

Logycom JSC

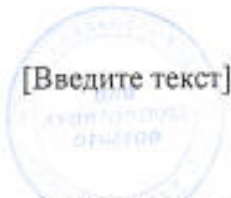
Independent Auditor's Report and
Consolidated Financial Statements for
the year ended 31 December 2010





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**STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY FOR THE PREPARATION
AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2010**

The statement below, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report on pages 3-4 is made with a view to distinguish the respective responsibilities of the independent auditors and the management in relation to the consolidated financial statements of Logycom JSC (hereinafter "the Group").

The management of the Group is responsible for the preparation of the consolidated financial statements that present fairly in all material aspects the financial position of the Group as at 31 December 2010 and its financial performance, cash flows and changes in equity for the year then ended in accordance with International Financial Reporting Standards (hereinafter "IFRS").

In preparing the consolidated financial statements the management is responsible for:

- selecting appropriate accounting principles and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- complying with IFRS or disclosing of all material departures from IFRS in the Notes to the consolidated financial statements; and
- preparing the consolidated financial statements based on the assumption that the Group will continue as a going concern in foreseeable future unless it is inappropriate to presume that such assumption is reasonable.

The management is responsible for:

- designing, implementing and maintaining the internal control system needed for preparation of the consolidated financial statements throughout the Group;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The accompanying consolidated financial statements for the year ended 31 December 2010 were approved for issue on 26 April 2011 by the management of the Group.

President

Chief Accountant



S.A.Shvalov

N.A.Bochkaryova

Licenses:

General State License on audit activity #0000276 issued by Ministry of Finance of RK dated 24.06.2004 (original license #0000001 AK Kazakhstanaudit was reregistered due to change of name to BDO Kazakhstanaudit).



"APPROVED"

Managing partner
General Director
BDO Kazakhstanaudit LLP

S. M. Koshtimbayev

April 26, 2011

INDEPENDENT AUDITOR'S REPORT

To Participants of Logycom JSC

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal



control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Auditor

Qualifying Certificate #0000480 issued by
Qualifying Commission of RK on attestation
of auditors dated 12.10.1999



E.B. Kapayeva

Consolidated Statement of Financial Position
(all amounts are stated in KZT thousands)

	Note	31.12.2010	31.12.2009
Current assets			
Cash and cash equivalents	7	184 137	130 736
Trade receivables, net	8	2 161 764	3 308 745
Inventories	9	2 977 011	2 073 486
Advances paid	10	50 161	296 238
Corporate income tax prepaid		4 773	6 223
Current tax assets	11	54 000	10 194
Other current assets	12	215 032	36 536
Total current assets		5 646 878	5 862 158
Non-current assets			
Property, plant and equipment	13	2 076 078	2 147 011
Intangible assets	14	1 130	1 468
Long-term trade receivables	15	76 110	55 897
Other receivables	16	2 254	2 010
Investment property	17	397 040	-
Total non-current assets		2 552 612	2 206 386
Total assets		8 199 490	8 068 544
Liabilities and equity			
Current liabilities			
Trade payables	18	987 604	734 492
Borrowings	19	2 745 590	1 855 901
Bonds	23	-	1 861 344
Advances received		276 560	161 737
Taxes payable	20	3 680	8 532
Other payables	21	57 346	67 506
Estimated liabilities	22	35 740	37 978
Total current liabilities		4 106 520	4 727 490
Non-current liabilities			
Bonds	23	741 580	133 181
Deferred tax liabilities	24	127 953	94 958
Total non-current liabilities		869 533	228 139
Equity			
Share capital	25	1 385 513	1 385 513
Revaluation provision	26	1 093 139	1 100 701
Retained earnings		715 994	597 629
Total capital of owners of the parent		3 194 646	3 083 843
Non-controlling interest		28 791	29 072
Total equity		3 223 437	3 112 915
Total equity and liabilities		8 199 490	8 068 544
Carrying amount per common share, KZT		1 535	1 482

The accompanying notes are integral part of these consolidated financial statements.

President

Chief Accountant



S.A. Shvalov

N.A. Bochkaryova

Consolidated Statement of Comprehensive Income
(all amounts are stated in KZT thousands)

	Note	31.12.2010	31.12.2009
Revenue	27	23 183 788	19 780 132
Cost of sales	28	(21 983 017)	(18 831 354)
Gross profit		1 200 771	948 778
Other gains/(costs)	29	27 421	68 546
Selling expenses	30	(268 075)	(187 910)
Administrative expenses	31	(316 326)	(274 508)
Expenses from write-down of property, plant and equipment		-	(23 922)
Expenses from write-off of goodwill	6	(60)	-
Operating income		643 731	530 984
Finance income	32	10 546	57 969
Finance costs	33	(473 161)	(439 686)
Profit before tax		181 116	149 267
Income tax expense	34	(70 594)	(28 041)
Profit for the period		110 522	121 226
Other comprehensive income			
Property, plant and equipment revaluation effect		-	(97 013)
Effect of revaluation at depreciation calculation		-	1 239
Effect of revaluation at deferred tax calculation		-	8 902
Total other comprehensive income		-	(86 872)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		110 522	34 354
Non-controlling interest		(281)	(328)
Owners of the parent		110 803	121 554
Earnings per share (basic and diluted), KZT per share	35	53	69

The accompanying notes are integral part of these consolidated financial statements.

President

Chief Accountant



S.A.Shvalov

N.A.Bochkaryova

Consolidated Statement of Cash Flows
(direct method)
(all amounts are stated in KZT thousands)

Items	31.12. 2010	31.12.2009
I. Cash flows from operating activities		
1. Cash inflow, total:	10 296 811	11 137 752
sale of finished goods, services	10 152 676	11 132 604
advances received	114 823	-
other receipts	29 312	5 148
2. Cash outflow, total:	(9 487 590)	(12 668 282)
payments to suppliers for goods and services	(8 800 273)	(12 013 560)
salaries paid	(100 843)	(94 573)
loan interest paid	(251 338)	(403 982)
bond interest paid	(184 984)	-
corporate income tax paid	(36 149)	(41 908)
taxes and payments	(51 094)	(63 443)
other payments	(62 909)	(50 816)
3. Operating result	809 221	(1 530 530)
II. Cash flows from investing activities		
1. Cash inflow, total:	9 369	15 034
sale of fixed assets	9 369	15 034
2. Cash outflow, total:	(402 123)	(39 778)
acquisition of property, plant and equipment	(50 142)	(39 778)
acquisition of investment property	(351 981)	-
3. Investing result	(392 754)	(24 744)
III. Cash flows from financing activities		
1. Cash inflow, total:	5 755 465	3 989 008
borrowings received	5 151 387	3 468 335
shares issued	-	385 455
bonds placed	604 078	135 218
2. Cash outflow, total:	(6 118 531)	(2 396 326)
loans repaid	(4 257 187)	(2 396 326)
bonds redeemed	(1 861 344)	-
3. Financing result	(363 066)	1 592 682
TOTAL: increase / (decrease) in cash	53 401	37 408
Opening balance of cash	130 736	93 328
Closing balance of cash	184 137	130 736
Non-monetary items		
Exchange difference on loans	(4 511)	6 109
Discount on bonds	(45 647)	(40 678)
Barter transactions	11 884 131	14 001 351
VAT taken as an offset	35 198	-

The accompanying notes are integral part of these consolidated financial statements.

President

Chief Accountant



S.A. Shvalov

N.A. Bochkaryova

Consolidated Statement of Changes in Equity
(all amounts are stated in KZT thousands)

	Note	Common shares	Revaluation provision	Retained earnings	Non-controlling interest	Total
Balance at 31.12.2008		1 000 058	1 194 038	469 610	29 400	2 693 106
Reclassified to retained earnings		-	(6 465)	6 465	-	-
Comprehensive income		-	(86 872)	121 554	(328)	34 354
Shares issued	24	385 455	-	-	-	385 455
Balance at 31.12.2009		1 385 513	1 100 701	597 629	29 072	3 112 915
Reclassified to retained earnings		-	(7 562)	7 562	-	-
Comprehensive income		-	-	110 803	(281)	110 522
Balance at 31.12.2010		1 385 513	1 093 139	715 994	28 791	3 223 437

The accompanying notes are integral part of these consolidated financial statements.

President

Chief Accountant



S.A.Shvalov

N.A.Bochkaryova



Note to the Consolidated Financial Statements of Logycom JSC for the Year Ended 31 December 2010

1. Background

Logycom JSC (hereinafter "the Company") was established in accordance with the Articles of Association and registered as a legal entity on 20 November 1998. State Registration Certificate No. 22715-1910-AO was issued on 20.11.1998 by the Ministry of Justice. The Company was re-registered on 12 April 2005, Re-Registration Certificate No. 22715-1910-AO dated 12 April 2005.

Legal address of the Company: 293/2, Baizakov str. (a corner of Zhandosov str.), Almaty, 050040, Republic of Kazakhstan.

The company is an entity engaged in manufacturing and selling of computer equipment. The Company has production capacities in Almaty and sells its products mainly in the Republic of Kazakhstan.

The Company is a holder of the following licences:

1. General State Licence to Engage in Selling of Data Cryptographic Protection Facilities Seller IJA No.228 issued by the Republic of Kazakhstan National Security Committee, Astana, on 17 January 2005.

2. General State Licence to Engage in Installation, Adjustment, and Maintenance of Fire Alarm and Fire Automatics Systems in the Republic of Kazakhstan No.0000871 issued by the Committee for State Control and Supervision in Emergency Situation of the Republic of Kazakhstan Emergency Control Ministry on 10 August 2005.

3. General State Licence to Engage in Installation, Adjustment, and Maintenance of Fire Alarm Systems in the Republic of Kazakhstan No.0000822 issued by the Committee for State Control and Supervision in Emergency Situation of the Republic of Kazakhstan Emergency Control Ministry on 14 June 2005.

4. State Licence to Engage in Installation, Adjustment and Maintenance of Alarm Systems No.001817 issued by the Republic of Kazakhstan Ministry of Interior on 18 January 2006.

