	74,410

On behalf of the Board:

Alen N. Iskakov
President

20 May 2005
Almaty

Galina P. Shvec
Chief Accountant

20 May 2005
Almaty

The notes on pages 6-20 form an integral part of these consolidated financial statements.
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1. DESCRIPTION OF BUSINESS

General

OJSC Alliance Leasing ("the Company") was established in the form of a limited liability partnership incorporated and domiciled in the Republic of Kazakhstan and registered with the Ministry of Justice on August 6, 2002. On March 14, 2003 the Company was re-registered from a limited liability partnership to an Open Joint Stock Company. Subsequently on 7 June 2004 the Company was re-registered as Joint Stock Company Alliance Leasing. The Company's primary business activity includes finance leasing operations, operations on factoring and forfeiting.

As at 31 December 2004 and 2003, the Company was owned by Seil Company LLP and Nikos Investment LLP with equity stakes in the Company of 80% and 20%, respectively.

The Company's office is located at 117/6 Dostyk Pr. Office 207, Almaty, Republic of Kazakhstan and registered at 100 Furmanov St., Almaty, Republic of Kazakhstan.

The Company owned 67% of JSC Alliance Capital as at 31 December 2004. JSC Alliance Capital was established in May 2004. The Company's principal business is brokerage services.

The number of the Group's employees as at 31 December 2004 and 2003 was 25 and 24 employees respectively.

These consolidated financial statements were authorized for issue by the Board of Directors on 20 May 2005.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These consolidated financial statements are presented in thousands of Kazakhstani tenge ("KKZT" or "KZT"), unless otherwise indicated. The Kazakhstani tenge is utilized as the majority of the Group's transactions are denominated, measured, or funded in Kazakhstani tenge. Transactions in other currencies are treated as transactions in foreign currencies.

The Group is required to maintain its records and prepare its consolidated financial statements for regulatory purposes in Kazakhstani tenge in accordance with Kazakh accounting and tax regulations ("KAS"). These consolidated financial statements are based on the Group's statutory books and records, as adjusted and reclassified in order to comply with IFRS.

The consolidated financial statements are prepared under the historical cost convention.

Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as at the date of the consolidated financial statements. Actual results, therefore, could differ from these estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies which have been consistently applied in arriving at the financial information set out in these consolidated financial statements are as follows:

Basis of Consolidation – The consolidated financial statements incorporate the financial statements of subsidiaries of JSC Alliance Leasing where the Company, directly or indirectly exercises control. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group. On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions, balances and unrealized gains/(losses) on transactions are eliminated on consolidation.

Related parties – Related parties include the Group's shareholders, key management personnel, and enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's shareholders or key management personnel.

Recognition of financial instruments – The Group recognizes financial assets and liabilities on its balance sheets when, and only when, it becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are recognized using trade date accounting.

Financial assets and liabilities are initially recognized at cost, which is the fair value of consideration given or received, respectively, including or net of any transaction costs incurred, respectively. The accounting policies for subsequent re-measurement of these items are disclosed in the respective notes set out in the accounting policy.

Derecognition of financial assets and liabilities – The Group derecognises a financial asset or a portion of a financial asset when, and only when, the Group loses control of the contractual rights that comprise the financial asset (or a portion of the financial asset). The Group loses such control if it utilized the rights to benefits specified in the contract, the rights expire, or the Group surrenders those rights.

The Group removes a financial liability (or a part of a financial liability) from its consolidated balance sheet when, and only when, it is extinguished – that is, when the obligation specified in the contract is discharged, cancelled, or expires.

Foreign currency transactions – Monetary assets and liabilities that are denominated in foreign currencies are translated at exchange rates prevailing at the consolidated balance sheet dates. Revenues, costs, non-monetary assets and liabilities denominated in foreign currencies are translated at historical exchange rates prevailing on the transaction dates. Exchange gains and losses arising from translation of monetary assets and liabilities are credited or charged directly to consolidated profit and loss account.