5. State Licence to Perform Architectural, Town Planning and Building Activities in the Republic of Kazakhstan No.001482 issued by the Construction Committee of the Ministry of Industry and Trade of the Republic of Kazakhstan on 13 October 2000.

Overall objective of the Company and its subsidiaries (hereinafter "the Groups") is doing business, net income generation and use of the same to the benefit of the Company shareholders.

Founders of the Group are LC Trade Limited Liability Partnership owning 7.22% in the authorised capital and Caspian Group JSC owning 92.78% of the authorised capital.

Number of the Group employees as at 31 December 2010 – 202 persons, as at 31 December 2009 – 189 persons.

Based on the Ownership Interest Purchase and Sale Contract dated 6 July 2007, the Company acquired 100% interest in the authorised capital of Logycom LLP (hereinafter "the Partnership") on 28 August 2007.

Legal address of the Partnership: 9, Ibragimov str., Alatau Settlement, Special Economic Zone "Information Technology Park", Almaty, Republic of Kazakhstan.

On 13 December 2007 Logycom JSC and National Innovation Fund JSC, on a joint session, made the decision to establish Logycom Perspective Innovations Incorporated Hedge Fund JSC (hereinafter "IHF").

On 02 September 2008 IHF was registered in the Almaty Department of Justice under No. 93920-1910-AO.

IHF founders are:

- 1) Logycom JSC – 51%
- 2) National Innovation Fund JSC – 49%

IHF's exclusive business is investing of assets in accordance with its Investment Thesis and requirements established by the Republic of Kazakhstan laws on investment funds.

Number of IHF's common shares – 2,449,800.

In accordance with the foundation agreement and minutes of IHF foundation meeting dated 24.09.2008, the following shares were placed to founders:

- 1) Logycom JSC – 30,600 shares;
- 2) National Innovation Fund JSC – 29,400 shares.

Par value of shares placed to founders – KZT 1,000 per share.

In October 2008 founders paid for the shares as follows:

- 1) Logycom JSC – KZT 30,600 thousand;
- 2) National Innovation Fund JSC – KZT 29,400 thousand.

Legal address: 8, Aralskaya str., Almaty, Republic of Kazakhstan.

In accordance with the Minutes of Logycom JSC Board of Directors Meeting dated 05 March 2010, the decision was made to acquire 100% interest in the charter capital of Saikan LTD from LCH LLP for KZT 300 thousand.

Core business of Saikan LTD:

- telecommunication services via radio and satellite systems;
- maintenance of communication systems;
- telephony services including IP telephony;
- installation and adjustment of telecommunication equipment;
- designing and installation of optical communication systems;
- designing and installation of wireless communication nodes and systems;
- sale of electronic equipment, electronic components, computers, accessories, and appliances.

On 11 March 2010 the Company paid KZT 300 thousand to LCH LLP for 100% interest in the charter capital. On 16 March 2010 the Company registered Saikan LTD» in the Almaty Department of Justice under No. 76615-1910-TOO with increase in the charter capital up to KZT 300 thousand.

Legal address: 293/2, Baizakov str. (a corner of Zhandosov str.), Almaty, 050040, Republic of Kazakhstan.

In accordance with Logycom JSC founders decision dated 11 April 2002, RIVERS-TV LLP with 100% interest in the charter capital equal to KZT 82 thousand was registered with the Almaty Department of Justice on 19 April 2002 under No. 42396-1900-TOO.

Core business of RIVERS-TV LLP:

- advertising activities;
- information services;
- issue of printing products;
- organisation of wholesale, retail and commission business;
- establishment of corporate chain for sale of both own products and commercial trade;
- opening, establishment, activities of catering facilities (restaurants, cafes, canteens);
- manufacture of consumer goods;
- other activities which are not prohibited by the laws of the Republic of Kazakhstan.

The Company has not transacted any business to date.

Charter capital of RIVERS-TV LLP of KZT 82 thousand was paid on 02 September 2010.

Legal address: 2, Zhandosov str., Almaty, Republic of Kazakhstan.

2. Basis of Preparation

Below is a summary of significant accounting policies adopted for preparation of the Group consolidated financial statements. These policies have been consistently applied for all reporting periods presented in these financial statements, unless stated otherwise.

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) including interpretations of the International Accounting Standards Boards (“IASB”) to IFRS and requirements of the Republic of Kazakhstan laws applicable to IFRS preparers.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principal Accounting Policies

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (hereinafter "IAS/IFRS") including all previously adopted IASs and IFRIC interpretations.

Presentation and Disclosure Standards

Changes in Accounting Policies and Disclosure Principles

New and amended standards and interpretations applicable to the December 2010 year-end

IFRS 1 First-time Adoption of International Financial Reporting Standards

Additional exemptions for companies adopting IFRS for the first time.

Effective for annual periods beginning on or after 1 January 2010.

IFRS 1 introduces amendments providing exemptions from full retrospective application of IFRS for the measurement of oil & gas assets and leases.

These amendments had no effect on the Group financial statements as the Group is not a first-time adopter.

IFRS 2 Group Cash-settled Share-based Payment Arrangements

Effective for annual periods beginning on or after 1 January 2010.

IFRS 2 has been amended to clarify the accounting for group cash-settled share-based payment transactions, where a subsidiary receives goods or services from employees or suppliers but the parent or another entity in the group pays for those goods or services. The amendments clarify that the scope of IFRS 2 includes such transactions. The amendment incorporates the guidance from IFRIC 8 Scope of IFRS 2 and IFRIC 11 Group and Treasury Share Transactions and hence both IFRIC 8 and IFRIC 11 have been withdrawn.

These amendments had no effect on the Group consolidated financial statements as there were no such transactions in the reporting period.

IFRS 3 Business Combinations (Revised)

Effective for periods beginning on or after 1 July 2009.

A change to the scope of IFRS 3 increases the number of transactions to which it must be applied, by including combinations of mutual entities and combinations without consideration (e.g., dual listed shares). These amendments had no effect on the Group consolidated financial statements as there were no such transactions in the reporting period.

IAS 27 Consolidated and Separate Financial Statements (Amendment)

Effective for periods beginning on or after 1 July 2009.

The most significant changes to IAS 27 are as follows:

- Changes in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss.
- Losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests (previously referred to as 'minority interests'); even if the losses exceed the non-controlling equity investment in the subsidiary.
- On loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal.

These amendments had no effect on the Group consolidated financial statements as there were no changes in ownership interests of the subsidiary.

IAS 39 Financial Instruments: Recognition and Measurement — Eligible hedged items (Amendment)

Effective for periods beginning on or after 1 July 2009.

The final amendment addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

An entity can designate the changes in fair value or cash flows related to a one-sided risk as the hedged item in an effective hedge relationship. In most cases, the intrinsic value of a purchased option hedging instrument, but not its time value, reflects a one-sided risk in a hedged item.

The designated risks and portions of cash flows or fair values in an effective hedge relationship must be separately identifiable components of the financial instrument. Additionally, the changes in cash flows or fair value of the entire financial instrument arising from changes in the designated risks and portions must be reliably measurable.

The amendment indicates that inflation is not a separately identifiable risk and cannot be designated as the hedged risk unless it represents a contractually specified cash flow.

These amendments had no effect on the Group consolidated financial statements as the Group does not hedge its operations.

IFRIC 17 Distributions of Non-cash Assets to Owners

Effective for annual periods beginning on or after 1 July 2009.

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends.

The interpretation applies to all non-reciprocal distributions of non-cash assets, including those giving the shareholders a choice of cash or other assets, provided that:

- All owners of the same class of equity instruments are treated equally
- The non-cash assets distributed are not ultimately controlled by the same party before and after the distribution (i.e., excluding transactions under common control)

An entity must recognise a liability for the distribution when it is no longer at the discretion of the entity (i.e., when shareholder approval is obtained, if required).

The liability is initially recognized at the fair value of the assets to be distributed and is remeasured at the end of each reporting period and immediately before settlement.

At settlement date, the difference between the carrying amount of the assets to be distributed and the liability is recognized in profit or loss as a separate line item.

IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

These changes had no effect on the Group consolidated financial statements as there were no distributions of non-cash assets to owners.

Improvements to International Financial Reporting Standards (issued 2009)

The improvements to IFRSs stated below resulted, where applicable to the Group, in modification of accounting policies, but had no effect on the Group financial position and performance.

IFRS 2 Share-based Payment

Scope of IFRS 2 and revised IFRS 3

The amendment clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of IFRS 2.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Disclosures

The Amendment clarifies that the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations are only those set out in IFRS 5.

IFRS 8 Operating Segments

Disclosure of information about segment assets

Segment assets and liabilities need only be reported when those assets and liabilities are included in measures used by the chief operating decision maker.

IAS 1 Presentation of Financial Statements

Current/non-current classification of convertible instruments

The terms of a liability that could at anytime result in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

IAS 7 Statement of Cash Flows

Classification of expenditures on unrecognized assets

Only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

IAS 17 Leases

Classification of land and buildings

The specific guidance on classifying land as a lease has been removed so that only the general guidance remains.

IAS 36 Impairment of Assets

Unit of accounting for goodwill impairment testing

The largest unit permitted for allocating goodwill acquired in a business combination is the operating segment defined in IFRS 8 before aggregation for reporting purposes.

IAS 38 Intangible Assets

Consequential amendments arising from IFRS 3

If an intangible acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of intangibles as a single asset provided the individual assets have similar useful lives.

Measuring fair value

The valuation techniques presented for determining the fair value of intangible assets acquired in a business combination are only examples and are not restrictive on the methods that can be used.

IAS 39 Financial Instruments: Recognition and Measurement

Assessment of loan prepayment penalties as embedded derivatives

A prepayment option is considered closely related to the host contract when the exercise price reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.

Scope exemption for business combination contract

The scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, not derivative contracts where further actions are still to be taken.