The Kazakhstani tenge is not a convertible currency outside the territory of the Republic of Kazakhstan. Within Kazakhstan, starting from 1 January 2003 the closing exchange rates established on the Kazakhstani Stock Exchange ("KASE") have been used as the official exchange rates. Before 1 January 2003, the official exchange rates were determined by the National Bank of the Republic of Kazakhstan and were considered to be a reasonable approximation of market exchange rates.

The exchange rate used to translate the US dollar monetary assets and liabilities at 31 December 2004 was the closing exchange rate of the Kazakhstani Stock Exchange, which was KZT 130 = US$1. The exchange rate used to translate the US dollar monetary assets and liabilities at 31 December 2003 was the official exchange rate of the National Bank of the Republic of Kazakhstan, which was KZT 144.22 = US$1. As at 20 May 2005, the closing exchange rate of the Kazakhstani Stock Exchange was KZT 130.53= US$1.

Cash and cash equivalents - Cash and cash equivalents consist of cash on hand and amounts due from financial institutions that mature within ninety days of the respective consolidated balance sheet date and are free from contractual encumbrances.

Trade and accounts receivables - Trade receivables, which generally have 30 – 90 day terms, are recognized and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written off when identified.

Taxation – The current income tax charge is calculated in accordance with the regulations of the Republic of Kazakhstan. Deferred income taxes are calculated using the liability method. Deferred taxes reflect the effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized**.**

The Republic of Kazakhstan also has various operating taxes, which are assessed on the Group's activities. These taxes are included as a component of general and administrative expenses in the consolidated profit and loss account.

Property and equipment – The Group's aircraft is stated in the balance sheet at its revalued amount, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such aircraft is credited to the property, plant and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the consolidated profit and loss account to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such aircraft is charged as an expense to the extent that it exceeds the balance, if any, held in the property, plant and equipment revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income. On the subsequent sale or retirement of a revalued aircraft, the attributable revaluation surplus remaining in the property, plant and equipment revaluation reserve is transferred directly to retained earnings.

Property and equipment other than aircraft are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Vehicles including aircraft	7-14
Furniture and fixtures	10
Office equipment	4

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

Impairment of value – The carrying amounts of property and equipment are reviewed at each consolidated balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of net selling price 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.

Lease accounting – The Group's lease transactions are classified as either finance or operating leases. The Group classifies each lease at its inception in accordance with IAS No. 17 "Leases". A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incident to ownership.

The inception of the lease is the earlier of the date of the lease agreement or of a commitment by the parties to the principal provisions of the 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.

The lease accounting methods used by the Group are:

Operating leases – Operating lease payments due are recorded as income from operating leases. The equipment, which is used for operating lease, is recorded as property and equipment in the consolidated balance sheet and the cost of the property and equipment, less estimated residual value, is depreciated using the straight-line method over the term of the lease. Any allowance for doubtful operating lease accounts receivable is charged to expense and is recorded as a reduction of the carrying amount of the lease accounts receivable.

Costs, including depreciation, incurred in earning the lease income are recognized as an expense. Lease income (excluding receipts for services provided such as insurance and maintenance) is recognized in income on a straight-line basis over the lease term.

Finance leases – Gross investments in the lease are 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.

Net investments in the lease are the gross investment in the lease less unearned finance income and are recorded in "net investments in finance leases" in the consolidated balance sheets. The unearned finance income is amortized to finance lease revenues over the lease term to produce a constant percentage return on the net investments in the lease. Any allowance for possible losses under finance leases is charged to expense and is recorded as a reduction to the net investments in the lease.

Charter capital – Charter capital is recognized at the fair value of the contributions received by the Group.

Dividends on ordinary shares are recognized in shareholders' equity as a reduction in the period in which they are declared. Dividends that are declared after the consolidated balance sheet date are treated as a subsequent event under IAS 10 "Events After the Balance Sheet Date" and disclosed accordingly.