Cash flow hedge accounting

Gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges or recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

IFRIC 9 Reassessment of Embedded Derivatives

Scope of IFRIC 9 and IFRS 3

IFRIC 9 does not apply to possible reassessment at the date of acquisition to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

Amendment of the restriction on the entity that can hold hedging instruments. Qualifying hedging instruments may be held by any entity within the group, provided the designation, documentation and effectiveness requirements of IAS 39 are met.

New and amended standards and interpretations applicable to December 2011 year-ends

IFRS 1 First-time Adoption of International Financial Reporting Standards

Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

Effective for annual periods beginning on or after 1 July 2010, early adoption is permitted.

IFRS 1 has been amended to allow first-time adopters to utilise the transitional provisions in IFRS 7 Financial Instruments: Disclosures as they relate to the March 2009 amendments to the standard. These provisions give relief from providing comparative information in the disclosures required by the amendments in the first year of application.

To achieve this, the transitional provisions in IFRS 7 were amended to clarify that the disclosures need not be provided for:

- Annual or interim periods, including any statement of financial position, presented with an annual comparative period ending before 31 December 2009, and
- Any statement of financial position as at the beginning of the earliest comparative period as at a date before 31 December 2009.

These amendments will have no effect on the Group consolidated financial statements as the Group is not a first-time adopter.

IAS 24 Related Party Disclosures (Revised)

Effective for annual periods beginning on or after 1 January 2011, early adoption is allowed either for partial exemption for the government-related entities or the revised standard as whole.

The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control.

A partial exemption from the disclosures has been included for government-related entities. For these entities, the general disclosure requirements of IAS 24 will not apply. Instead, alternative disclosures have been included, requiring:

- The name of the government and the nature of its relationship with the reporting entity
- The nature and amount of individually significant transactions
- A qualitative or quantitative indication of the extent of other transactions that are collectively significant.

The Group will analyse the revised definition of related parties to be sure that all required information will be disclosed in the consolidated financial statements for the year ended 31.12.2011.

IAS 32 Financial Instruments: Presentation

Classification of Rights Issues (Amendment)

Effective for annual periods beginning on or after 1 January 2011, early adoption is permitted.

The definition of a financial liability has been amended to classify rights issues (and certain options or warrants) as equity instruments if:

- The rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments
- In order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

This amendment will have no effect on the Group consolidated financial statements as there are no such transactions.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

Effective for annual periods beginning on or after 1 January 2011. The amendment is adopted retrospectively as at the beginning of the earliest of the reporting period presented in the first financial statements where the Company applied initial edition of this interpretation

IFRIC 14 provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

This amendment will have no effect on the Group consolidated financial statements as the Group has no pension assets.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

Effective for annual periods beginning on or after 1 July 2010, early adoption is permitted.

IFRIC 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with paragraph 41 of IAS 39 Financial Instruments: Recognition and Measurement. The equity instruments issued are measured at their fair value, unless this cannot be reliably

measured, in which case they are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

If only part of a financial liability is extinguished, the entity needs to determine whether part of the consideration paid relates to a modification of the liability outstanding. If so, the consideration paid is allocated between the two parts.

The interpretation does not apply where the creditor is acting in the capacity of a shareholder, common control transactions, and where the issue of equity shares was part of the original terms of the liability.

This amendment will have no effect on the Group consolidated financial statements as the Group does not expect any issue of equity instruments to be provided to a creditor to repay a financial liability.

Improvements to International Financial Reporting Standards (issued 2010)

- IFRS 1 First-time Adoption of International Financial Reporting Standards. Accounting policy changes in the year of Adoption.
- IFRS 1 First-time Adoption of International Financial Reporting Standards. Revaluation basis as deemed cost.
- IFRS 1 First-time Adoption of International Financial Reporting Standards. Use of deemed cost for operations subject to rate regulation.
- IFRS 3 Business Combinations. Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS.
- IFRS 3 Business Combinations. Measurement of non-controlling interests.
- IFRS 3 Business Combinations. Un-replaced and voluntarily replaced share-based payment awards.
- IFRS 7 Financial Instruments Disclosures. Clarification of disclosures.
- IAS 1 Presentation of Financial Statements. Clarification of statement of changes in equity.
- IAS 27 Consolidated and Separate Financial Statements. Transition requirements for amendments made as a result of IAS 27 Consolidated and Separate Financial Statements.
- IAS 34 Interim Financial Reporting. Significant events and transactions.
- IFRIC 13 Customer Loyalty Programmes. Fair value of award credit.

New and amended standards and interpretations issued that are effective subsequent to December 2011 year-ends

IFRS 9 Financial Instruments

Effective for annual periods beginning on or after 1 January 2013.

The first phase of IFRS 9 Financial Instruments addresses the classification and measurement of financial assets. The Board's work on the other phases is ongoing and includes classification and measurement of financial liabilities, impairment of financial instruments, hedge accounting and derecognition of financial instruments, with a view to replacing IAS 39 Financial Instruments: Recognition and Measurement in its entirety by early 2011.

Phase 1 of IFRS 9 applies to all financial assets within the scope of IAS 39. The key requirements of IFRS 9 are as follows.

At initial recognition, all financial assets are measured at fair value.

Debt instruments

Debt instruments may (if the Fair Value Option is not invoked) be subsequently measured at amortised cost if:

- The asset is held within a business model whose objective is to hold the assets to collect the contractual cash flows;
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

All other debt instruments are subsequently measured at fair value.

Equity investments

All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Entities must make an irrevocable choice for each instrument, unless they are held for trading, in which case they must be measured at fair value through profit or loss.

3. Principal Accounting Policies

Below is a summary of significant accounting policies applied in preparation of these consolidated financial statements.

Basis of Consolidation

Subsidiaries of the Group are entities under the direct or indirect control of the Group. The Group is in the position to control an entity if the Group has a power to directly or indirectly manage financial and operational policy of such entity in order to receive benefits from its activities. Financial statements of a subsidiary of the Group is consolidated with the financial statements of the latter from such subsidiary acquisition date (a date wherefrom the Group exercises effective control over the entity in question) up to the date of sale (a date wherefrom the Group's effective control of Group over the entity in question ceases to exist).

Financial statements of subsidiaries are included in the consolidated financial statements of the Group using the purchase method. As at the subsidiary acquisition date its assets and liabilities are measured at fair value. Non-controlling interest is measured in accordance with their share of recognized assets and liabilities at fair value. All amounts, balances, gains and expenses resulting from intra-group transactions are eliminated at consolidation.

Basic Approaches to Preparation of Consolidated Financial Statements

These consolidated financial statements have been prepared in accordance with IFRS. Assets and liabilities in these financial statements are measured at cost except for land, buildings and constructions changes in fair value whereof is recognized in equity.

Preparation of consolidated financial statements in accordance with IFRS requires management to make basic estimates. Besides, application of the Group accounting policies requires management to make judgements.

Foreign Currency Translation

Consolidated financial statements are presented in Kazakhstani Tenge (KZT) being the functional currency of the Group.

Transactions in foreign currencies are initially accounted for in the functional currency at the rate prevailing at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated at the rate of the functional currency prevailing at the reporting date. All exchange differences are charged to the statement of comprehensive income.

Non-monetary items measured at historical basis in a foreign currency are translated using the exchange rates at the original transaction date. Non-monetary items measured at fair value in a foreign currency are translated at the rates prevailing at the fair value measurement date.

Below are the rates of foreign currencies as at the period-end used by the Group in preparation of the consolidated financial statements:

	31 December 2010	31 December 2009
KZT / 1 USD	147.5	148.46
KZT / 1 EUR	195.23	214.13
KZT / 1 RUB	4.84	4.94

Functional and presentation currency of the Group consolidated financial statements is KZT, all amounts in the consolidated financial statements are presented in KZT thousands.

Property, Plant and Equipment

Land, buildings and constructions are recognized at fair value based on the periodic valuation by the independent appraiser less depreciation of buildings and losses from impairment thereof. Revaluation is made at least once every three years.

All other items of property, plant and equipment are recognized at historical cost less depreciation charges. Historical cost includes expenses directly attributable to acquisition of such items of property, plant and equipment.

Subsequent expenses are charged to the carrying amount of asset or recognized as a separate asset, as appropriate, only where it is probable that future economic benefits related to such asset will flow to the Group and the value of the asset can be reliably estimated. All other repairs and maintenance are charged to the statement of comprehensive income in the period they are incurred.

Write-ups resulting from revaluation of land, buildings and constructions are charged to revaluation provision in equity. Write-downs, to the extent of previous write-ups of the same asset, are charged to provision for fair value directly in equity; all other write-downs are charged to the statement of comprehensive income. Every year the difference between the depreciation charges calculated based on the revalued amount of an asset and the depreciation charges calculated based on the historical cost of the same asset is reclassified from revaluation provision to retained earnings.

Land is not depreciated. Other assets are depreciated on a straight-line basis from their historical or revalued cost to their residual value throughout their useful lives:

- buildings	50 years
- constructions	10 years
- machinery and equipment	5 – 14 years
- vehicles	10 -14 years
- furniture, fixtures and other equipment	10 – 12 years

Residual value of assets and their useful lives are reviewed and adjusted as appropriate at each reporting date.

An asset's carrying amount is immediately written down to its recoverable amount if an asset's carrying amount exceeds its estimated recoverable amount.

Gains and losses from disposal of property, plant and equipment are calculated through comparison of revenue with carrying amounts. They are recognized in the statement of comprehensive income. When revalued items of property, plant and equipment are sold, the amounts included in the revaluation provision are reclassified to retained earnings.

Intangible Assets

(a) Trademarks

Trademarks and licences are recognized at historical cost. Trademarks have indefinite useful life and are recognized at cost.

(b) Licences

Licences are recognized at historical cost. Licences have limited useful life and are recognized at cost less accumulated amortisation. Amortisation is calculated based on the useful life of 7 years.

(c) Software

Software licences acquired are capitalised in acquisition and installation costs. These costs are amortised throughout the useful life of 7 years.

Costs attributable to development and support of computer programs are recognized as an expense as incurred. Costs directly attributable to development of a particular software product, which will be controlled by the Group and which use will generate profit exceeding its cost during the period of more than a year, are recognized in intangible assets. Costs related to development of software include wages of software developers and a respective part of allocated overheads.

Costs for development of computer software recognized as assets are amortised throughout their useful lives (no more than 7 years).

Investment Property

Investment property includes land plot, buildings and warehouse facilities belonging to the Company and used to generate lease income. The Company measures its investment property at fair value. Investment property fair value gains and losses are recognized in the statement of comprehensive income for the period in which they arise.

Impairment of Non-financial Assets (Other than Inventories and Deferred Tax Assets)

Intangible assets with indefinite useful lives are tested for impairment on an annual basis at the financial year end. Other non-financial assets are tested for impairment every time an event or changes in circumstances make it possible that carrying amounts of assets may not be recovered. Should an asset carrying amount exceed its recoverable amount (i.e. a higher of value in use and fair value less costs to sell), such asset is subject to write-off.

If it is impossible to estimate the recoverable amount of a separate asset, impairment testing is done with respect to a cash-generating unit (i.e. the smallest group of assets whereto such asset with identifiable cash flows belongs):

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventories is calculated by weighted average cost. Cost of finished goods includes the model design development costs, cost of raw materials and supplies, direct labor cost, other direct costs, as well as respective portion of overheads. The overhead base is material costs. Net realisable value is the estimated selling price in the ordinary course of business less selling costs.

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through comprehensive income; loans and receivables, held-to-maturity investments, as appropriate. The Group determines the classification of its financial assets at initial recognition.

The Group's financial assets include cash and short-term deposits, trade and other receivables.

Financial assets at fair value through comprehensive income are charged to the statement of financial position as finance income or finance costs in the statement of comprehensive income.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and cash on bank accounts and currency accounts, as well as on deposits with banks of the Republic of Kazakhstan.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

Deferred Income Tax

Deferred income tax is calculated for all temporary differences arising between the tax base of assets and liabilities and their carrying amounts reflected in the financial statements. Deferred tax is calculated based on the tax rates which were effective as at the date of financial statements and application whereof is expected during the sale of respective deferred tax asset or repayment of deferred tax liability. The rate as at the reporting date was 20%.

Deferred tax assets are recognized when a taxable income is likely to be received in the future, which may be utilized against the temporary differences.

Employee Benefits

Salaries to employees are accrued in accordance with the staff list.

Pension contributions are withheld from the employee income at the rate of 10% and transferred by the Group to pension funds chosen by the employees. The Group has no other liabilities related to pension benefits.

Provisions for Future Expenses and Payments

Estimated liabilities are reflected in the consolidated financial statements only when it is likely that repayment of such liabilities would require the outflow of resources, the extent of which may be reliably estimated. Contingent assets are not reflected in the consolidated financial statements, but are subject to disclosure in case of possible inflow of economic benefits.

The Group recognizes provisions for employee leaves and related tax liabilities, provisions for warranty service of the products sold.

The Group gives its three-year guarantee for the finished good and works performed, and undertakes liabilities to repair defects in case they are detected within the warranty period. Provision for warranty repair is stipulated from the time of sale of the finished goods and products, and from the signing date of Acceptance Protocol. Provision for warranty service is formed based on the analysis of actual expenses incurred on warranty repair in the previous three years and current year.

Contingent Liabilities

The Group defines a contingent liability as a possible liability arising from the past events, which may be confirmed only by occurrence or non-occurrence of a future event or the likelihood of any outflow of resources to repay the liability.

In 2009 the land was revalued. Since the Group has no intention to sell the land in the near future, land revaluation deferred tax is not reflected in the consolidated financial statements.

Revenue Recognition

Revenue is recognized at fair value of the goods and services sold less value added tax, discounts and returns of goods.

Revenue from the goods sold is recognized in the following cases:

- The Group has transferred to the buyer significant risks and rewards of ownership of those goods;
- The Group is not engaged any more in management to the extent, which is usually associated with the ownership, and does not control the goods sold;
- Revenue can be reliably measured;
- It is likely that economic benefits related to the transaction will flow to the Group;
- The transaction costs incurred or expected can be reliably measured.

Dividend income is recognized when the shareholder's right to receive payment is established.

Income and expenses are recognized on an accrual basis.

Finance Income

For all financial instruments carried at amortized cost, the interest income or expense is recognized using the effective interest rate method, which accurately discounts expected future payments or cash inflows throughout the estimated period of the use of a financial instrument or, where appropriate, the shorter period up to the net carrying amount of a financial asset or liability. Interest income is charged to finance income in the consolidated statement of comprehensive income.

Finance income includes proceeds from deposits and recognized income related to recognition of financial instruments at fair value.

Lease

Leases in which the lessor does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Group as a Lessor: operating lease payments are recognized as the expenses on a straight-line basis over the lease term.

Finance Costs

Finance costs include interest payable by loans. All costs to pay interests and other expenses incurred in relation to loans are charged to expenses incurred as part of net finance costs.

Related Party Transactions and Settlements

In these consolidated financial statements the related parties are those parties one of which is able to exercise control or significant influence over operating and financial decisions of the other party as defined in IAS 24, *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

The related parties may enter into transactions which would not be carried out between the non-related parties, prices and conditions of such transactions may differ from those of the transactions carried out between the non-related parties.

Management Benefits

Benefits paid to the key management for their engagement in the work of top management bodies consists of official salaries according to the staff list.

Earnings per Share

Basic earnings per share are calculated through dividing the profit or loss attributable to holders of common shares of the company by weighted average number of common shares in circulation during the year.

The Group has no securities with diluted effect.

4. Going Concern

The accompanying consolidated financial statements of the Group have been prepared based on the going concern assumption which involves realization of assets and settlement of liabilities in the normal course of business. The Group's ability to realize its assets, as well as its future activities, may be subject to significant impact of current and future economic conditions in Kazakhstan.

5. Significant Accounting Judgments, Estimates and Assumption

The Group uses estimates and makes assumptions in respect to future period. Accounting data received using estimates and assumptions usually differ from the actual results. Estimates and assumptions which may require material adjustments to be made to carrying amounts of assets and liabilities during the following financial year are disclosed below.

Income Taxes

The Group is a corporate income tax (CIT) payer in accordance with the Republic Kazakhstan laws. In the normal course of business, there are transactions and settlements for which the ultimate tax determination is uncertain, that is why a significant judgment is required in determining the CIT amount. As a result, the Group recognizes CIT liabilities based on estimates of whether additional CIT charges and interest will be due. These tax liabilities are recognized when, despite the Group's belief that its tax return positions are supportable, the Group believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities.

The Group believes that its accruals for CIT liabilities are adequate for all audited reporting periods based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact CIT expense in the period in which such determination is made.

Legal Proceedings

In accordance with IFRS, the Group recognizes contingent liability only when there is a current liability due to past events, the transfer of economic benefits is possible (when costs for their transfer can be reliably estimated). If these criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. Accordingly, settlement of any liability, neither recognized in the financial statements nor disclosed in the Notes thereto, may have significant impact on the Group's financial position. Application of this accounting principle to legal proceedings requires the Group management to make decisions on various operating and legal issues beyond its control. The Group reviews pending litigations every time changes occur in their course and at each reporting date to assess necessity of provisions to be formed. Factors considered by the Group management in making decisions on forming provisions include essence of claim, action or penalty; amount of potential loss which the Group may incur in case of adverse outcome of the proceedings; the course of legal proceedings (including events after the financial statements date but prior to the publication thereof); opinions or views of legal counsels; previous experience with similar trials and any decisions of the Group management as to how to react to the claim, action or penalty.

Product Warranty Liabilities

Provision for warranty repair is stipulated from the time of sale of the finished goods and products, and from the signing date of Acceptance Protocol. Provision for warranty service is formed based on the analysis of actual expenses incurred on warranty repair in the previous three years and current year.

Revaluation of Property, Plant and Equipment

Increase in the carrying amount as a result of revaluation of land and buildings is charged to revaluation provision in equity. Decrease in the carrying amount within the amount of previous increase in the value of the same asset is charged to revaluation provision directly in equity; any other decrease in the carrying amount is reflected in the consolidated statement of comprehensive income. Every year the difference between amortization charges calculated on the basis of revalued carrying amount of the asset, and amortization charges calculated on the basis of historical cost of the asset, is carried from Revaluation Provision to Retained Earnings line.

6. Acquisition of Saikan LTD

	<i>KZT '000</i>
	11.03.2010
Cost of investment	300
Fair value of net assets of Saikan LTD	(240)
Goodwill	60

As at the acquisition date

	Carrying amount	Adjustments	Fair value
Assets			
Cash	8	-	8
Short-term receivables	352 241	(1 026)	351 215
Current tax assets	22 278	-	22 278
Other short-term assets	181 432	-	181 432
Current tax liabilities	(24 762)	-	(24 762)
Short-term payables	(409 889)	-	(409 889)
Other short-term liabilities	(120 042)	-	(120 042)
Net assets	1 266	(1 026)	240
Cash paid	-	-	300

The Group management decided to impair goodwill as at 30.09.2010.

7. Cash and Cash Equivalents

Description	KZT'000	
	31.12.2010	31.12.2009
Cash on bank accounts in national currency	180 544	83 997
Cash on bank accounts in foreign currency (USD)	2 577	-
Cash on deposit accounts (USD)	-	37 115
Cash on hand	1 016	9 624
Total	184 137	130 736

There are no restrictions on cash.