Loans and borrowings – All loans and borrowings are initially recognized at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing. After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised or impaired, as well as through the amortization process. Interest expense associated with loans and borrowings is recorded within interest expense in the consolidated statements of operations.

Revenue and expense recognition – Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of machinery and equipment – Revenue is recognized when the significant risks and rewards of ownership of the machinery and equipment have passed to the buyer and the amount of revenue can be measured reliably.

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

Employee benefit costs – The Group pays social tax to the Kazakh budget for its employees.

The Group also withholds 10% from the salary of its employees as the employees' contribution to their designated pension funds. Under the legislation, employees are responsible for their retirement benefits and the Group has no present or future obligation to pay its employees upon their retirement.

Provisions – Provisions are recognized when the Group 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 can be made of the amount of the obligation.

Offsetting – Financial assets and financial liabilities are only offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Contingencies – Contingent liabilities are not recognized in the consolidated financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

4. NET INVESTMENTS IN FINANCE LEASES

Net investments in finance leases consisted of the following as at 31 December:

	2004	2003
Minimum lease payments receivable	968,661	948,068
Less: Unearned finance income	(207,670)	(264,808)
Net investments in finance leases	760,991	683,260
Less: Current portion	353,382	297,251
Long-term net investments in finance leases	407,609	386,009

Below are the outstanding maturities of the gross and net investments in finance leases as at 31 December:

	2004		2003	
	Gross investments	Net investments	Gross investments	Net investments
Not later than one year	479,253	353,382	433,721	297,251
Later than one year and not later than five years	489,408	407,609	514,347	386,009
	968,661	**760,991**	**948,068**	**683,260**

At the end of the lease term the ownership for the underlying assets is transferred to the lessees.

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates 20% per cent per annum.

As at 31 December 2004 and 2003, all net investments in finance leases were fully pledged as a collateral under the loans received from Alliance Bank JSC (Note 12).

5. PROPERTY AND EQUIPMENT, NET

The movements on the property and equipment were as follows for the year ended 31 December 2004:

	Vehicles including aircraft	Furniture and fixtures	Office equipment	Total
Cost:				
At 31 December 2003	3,883	1,651	3,665	9,199
Additions	281,343	3,833	1,634	286,810
Revaluation	74,762	-	-	74,762
At 31 December 2004	359,988	5,484	5,299	370,771
Accumulated depreciation:				
At 31 December 2003	(113)	(145)	(734)	(992)
Charge for the year	(12,439)	(448)	(763)	(13,650)
At 31 December 2004	(12,552)	(593)	(1,497)	(14,642)
Net carrying amount:				
At 31 December 2004	347,436	4,891	3,802	356,129
At 31 December 2003	3,770	1,506	2,931	8,207

The Group's aircraft was valued on the basis of an independent appraisal. The valuation was carried out by an independent appraiser as at 15 October 2004. The basis used for the appraisal was determination of the fair market value in the market.

6. BANK DEPOSITS

At 31 December 2004 and 2003 bank deposits comprised the deposit of KZT 88,071 thousand and KZT 119,413 thousand respectively placed in Alliance Bank JSC and bearing 10% and 14% interest per annum.

7. TRADE ACCOUNTS RECEIVABLE, NET

Trade accounts receivable consisted of the following as at 31 December:

	2004	2003
Receivables under factoring agreements	316,299	199,094
Other	-	2,325
	316,299	201,419
Less: Allowance for bad debts	(27,840)	(23,591)
	288,459	**177,828**

For the years ended 31 December 2004 and 2003, the monthly interest rate on the purchased receivables under factoring agreements varies from 1.8% to 3% of the nominal amount.

Movements in the provision for bad debts for the years ended 31 December 2004 and 2003 are disclosed in Note 17.