8. Trade Receivables (Net)

Description	KZT'000	
	31.12.2010	31.12.2009
Trade receivables of buyers and customers including those from related parties	2 183 506	3 315 786
Provision for impairment of trade receivables	664 663	2 293
	(21 742)	(7 041)
Total	2 161 764	3 308 745

Changes in provision for impairment of doubtful trade receivables are as follows:

Description	KZT'000	
	31.12.2010	31.12.2009
Opening balance	(7 041)	(18 034)
Write-off of previously formed provision for impairment of doubtful trade receivables	6 830	10 993
Increase in provision for impairment of doubtful trade receivables	(21 531)	-
Total	(21 742)	(7 041)

9. Inventories

Description	KZT'000	
	31.12.2010	31.12.2009
Raw materials and supplies	26 736	34 926
Work in progress	676	-
Finished goods	37 290	8 068
Goods, including:	2 912 309	2 030 492
<i>components</i>	565 632	386 427
<i>server equipment</i>	1 209 556	785 565
<i>periphery</i>	327 471	243 748
<i>software</i>	178 621	127 395
<i>network products</i>	372 126	260 715
<i>household appliances and office equipment</i>	5 656	4 047
<i>mobile PCs</i>	77 402	53 698
<i>consumables</i>	1 489	1 020
<i>accessories</i>	2 382	1 585
<i>computers</i>	59 540	40 608
<i>special equipment</i>	102 011	116 194
<i>other</i>	10 423	9 490
Total	2 977 011	2 073 486

10. Advances Paid

Description	KZT'000	
	31.12.2010	31.12.2009
Advances paid for supply of inventories	26 345	167 417
Advances paid for works to be performed (services to be rendered)	24 669	129 926
Provision for advances paid	(853)	(1 105)
Total	50 161	296 238

Advances Paid for Supply of Inventories

Counterparties	KZT'000	
	31.12.2010	31.12.2009
Cyber Game LLP	-	153 251
NETART Firm	-	11 062
CopyLand Company LLP	2 108	-
Canon CEE GMBH	15 481	-
Kagazy Recycling LLP	1 381	-
M: Portal LLP	1 718	-
Other	5 657	3 104
Total	26 345	167 417

Advances Paid for Works to be Performed (Services to be Rendered)

Counterparties	KZT'000	
	31.12.2010	31.12.2009
DreamLab Creativ Ideas LLP	-	1 247
Almatygas Service Payments Center LLP	-	1 267
Almatyenergosbyt LLP	1 188	1 078
Pension savings fund of the Republic of Kazakhstan	-	791
RTS DEKO JSC	-	2 129
Asia-Soft LLP	17 447	-
NEW BRIDGE LLP	2 706	-
Saikan LTD	-	120 042
Other	3 328	3 371
Total	24 669	129 926

11. Current Tax Assets

Description	KZT'000	
	31.12.2010	31.12.2009
Payment for outdoor advertising	8 259	8 666
Value Added Tax	43 954	-
Property Tax	1 079	-
Other	708	1 528
Total	54 000	10 194

12. Other Current Assets

Description	KZT'000	
	31.12.2010	31.12.2009
Payables from employees	1 726	588
Prepaid expenses	2 349	457
Payables from insurance company and forfeit	187 095	-
Other	23 862	35 491
Total	215 032	36 536

13. Property, Plant and Equipment

KZT'000

	Land	Buildings and constructions	Transport	Machines and equipment	Other	Construction in progress	Total
Historical cost as at 31.12.2008	901 020	1 189 290	70 428	164 854	142 026	-	2 467 618
Addition	-	-	8 724	3 223	12 198	15 633	39 778
Impairment*	(67 339)	(54 126)	-	-	-	-	(121 465)
Reclassification to PP&E	-	5 100	-	8 842	1 691	(15 633)	-
Reclassification	-	-	-	3 603	(3 603)	-	-
Disposal	-	-	(19 038)	(311)	(2 739)	-	(22 088)
Historical cost as at 31.12.2009	833 681	1 140 264	60 114	180 211	149 573	-	2 363 843
Addition	-	-	-	12 843	11 732	25 567	50 142
Reclassification to PP&E	-	18 216	-	3 541	3 810	(25 567)	-
Reclassification to investment property	(37 310)	(8 256)	-	-	-	-	(45 566)
Disposal	-	-	(9 112)	-	(30 935)	-	(40 047)
Historical cost as at 31.12.2010	796 371	1 150 224	51 002	196 595	134 180	-	2 328 372
Accumulated depreciation as at 31.12.2008	-	(64 257)	(20 033)	(20 762)	(46 731)	-	(151 783)
Depreciation for 2009	-	-	-	-	-	-	-
administrative expenses	-	(29 159)	(7 695)	(13 632)	(17 446)	-	(67 932)
cost	-	-	-	(520)	(3 197)	-	(3 717)
costs to sell	-	-	-	(2)	(2 527)	-	(2 529)
Impairment*	-	1 769	-	-	-	-	1 769
Disposals	-	-	5 549	92	1 719	-	7 360
Accumulated depreciation as at 31.12.2009	-	(91 647)	(22 179)	(34 824)	(68 182)	-	(216 832)
Depreciation for 2010	-	-	-	-	-	-	-
administrative expenses	-	(16 291)	(3 792)	(8 192)	(9 382)	-	(37 657)
cost of sales	-	(12 140)	(2 826)	(6 931)	(10 068)	-	(31 965)
costs to sell	-	-	-	(2)	(1 716)	-	(1 718)
Reclassification to investment property	-	507	-	-	-	-	507
Disposal	-	-	4 877	-	30 494	-	35 371
Accumulated depreciation as at 31.12.2010	-	(119 571)	(23 920)	(49 949)	(58 854)	-	(252 294)
Carrying amount as at 31.12.2008	901 020	1 125 033	50 395	144 092	95 295	-	2 315 835
Carrying amount as at 31.12.2009	833 681	1 048 617	37 935	145 387	81 391	-	2 147 011
Carrying amount as at 31.12.2010	796 371	1 030 653	27 082	146 646	75 326	-	2 076 078

Carrying amount without revaluation							
31.12.2008	93 301	738 714	50 395	144 092	95 295	-	1 121 797
31.12.2009	93 301	704 372	37 935	145 387	81 391	-	1 062 386
31.12.2010	77 225	693 970	27 082	146 646	75 326	-	1 020 249

Land, buildings and constructions were revalued by Premier Consulting LLP as at 1 December 2009. Fair value was determined using 3 valuation approaches: income approach, comparative approach, cost approach.

* Land, buildings and constructions were revalued as at 31 December 2009.

From 1 January 2008 the useful life of construction was reviewed and reduced from 50 to 10 years.

Assets by "Other Property, Plant and Equipment" were depreciated for the amount of KZT 778 thousand.

14. Intangible Assets

KZT'000

	Licenses	Software	Trade mark	Total
Historical cost as at 31.12.2008	2 240	2 789	919	5 948
Addition	-	-	-	-
Historical cost as at 31.12.2009	2 240	2 789	919	5 948
Addition				
Historical cost as at 31.12.2010				
Accumulated depreciation as at 31.12.2008	(1 461)	(2 539)	-	(4 000)
Depreciation for 2009	(336)	(144)	-	(480)
Accumulated depreciation as at 31.12.2009	(1 797)	(2 683)	-	(4 480)
Depreciation for 2010	(313)	(25)		(338)
Accumulated depreciation as at 31.12.2010	(2 110)	(2 708)	-	(4 818)
Carrying amount as at 31.12.2008	779	250	919	1 948
Carrying amount as at 31.12.2009	443	106	919	1 468
Carrying amount as at 31.12.2010	130	81	919	1 130

The management believes, that there is no evidence of trade mark impairment.

Intangible assets by "Software" were amortized in full in 2010 for the amount of KZT 2,574 thousand.

Intangible assets by "Licenses" were amortized in full in 2010 for the amount of KZT 235 thousand.

15. Long-Term Trade Receivables

KZT'000

Description	31.12.2010	31.12.2009
Long-term receivables from Bank CenterCredit JSC	-	55 897
Long-term receivables from Kaspi Bank JSC, Pension Savings Fund of Halyk Bank of Kazakhstan JSC, Tsesnabank JSC	76 110	-
	76 110	55 897

Trade receivables under Agreement No. 179-4-6 dated 12 June 2009 concluded with Bank CenterCredit JSC for the amount of KZT 198,598 thousand, maturity date - 15 May 2011, were discounted in 2009 at the rate of 12% and recognized in the consolidated financial statements.

As at 31.12.2010 long-term receivables from Bank CenterCredit JSC were reclassified to short-term receivables, and income from discount was recognized for the amount of KZT 10,302 thousand.

In 2010 long-term agreements were concluded with the following counterparties:

Counterparty	Agreement	Amount of agreement, thousand tenge	Maturity	Fair value of trade receivables	Long-term part of trade receivables
Kaspi Bank JSC	Agreement No. VI-15 dated 30.06.2010 for supply of Microsoft licensed products	149 196	15.07.2012	139 110	39 646
Pension Savings Fund Halyk Bank of Kazakhstan JSC	Agreement No. III-5 dated 1 March 2010 for supply of Microsoft license	80 300	01.04.2012	74 872	21 338
Tsesnabank Joint Stock Company	Agreement No. 01-10/156-V dated 20 May 2010 for supply of Microsoft licensed products	56 921	20.04.2012	53 073	15 126
		286 417		267 055	76 110

Trade receivables were discounted at the rate of 12% and % and recognized in the consolidated financial statements as long-term trade receivables for the amount of KZT 267,055 thousand.

16. Other Receivables

Description	KZT'000	
	31.12.2010	31.12.2009
Other long-term receivables from buyers and customers	2 254	2 010
	2 254	2 010

According to Agreement for Extra Power No. 748-8 dated 25 July 2008 concluded with APC JSC, Logycom JSC makes payments for extra power supplied for the amount of KZT 5,470 thousand. Repayment shall be effected during 20 years, starting from the 37th month following the month in which the money was transferred. Receivables for the amount of KZT 5,470 thousand were discounted at the rate of 12% and recognized in the consolidated financial statements as other long-term receivables for the amount of KZT 2,010 thousand.

As at 31.12.2010, income from discount of other long-term receivables was recognized for the amount of KZT 244 thousand and debts made KZT 2,254 thousand.

17. Investment Property

	KZT'000		
	Land	Buildings and constructions	TOTAL
Fair value as at 31.12.2009			
Addition	42 835	309 146	351 981
Reclassification from PP&E	37 310	7 749	45 059
Fair value as at 31.12.2010	80 145	316 895	397 040

During 2010 the Group acquired immovable property in Astana and Uralsk consisting of land plots and non-residential premises according to Sales Agreements dated 5 August 2010, 15 April 2010, 18 May 2010. This immovable property is used for operating lease.

Logycom JSC reclassified units of immovable property, consisting of houses with land plots, from PP&E due to operating lease thereof.

As at 31.12.2010 fair value of investment property is approximately equal to carrying amount of assets.

18. Trade Payables

Description	KZT'000	
	31.12.2010	31.12.2009
Goods supplied	944 141	710 677
including those from related parties	52 849	602 872
Services received	43 463	23 815
Total	987 604	734 492

Description	KZT'000	
	31.12.2010	31.12.2009
Goods supplied	944 141	710 677
including:		
Comel Ltd	3 650	-
CopyLincAlmaty LLP	2 138	-
RRC-Kazakhstan	1 358	-
UTIS production LLP	1 818	-
West Com Trade LLP	291 075	-
Aksoft Distribution LLP	12 235	-
Alsi Branch LLP	13 635	-

Altera LLP	3 014	-
Asbis Kazakhstan LLP	1 371	-
MDM Service LLP	4 580	-
Fujitsu Technology Solutions	104 764	-
Toshiba Europe GMBH	318 932	-
AirEnergyCom	-	60 494
COMPUTER SERVICE LLP	-	20 498
Direct Distribution Company	-	8 267
LC Trade LLP	52 849	602 789
VENDER LLP	-	7 149
Alex LLP	8 084	3 052
Melcom Plus LLP	-	2 689
KK Interconnect	1 021	1 331
Samsung Electronics KZ and Central Asia	120 581	4 392
Other	3 036	16
Services rendered	43 463	23 815
including:		
Seven Rivers Capital JSC	-	152
CBM LTD	45	-
Hewlett-Packard LLP	9 058	-
Kade LLP	16 000	-
Caspian Security Group LLP	-	84
Almaty Branch of Kazkommertsbank JSC	1 834	2 057
Microsoft KZ	15 711	3 895
Kaspi Bank JSC	-	14 229
Vicom plus	-	825
RRC Business Telecommunications GMB	-	354
Transinter LLP	-	863
Other	815	1 356

Trade Payables in Foreign Currency

Description	31.12.2010		31.12.2009	
	KZT thousand	USD	KZT thousand	USD
RRC Business Telecommunications GMB	-	-	354	2
Fujitsu Technology Solutions GmbH	104 764	710	-	-
Toshiba Europe GMBH	318 932	2 162	-	-

19. Borrowings

KZT'000

Description	31.12.2010	31.12.2009
Current:		
Bank loans in KZT	1 565 590	1 267 999
Bank loans in USD	1 180 000	587 902
Total	2 745 590	1 855 901

According to Credit Facility Agreement No. 03/09 dated 3 September 2010 concluded between Bank Subsidiary of Sberbank JSC and Logycom JSC, interest rate for the use of credit facility is fixed and based on the tranche period, by the following scheme:

Tranche period:

3 months – 8.75% per annum;

6 months – 9.25% per annum;

9 months – 9.5% per annum;

12 months – 10% per annum.

The following accessory contracts were concluded under and in execution of Agreement No. 03/09 dated 3 September 2010:

Number of accessory contract	Interest rate	Amount, USD thousand	Amount, KZT thousand	Maturity date
AΦ 08/09 dated 8 September 2010	9,5%	4 000	590 000	08.06.2011
AΦ 09/09-2 dated 9 September 2010	9,25%	4 000	590 000	09.03.2011
AΦ 08/11-1 dated 08.11.2010	12%	-	27 000	08.11.2011

Purpose: working capital replenishment

According to Addendum No. 1 dated 4 October 2010 to the Agreement for Vehicle Re-Pledge No. 12/01-02 dated 12 January 2010, to secure performance of the Pledger's obligations to the Pledgee to repay to the Pledgee the credit facility provided on the following terms:

- Credit limit of USD 1,000,000 is translated into KZT at the rate of 147.11 tenge per 1 US dollar, which makes KZT 147,110 thousand;
- Credit facility period: from 3 November 2009 to 3 November 2012;
- Period of credit facility availability: up to 13 May 2012
- Interest rate for the use of credit facility: since 1 May 2010 a variable interest rate is established, the amount whereof is calculated based on quarterly credit turnovers of the group of companies Logycom JSC, LC Trade LLP and WesCom TRADE LLP by the following scheme:

Amount of quarterly turnovers	Tranche period	Interest rate
Up to 80% of total amount of quarterly revenue	6 months	14.5 % per annum
	12 months	15% per annum
Over 80% of total amount of quarterly revenue	6 months	11.5% per annum
	12 months	12% per annum

On 30 September 2010 Credit Facility Agreement No. 13 was concluded between Subsidiary of VTB Bank (Kazakhstan) JSC and Logycom JSC, the credit limit is KZT 427,199 thousand. Type and amount of interest rate are stipulated in accessory contracts.

Upon consent of the Borrower, the credit currency may be changed in the following cases:

- for the credit provided in tenge: decrease in the current KZT/USD rate by 10 or more percents during any period in the last three months till the decision on enforcement of the right is made by the Bank's competent body.

According to Addendum No. 1 dated 23 November 2010 to Credit Facility Agreement No. 13 dated 30 September 2010, the credit amount is KZT 2,138,025 thousand.

Purpose of credit:

- Credit 1: refinancing of debt (working capital replenishment) to Kazkommertsbank JSC – no more than KZT 1,032,150 thousand;
- Credit 2: secured working capital replenishment – no more than KZT 1,179,600 thousand;
- Working capital replenishment secured with the money to be received in the future under new contracts for sale of products – no more than KZT 958,425 thousand.

Credit facility period: from 30 September 2010 to 23 November 2012.

Bank	Interest rate	Amount, KZT thousand	Maturity date
BS VTB Bank JSC	11.50%	1 538 590	2011

The following property and guarantees were provided as security for the above loans:

Asset	No. of Loan Agreement	No. of Pledge Agreement	Residual value in KZT	Residual value in USD	Collateral value in USD	Comment
BS VTB Bank JSC (Kazakhstan)						
Goods in turnover	13	13.1z	2 912 297 182	9 728 224	4 749 048	Component consumables for office equipment, etc.
Residential premise with land plot	13	13.4z	7 884 994	95 060	46 400	Apartment in the apartment block, floor area – 77.8 sq. m., with land plot – 0.084 hectares (share – 0.047 hectares), located at: house 12, Tsimlyanskaya street, Almaty
Industrial warehouse	13	13.2z	464 893 088	2 054 541	1 498 383	Industrial facility, floor area – 3,285 sq. m., located at: house 12, Aralskaya street, Almaty
Residential premise with land plot	13	13.6z	7 858 798	49 454	21 218	Residential house, floor area – 35.2 sq. m. with land plot – 0.09 hectares (share – 0.0406 hectares), located at: house 26, Yakubov street, Almaty
Residential premise with land plot	13	13.5z	6 875 133	52 504	23 289	Apartment in the apartment block, floor area – 40.8 sq. m., with land plot – 0.0918 hectares (share – 0.0302 hectares) located at: apt. 20, house 9, Aralskaya street, Almaty
Transport	13	13.8z	1 457 808	52 852	40 923	Toyota Corolla A448DZ
Transport	13	13.8z	1 292 209			Toyota Corolla A696DM
Transport	13	13.8z	1 986 754			Renault Master A039EZ
Transport	13	13.8z	161 435			Toyota Land Cruiser A 080CE
Cash to be received in future		No. 13.9z dated 23.11.2010, No. 13.10z dated 30.11.2010		9 584 548		Cash to be received in future
BS Sberbank JSC						
Real estate with land plot	No. 03/11-01	No. 03/11-01	1 332 502 495	14 029 837	10 522 378	Facility, floor area – 7,264 sq. m., with land plot – 1,6221 hectares located at: house 8, Aralskaya street
Transport	No.	No. 12/01-	595 350	13 493	6 746	Mercedes Benz

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Notes to the Consolidated Financial Statements of Logycom JSC

	03/11-01	02				815*(A352DN)
Transport	No. 03/11-01	No. 12/01-02	644 154	17 275	8 637	Ford Transit 120T350*(A432DH)
Transport	No. 03/11-01	No.12/01-02	2 088 580	30 563	15 281	Toyota Land Cruiser 100GX*(A362FA)
Transport	No. 03/11-01	No. 12/01-02	53 889	814 200	2 762	Ford Transit*(A750CK)
Transport	No. 03/11-01	No.12/01-02	13 063	9 393	4 696	Toyota Dyna*(A158CB)
Transport	No.03/11-01	No.12/01-02	3 703 415	33 201	16 600	Toyota Land Cruiser 100VX*(A100CF)
Transport	No.03/11-01	No.12/01-02	5 179 280	58 846	29 423	Renault Premium-370(A273 FP) with trailer Samro C 218 RJ(4017AS)
Transport	No.03/11-01	No. 12/01-02	6 162 500	79 985	39 992	Toyota Land Cruiser 200VX*(A100BM)
Cash to be received in future		No.3/09-7, No.3/09-6, No.3/09-5, No.3/09-4, No.3/09-3 dated 03.09.2010		14 158 664		Cash to be received in future

20. Taxes Payable

KZT'000

Description	31.12.2010	31.12.2009
Corporate income tax	1 273	-
Social tax	292	506
Individual income tax	393	525
Tax for non-resident	-	3 042
Property tax	163	-
Value added tax	1321	4 364
Other	238	95
Total	3 680	8 532