8. ADVANCES PAID

Advances paid consisted of the following as at 31 December:

	2004	2003
Advances paid to suppliers for leasing machinery and equipment	315,485	139,697
Not paid annuity payments	91,045	-
Other	-	757
	406,530	**140,454**

9. OTHER CURRENT ASSETS, NET

Other current assets consisted of the following as at 31 December:

	2004	2003
Receivables from employees	42,071	30,022
Taxes receivable	3,805	-
Financial aid	-	14,406
Prepaid insurance	-	72
Other	7,604	366
	53,480	44,866
Less: Allowance for losses	(3,700)	-
	49,780	**44,866**

At 31 December 2003, financial aid represents a short-term interest free loan given to Soliton Group LLP, a related party to the Group. The loan was repaid in 2004.

Movements in the provision for losses on other current assets for the years ended 31 December 2004 and 2003 are disclosed in Note 17.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as at 31 December:

	2004	2003
Current accounts with Kazakhstani Banks – KZT	49,135	71,264
Current accounts with Kazakhstani Banks – US dollar	1,565	695
Cash on hand	540	2,451
	51,240	**74,410**

At 31 December 2004 and 2003, the Group had its current accounts with Alliance Bank OJSC, a related party to the Group, which earned interest at rates ranging from 1% to 2% per annum.

At 31 December 2004 and 2003, all cash on bank current accounts was pledged as collateral for the credit lines opened by Alliance Bank OJSC (Note 12).

11. CHARTER CAPITAL

The share capital of the Company consisted of the following at 31 December 2004:

	Number of shares			
	Authorized	Issued and fully paid	Par value, KKZT	Amount, KKZT
Ordinary shares	1,250	1,250	152	190,000

No dividends have been declared for the year ended 31 December 2004.

12. LOANS

Short-term and current portion of long-term loans consisted of the following at 31 December:

	2004	2003
KZT denominated loans	963,707	1,020,488

As at December 31, 2003 and 2002, the Group had two open credit lines with Alliance Bank OJSC, a related party to the Group.

As at 31 December 2004 and 2003 the loans received under the first credit line totaled KZT 818,051 thousand and KZT 677,090 thousand, respectively, with interest rates ranging from 12% to 13.4% per annum. The credit line expires on 26 August 2005.

As at 31 December 2004 and 2003 the loans received under the second credit line totaled KZT 145,656 thousand and KZT 343,398 thousand, respectively, with an interest rate of 14% per annum.

As at 31 December 2004 and 2003 the Group pledged incorporeal rights for lease assets, cash on bank accounts, bank deposit and trade accounts receivable in the amount of KZT 1,713,290 thousand and KZT 1,022,478 thousand, respectively.

The maturities of the loans, including accrued interest, were as follows as at 31 December:

	2004	2003
2004	-	343,398
2005	963,707	677,090
	963,707	**1,020,488**

13. ADVANCES RECEIVED

Advances received consisted of the following as at 31 December:

	2004	2003
Advance payments under finance leases	100	32,325
Advance payments for insurance of leased machinery and equipment	800	2,779
	900	**35,104**

14. TRADE AND OTHER PAYABLES

Trade and other payables consisted of the following as at 31 December:

	2004	2003
Trade accounts payable	704,811	7,392
Accrued expenses	10,894	2,841
Taxes other than income tax payable	4,112	1,632
	719,817	**11,865**

15. OTHER INCOME, NET

Other income consisted of the following for the year ended 31 December:

	2004	2003
Fines received	1,850	3,208
Income from expertise	1,542	8,709
Loss received from sale of fixed assets	(525)	-
Interest received on bank current accounts	-	304
Other	1,414	319
	4,281	**12,540**

Income from expertise is represented by the Group's charges for the preliminary analysis of investment projects at the rate of 0.3% of the nominal amount of the respective project in accordance with finance lease agreements.

16. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consisted of the following for the year ended 31 December 2004 and 2003:

	2004	2003
Payroll and related staff costs	21,567	17,643
Insurance	17,707	19,469
Rent	13,686	3,659
Depreciation	13,650	1,075
Bank charges	7,002	1,026
Repairs	5,550	205
Professional services	4,799	4,470
Business trips	4,455	5,011
Communication	3,735	1,754
Advertising	3,623	947
Transportation	1,530	1,330
Training	1,009	2,003
Stationary	951	376
Taxes other than income tax	714	181
Customs dues and duties	-	200
Other	8,329	3,551
	108,307	**62,900**

17. PROVISION FOR LOSSES

The movements in provision for losses were as follows:

	Other current assets	Trade accounts receivable	Total
31 December 2002	-	-	-
Provision for losses for the year	-	(23,591)	(23,591)
31 December 2003	-	(23,591)	(23,591)
Provision for losses for the year	(3,700)	(4,249)	(7,949)
31 December 2004	(3,700)	(27,840)	(31,540)

18. INCOME TAXES

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The tax effect on the major temporary differences that give rise to the deferred tax assets and liabilities as at 31 December 2004 and 2003 are presented below:

	2004	2003
Deferred assets:		
Tax losses carry forward	24,203	17,369
Provision on factoring operations	8,352	7,077
Plant, property and equipment	912	-
Accrued expenses	-	852
Total	33,467	25,298
Deferred liabilities:		
Accrued revenue	-	(5,081)
Total	-	(5,081)
Net deferred assets	33,467	20,217
Less valuation allowance	(33,467)	(20,217)
Total	-	-

Relationships between tax expenses and accounting profit for the years ended 31 December 2004 and 2003 are explained as follows:

	2004	2003
Profit before income tax and minority interest	44,533	4,322
Tax at statutory rate of 30%	13,360	1,297
Tax effect of permanent differences	(13,360)	524
Income tax expense	-	1,821
Current income tax expense	-	1,821
Deferred tax benefit	13,250	16,477
Change in valuation allowance	(13,250)	(16,477)
Income tax expense	-	1,821

19. MINORITY INTEREST

The movement in minority interest during 2004 and 2003 comprises:

	2004	2003
At the beginning of the year	-	-
Payment of the share capital of subsidiary by the minority	16,500	-
Share of net loss	(2,292)	-
At the end of the year	**14,208**	-

20. EARNINGS PER SHARE

	2004	2003
Income:		
Net profit for the year	46,825	2,501
Weighted average number of ordinary shares for basic earnings per share (pieces)	1,250	1,250
Earnings per share – basic	37.46	2.00

21. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties, as defined by IAS 24, are those counter parties that represent:

a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group. (This includes holding companies, subsidiaries and fellow subsidiaries);

b) associates – enterprises in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;

c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group;

d) key management personnel, that is, those persons having authority and responsibility for -planning, directing and controlling the activities of the Group, including directors and officers of the Group and close members of the families of such individuals; and

e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group and enterprises that have a member of key management in common with the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding with related parties:

	2004		2003	
	Related party transactions	**Total category as per consolidated financial statements caption**	**Related party transactions**	**Total category as per consolidated financial statements caption**
Balance:				
Bank deposits	88,071	88,071	119,413	119,413
Advances paid	69,282	406,530	14,406	140,454
Investment in finance lease, net	48,958	760,991	59,110	683,260
Cash and cash equivalents	47,877	51,240	71,959	74,410
Trade accounts receivable	3,500	288,459	21,420	177,828
Financial aid	-	-	14,406	14,406
Loans	963,707	963,707	1,020,488	1,020,488
Advances received	-	900	11,110	35,104

During the years ended 31 December 2004 and 2003 the Group originated finance leases to customers - related parties amounting to KZT 35,927 thousand and KZT 424,988 thousand, respectively, and received lease repaid of KZT 46,079 thousand and KZT 124,019 thousand, respectively.