21. Other Payables

KZT'000

Description	31.12.2010	31.12.2009
Salary settlements	8	453
Interests on loans in KZT	3 465	4 681
Interests on loans in USD	6 916	2 427
Coupon interests on bonds	39 216	51 297
Payables to pension funds	1 435	1 241
Other payables from organizations	6 306	7 407
Total other payables	57 346	67 506

22. Estimated Liabilities

KZT'000

Description	31.12.2010	31.12.2009
Provision for leaves	3 058	1 644
Provision for warranty repair	28 233	31 884
Other	4 449	4 450
Total estimated liabilities	35 740	37 978

Changes in provision for warranty repair are as follows:

KZT'000

Description	31.12.2010	31.12.2009
Opening balance	31 884	8 200
Write-off of previously formed provision for warranty repair	(31 884)	(8 200)
Accrual of provision for warranty repair	28 233	31 884
Итого	28 233	31 884

Changes in provision for leaves are as follows:

KZT'000

Description	31.12.2010	31.12.2009
Opening balance	910	2 301
Write-off of previously formed provision for leaves	(1 644)	(2 301)
Accrual of provision for leaves	3 058	910
Total	2 324	910

23. Bonds

In the consolidated financial statements bonds are recognized at carrying amounts:

KZT'000

Description	31.12.2010	31.12.2009
Nominal value of bonds of the 1 st issue	-	1 895 200
Discount on bonds of the 1 st issue	-	(33 856)
Carrying amount of bonds of the 1st issue	-	1 861 344
Nominal value of bonds of the 2 nd issue	794 560	137 600
Discount on bonds of the 2 nd issue	(52 980)	(4 419)
Carrying amount of bonds of the 2nd issue	741 580	133 181

On 4 September 2010 obligations on the bonds of the 1st issue were repaid and coupon interests thereon were paid.

In 2010 there were 656 960 thousand 2nd issue bonds placed for the amount of KZT 596,844 thousand with discount of KZT 60,116 thousand. Bonds were placed with accumulated coupon for the amount of KZT 7,235 thousand. Discount amortization of KZT 11,555 thousand.

Republic of Kazakhstan Agency on Regulation and Supervision of Financial Market and Financial Organizations carried out state registration of the second issue bonds of Logycom JSC dated 2 December 2008. The issue was entered into the State Register of Securities Issued under No. D28. In pursuant of the Decision of the Exchange Board of Kazakhstan Stock Exchange JSC dated 25 December 2008, coupon bonds of Logycom JSC of the second issue of bonds (НИИ-KZ2C0Y05D281) are listed on Kazakhstan Stock Exchange JSC in the first subcategory of Debt Securities Without Rating category, which came into effect on 31 December 2008.

Key features:

issue	second
type of bonds	registered unsecured coupon bonds
amount of issue	KZT 1,700,000 thousand
par value	KZT 1
number of bonds	1,700,000,000
form of issue	uncertificated
circulation commencement date	date when bonds were officially listed on Kazakhstan Stock Exchange JSC
interest rate	fixed - 11 % per annum throughout circulation period
commencement date for interest accrual, periods and dates of payment of interest	Interests are accrued starting from the circulation commencement date. Circulation commencement



date is the date when the bonds of this issue were officially listed on Kazakhstan Stock Exchange JSC. Coupon interests on the bonds are paid twice a year, i.e. each six months, starting from the circulation commencement date on an annual basis till maturity of bonds.

bonds circulation period 5 (five) years from the circulation commencement date

Holders	31.12.2010		31.12.2009	
	Number of bonds	Share (%)	Number of bonds	Share (%)
Pension funds	211 000 000	27%	-	-
Other organizations	583 560 000	73%	137 000 000	100%
Total	794 560 000	100%	137 000 000	100%

In 2010, 905 440 000 second issue bonds were not placed.

24. Deferred Tax Liabilities

Deferred corporate income tax reflects net tax effect of temporary differences between the carrying amounts of assets and liabilities determined for the purposes of business accounting and tax accounting.

Corporate income tax rate in the Republic of Kazakhstan in 2010 was 20% (2009: 20 %). The amount of the Group's corporate income tax accrued in 2010 differs from the amount of this tax should it be calculated by applying corporate income tax rate to the profit before tax.

KZT'000

	Consolidated statement of financial position			Consolidated income statement	
	31.12.2010	31.12.2009	As at 1 January 2009	2010	2009
Deferred tax assets					
Taxes payable	(103)	(101)	(150)	(2)	49
Provision for leaves	(612)	(329)	(608)	(283)	279
Provision for guarantees	(5 647)	(6 377)	(1 640)	730	(4 737)
Provision for receivables	(4 348)	(1 408)	(3 607)	(2 940)	2 199
Impact of discount of receivables	(3 872)	(2 060)	-	(1 812)	(2 060)
	(14 582)	(10 275)	(6 005)	(4 307)	(4 270)
Deferred tax liabilities					
Property, plant and equipment	142 535	105 233	144 115	37 302	(38 881)
Deferred tax liabilities	127 953	94 958	138 110		
Deferred tax benefits				32 995	(43 151)

Tax assets and tax liabilities are offset by the Group, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to the same taxable entity and the same tax authority.

The above deferred tax assets and liabilities relate to the income tax imposed on Logycom JSC by the same tax authority.

25. Share Capital

According to Sale Agreement dated 16 November 2009, Logycom JSC sold to Caspian Group JSC 584 023 of common shares of Logycom JSC for the amount of KZT 385,455 thousand.

Value of one share is KZT 660.

As at 31.12.2010, there were 3 815 240 common shares declared and 2 099 263 common shares paid. The amount of paid up capital as at 31.12.2010 made KZT 1,385,513 thousand. The amount of unpaid capital as at 31.12.2010 made KZT 1.0 thousand.

Shareholders	31.12.2010		31.12.2009	
	Number of shares	Share (%)	Number of shares	Share (%)
LC Trade LLP	151 600	7.22%	151 600	7.22%
Caspian Group JSC	1 947 663	92.78%	1 947 663	92.78%
	2 099 263	100%	2 099 263	100%

Methods of Calculating Carrying Amount of Common Shares:

	31.12.2010	31.12.2009
Net assets, thousand KZT	3 223 437	3 112 915
Less intangible assets, thousand KZT	(1 130)	(1 468)
Number of common shares (thousand shares)	2 099	2 099
Carrying amount of one common share, KZT	1 535	1 482

26. Revaluation Provision

Description	KZT'000	
	31.12.2010	31.12.2009
Opening balance	1 100 701	1 194 038
Write-off of revaluation to retained earnings	(7 562)	(93 337)
Closing balance	1 093 139	1 100 701

27. Revenue

Depreciation	KZT'000	
	31.12.2010	31.12.2009
Services rendered	116 010	584 249
Own-produced goods sold	3 877 909	2 413 691
Goods sold	19 189 869	16 782 192
Total	23 183 788	19 780 132

28. Cost of sales

Description	KZT'000	
	31.12.2010	31.12.2009
Services rendered	46 520	268 803
Own-produced goods sold	3 640 983	2 036 252
Goods sold	18 295 514	16 526 299
Total	21 983 017	18 831 354

29. Other Income/(Expenses) – Net

Description	KZT'000	
	31.12.2010	31.12.2009
Net exchange gains (loss)	3 990	4 186
Net income (loss) from disposal of fixed assets	4 693	306
Other income	22 582	66 682
Other expenses	(3 844)	(2 628)
Total	27 421	68 546

30. Products Selling Expenditure

Description	KZT'000	
	31.12.2010	31.12.2009
Advertisement	157 358	80 908
Transport services	19 829	10 581
Pre-sale testing	34 524	21 150

Salaries	30 366	29 232
Travel expenses	4 835	3 413
Provision for warranty repair	28 233	31 884
Write-off of provision for warranty repair	(31 884)	(8 200)
Depreciation of PP&E	1 717	2 532
Notary's services	2 795	1 432
Certification	1 328	-
Communication and mailing services	2 984	2 754
Inventories	1 941	2 977
Expenses on designer's services	1 582	-
Warranty repair	7 434	2 103
Other	5 033	7 144
Total	268 075	187 910

31. Administrative Expenses

KZT'000

Description	31.12.2010	31.12.2009
Amortization of intangible assets	338	476
Depreciation of PP&E	37 657	67 932
Lease	6 965	6 401
Bank services	29 337	10 677
Inventories	7 541	13 309
Travel expenses	6 063	6 152
Utility services	4 343	3 880
Listing fee	535	1 017
Taxes	37 634	30 292
Salaries	69 132	65 673
Security services	14 601	18 487
Provision for statutory audit	10 112	10 112
Provision for leaves	2 211	910
Write-off of provision for leaves	(910)	-
Provision for doubtful claims, advances paid and other doubtful receivables	22 310	1 105
Write-off of provision for doubtful claims and advances paid	(7 861)	(10 993)
Service and support	6 193	5 333
Communication services	6 014	12 313
Administration costs	8 030	5 134
Penalties	8 978	1 464
Operating costs	3 330	2 933
Electric power	4 897	6 497
Lawyer's services	14 436	-
Consulting services	7 459	-
Insurance	1 279	-
Membership fees	2 879	-
Expenses on write-off of doubtful claims	8 296	-
Property evaluation services	2 196	-
Other	2 331	15 404
Total	316 326	274 508

32. Finance Income

Description	KZT'000	
	31.12.2010	31.12.2009
Income from discount of trade receivables from KazstroyService JSC	-	15 822
Income from discount of trade receivables from Bank TuranAlem OJSC	-	42 083
Income from discount of trade receivables from Bank CenterCredit	10 302	-
Income from discount of trade receivables from APC JSC	244	-
Income from deposit	-	64
Total	10 546	57 969

33. Finance Costs

Description	KZT'000	
	31.12.2010	31.12.2009
Interest on loans received	254 611	197 378
Impact of exchange differences by currency transactions		(44)
Amortization of discount	45 647	40 678
Coupon expenses	172 903	198 214
Expenses on discount of other long-term receivables	-	3 460
Total	473 161	439 686

34. Income Tax Expenses

	KZT'000	
	31.12.2010	31.12.2009
Expenses on current corporate income tax	37 599	29 264
(Refund) Expenses on deferred corporate income tax	(2 083)	(2 093)
Adjustments due to changes in tax rates	35 078	870
Total expenses on corporate income tax	70 594	28 041

Below is the reconciliation of income tax expenses applicable to accounting profit before tax at the official rate of 20% with income tax expenses for the year ended 31.12.2010:

	31.12.2010	31.12.2009
Profit before tax	181 116	154 323
Corporate income tax on profit before tax at the rate of (20% - 2010, 20% - 2009)	36 223	30 865
Impact of changes in tax rate	35 078	870
Other non-deductible expenses	(707)	(3 694)
Total expenses on corporate income tax	70 594	28 041

35. Earnings per Share (Basic and Diluted)

Basic earnings per share are calculated through dividing the net profit for the year attributable to holders of common shares of the parent company by weighted average number of common shares in circulation during the year.