Included in the consolidated profit and loss account for the years ended 31 December 2004 and 2003 are the following amounts which arose due to transactions with related parties:

Profit and loss account:				
Interest income on bank deposits	10,553	10,553	13,515	13,515
Interest income on finance lease	5,361	178,697	6,194	87,834
Interest expense	147,620	147,620	80,502	80,502

All transactions with related parties entered by the Group during the years ended 31 December 2004 and 2003 and outstanding as at 31 December 2004 and 2003 were made in the normal course of business and under arms length conditions.

22. CONTINGENCIES

Taxation

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

The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's law, are severe. As a result, penalties and interest can amount to multiples of any unreported taxes.

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

Because of the uncertainties associated with the Kazakhstani tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued as at 31 December 2004 and 2003. Although such amounts are possible and may be material, it is the opinion of the Group's management that these amounts are either not probable, not reasonably determinable, or both.

The Group's operations and financial position may be affected by Kazakh political developments, including the application of existing and future legislation and tax regulations. The Group 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 Group is subject to legal actions and claims.

Management believes that the ultimate liability, if any, arising from these actions will not have a material adverse effect on the financial position or the results of future operations of the Group.

Operating environment

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

23. COMMITMENTS

The Group leases office space for its office in Almaty in the Republic of Kazakhstan under a lease agreement, which is renewed each year. The Group's annual commitments under non-cancelable operating leases were as follows as at 31 December:

	2004	2003
Annual commitments expiring not later than one year	5,357	2,232

24. FINANCIAL INSTRUMENTS

The Group, in connection with its activities, is exposed to various financial risks associated with its financial instruments. Financial instruments are comprised primarily of cash, receivables, net investments in finance leases, payables and borrowings.

Market risk – Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Group manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions.

Credit risk – Financial instruments, which potentially expose the Group to concentrations of credit risk, consist primarily of cash and cash equivalents, trade accounts receivable, and net investment in financing leases. The Group takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one lessee, or groups of lessees, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

Exposure to credit risk is managed through regular analysis of the ability of lessees and potential lessees to meet interest and capital repayment obligations and by changing those limits where appropriate. Exposure to credit risk is also managed by insuring the assets transferred to lessees under finance leases.

Currency risk – Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's operations are carried out in the Republic of Kazakhstan and, as such, a significant portion of the Group's business is transacted in Kazakhstani tenge. The Group's principal currency exchange rate risk arises from the fact that the majority of long-term loans are indexed to the rate of exchange of US Dollar, while cash inflows are primarily Kazakhstani tenge denominated. Consequently, any significant decrease in the value of the Kazakhstani tenge may have a significant negative effect on the Group's financial position and results of operations.

The Group limits the currency risk by fixing the minimum lease payments receivable under long-term projects in Kazakhstani tenge to the rate of exchange of US Dollar.

Interest rate risk – The Group invests in finance leases and has bank deposits which are subject to interest rate risk. In addition, the Group is subject to interest rate risk with respect to the loans received from financial institutions. Interest rate risk to the Group is the risk of changes in market interest rates reducing the overall return on its investments and increasing the cash outflow on its borrowings. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash, investments and borrowings are denominated.

Liquidity risk – Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Cash flow risk – Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

Cash flow requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise. The management of the Group believes that any possible fluctuations of future cash flows associated with a monetary financial instrument will not have material impact on the Group's operations.

25. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on arm's length conditions, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and the specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The following methods and assumptions are used by the Group to estimate the fair value of these financial instruments:

Trade and other receivables and payables

For assets and liabilities maturing within three months, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments.

For the assets and liabilities maturing in over three months, the fair value represents the present value of estimated future cash flows discounted at the average year-end market rates.

Net investments in finance leases

In estimating the present value of the minimum lease payments the estimated rates implicit in the leases are used, which approximate to market rates and, consequently, the carrying amount of net investments in finance leases is a reasonable estimate of their fair value.

Borrowings

The estimate was made by discounting the scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as at the respective year-end.

Substantially all the Group's monetary assets and liabilities are carried at their estimated fair values as at 31 December 2004 and 2003.