Below is the information on profit and number of shares, which was used to calculate basic and diluted earnings per share:

	KZT'000	
	31.12.2010	31.12.2009
Profit for the year (thousand tenge)	110 803	121 554
Weighted average number of shares	2 099	1 765
Earnings per share (basic and diluted) (KZT)	53	69

The Group had no potential shares with diluted effect.

Between the reporting date and the date of these consolidated financial statements there were no other transactions with common shares.

36. Related Party Transactions

Description	Nature of relations
LC Trade LLP	Shareholder since December 2005
Caspian Group JSC	Shareholder since August 2008
CBM LTD	Founders: President of Logycom JSC S.A. Shvalov (33.4%)
Logycom LLP	Founder of Logycom JSC since August 2007 (100%)
Saikan LTD	Founder of Logycom JSC since March 2010 (100%)
Logycom Perspective Innovations Incorporated Hedge Fund JSC	Founders: Logycom JSC (51%), National Innovation Fund JSC (49%) since September 2008

Amount of related party transactions for the year ended 31 December 2010 is as follows:

KZT'000

LC Trade LLP

Transaction	Amount
Balance as at 01.01.2010 (credit)	602 788
services sold	22 093
goods sold	4 415 349
services acquired	(48 151)
goods acquired (including returned goods)	(2 708 112)
payment	(460 709)
Balance as at 31.12.2010 (debit)	617 682

CBM LTD

Transaction	Amount
Balance as at 01.01.2010 (debit)	2 293
services sold	12 557
services acquired	(634)
payment	(14 575)
Balance as at 31.12.2010 (credit)	359

CASPIAN GROUP JSC

Transaction	Amount
Balance as at 01.01.2010 (credit)	(84)
services sold	-
goods sold	-
services acquired	-
goods acquired	(45)
payment	129
Balance as at 31.12.2010	-

In addition, during 2010 the Group had significant transactions with the following Groups, which are not related parties, but have a significant influence on the Group's core activities:

KZT'000

Counterparty	Amount of transactions	Share in total amount of inventories acquired
Cyber Game LLP	1 979 868	9%
WestCom TRADE	11 993 279	55%

Terms and Conditions of Related Party Transactions

Sale transactions and purchase transactions with related parties are made on the terms and conditions similar to those of transactions carried on an arm's length basis. Balances as at the year-end are not secured.

are interest-free and paid in cash. No guarantee was either given, or received in respect to payables to or receivables from related parties.

For the year ended 31 December 2010, the Group had no evidence of impairment of receivables from related parties (2009: zero). Such evaluation is made each reporting year through examination of financial position of a related party and the market, in which such a party operates.

37. Management Benefits

Benefits paid to the Group management include salaries according to the staff list. The amount of management benefits in 2010 made KZT 14,605 thousand, 2009 – KZT 14,233 thousand. No other payments were made to the management.

38. Segment Information

For management purposes, the Group is organized into business units based on their products and services and has three reportable segments as follows:

- The segment of computer equipment production
- The segment of computer equipment and licensed software sale
- The investment property segment leases offices and manufacturing sites owned by the Group, but not used by it to satisfy its production requirements.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

2010	Own-produced goods	Goods	Investment property	Adjustments of exclusion	Consolidated
Income					
Sales to external clients	3 877 909	19 189 869	116 010	-	23 183 788
Intersegment sales	-	-	-	-	-
Total income	3 877 909	19 189 869	116 010	-	23 183 788
Cost	(3 640 983)	(18 295 514)	(46 520)	-	(21 983 017)
Gross income	236 926	894 355	69 490	-	1 200 771
Amortization of PP&E and intangible assets	(7 317)	(36 299)	(28 062)	-	(71 678)
Goodwill impairment (Note 6)	-	(60)	-	-	(60)
Segment profit before tax	125 000	498 025	20 706	(462 615)*	181 116
Operating assets	1 617 854	6 313 644	267 992	-	8 199 490
Operating liabilities	1 695 138	6 615 244	280 794	(3 615 123)**	4 976 053
Disclosure of other information					
Capital expenses	4 949	19 313	820	-	25 082

*- does not include finance income and costs

** - borrowings, as well as deferred tax liabilities, are controlled at the group level.

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column.

All other adjustments and eliminations are part of detailed reconciliations presented further below.

Finance income and expenses, fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries. Inter-segment revenues are eliminated on consolidation.

39. Management of Financial and Other Risks

Principal financial liabilities of the Group, include, apart from derivatives, borrowings, trade and other payables. The key objective of those financial liabilities is funding of the Group's operations and provision of guarantees to support activities thereof. The Group has trade and other receivables, cash.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's top management monitors the process of managing those risks. Economic Planning Department provides consultations to the top management of the Group in respect to financial risks and appropriate concept of managing risks the Group is exposed to. Economic Planning Department assists the top management of the Group in obtaining assurance that the Group's operations associated with the financial risks are carried out in accordance with appropriate policies and procedures, and that the financial risks are identified, valued and managed in compliance with the Group's policies and its willingness to accept the risks.

The Board of Directors analyses and approves the policy of managing those risks, which is disclosed below.

Market Risk

Market risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market prices. Market prices include four types of risks: risk of changes in interest rate, currency risk, risk of changes in prices for goods and other price risks, for example, risk of changes in prices for equity instruments. Financial instruments exposed to market risk include borrowings. Sensitivity analysis in the sections below relates to positions as at 31 December 2010 and 2009. The Group has an insignificant risk related to the Group's being a leader in the Republic of Kazakhstan in the area of sale of computer equipment and components thereto.

In addition, the Group attaches a special importance to the measures aimed at extending the number of consumers of its services and products, as well as extending the range of services and products.

Risk of Changes in Interest Rates

Risk of changes in interest rates is the risk that the fair value of future cash flows from a financial instruments will fluctuate due to changes in market interest rates.

Risk of changes in market interest rates relates primarily to the Group's long-term debt instruments with floating interest rate.

The Group manages the risk of changes in interest rates using the combination of borrowings with fixed and floating interest rates. In accordance with the Group's policy, from 30% to 45% of borrowed funds must have a fixed interest rate.

As at 31 December 2010 about 57% of the Group's borrowed funds have fixed interest rate (2009: 96%).

Sensitivity to Changes in Interest Rate

The table shows analysis of sensitivity to possible changes in interest rates in respect to this part of borrowings, taking into account the impact of hedge accounting. Provided that all other parameters remain unchanged, the loans with floating interest rate have the following impacts on the Group's profit before tax. (Therewith, they have a non-material impact on the Group's capital):

	Increase /Decrease in basic points	Impact on profit before tax
2010		
US dollar	5%	(137 280)
US dollar	(5%)	137 280

Currency Risk

Currency risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate as a result of changes in exchange rates. The Group's exposure to the risk of changes in exchange rates is stipulated mainly by the Group's operating activities (when the revenue or expenses are denominated in a currency other than the functional currency of the Group).

The following table presents the analysis of sensitivity of the Group's profit before tax and capital to possible changes in USD exchange rate, provided that any other parameter remains unchanged. The Group's exposure to the risk of changes in exchange rates of other currencies is insignificant.

	Changes in USD exchange rate	Impact on profit before tax	Impact on capital
2010	10%	(159 717)	(127 773)
	(10%)	159 717	127 773
2009	10%	(59 068)	(47 254)
	(15%)	88 602	70 882

Changes in capital result from changes in loans denominated in US dollars (less cash and cash equivalents).

In 2010 the Group carried out import operations. Share of import in total amount of supplies from suppliers and contractors in US dollars makes 3.12% (2009: 0.03%), in Russian rubles – 0.01 % (2009: 0.24%), in Euros – 0.48% (2009: no goods were supplied).

The table below shows monetary assets of the Group by currencies (by currency risk concentration):

	<i>KZT'000</i>		
31.12.2010	KZT	USD	Total
Financial assets			
Cash and cash equivalents	181 560	2 577	184 137
Receivables	2 161 764		2 161 764
Other current assets (other than tax refund and advances paid)	215 032		215 032
Total financial assets	2 558 356	2 577	2 560 933
Financial liabilities			
Trade payables	563 908	423 696	987 604
Other payables accrued (other than advances received)	50 430	6 916	57 346
Taxes payable	3 680		3 680
Borrowings	1 565 590	1 180 000	2 745 590
Bonds	741 580		741 580
Total financial liabilities	2 925 188	1 610 612	4 535 800
Net currency position in the balance sheet	(366 832)	(1 608 035)	(1 974 867)

	<i>KZT'000</i>		
31.12.2009	KZT	USD	Total
Financial assets			
Cash and cash equivalents	130 736		130 736
Receivables	3 308 745		3 308 745
Other current assets (other than tax refund and advances paid)	36 536		36 536
Total financial assets	3 476 017		3 476 017
Financial liabilities			
Trade payables	734 138	354	734 492
Other payables accrued (other than advances received)	67 506		67 506
Taxes payable	8 532		8 532
Bonds	133 181		133 181
Total financial liabilities	943 357	354	943 711
Net currency position in the balance sheet	2 532 660	(354)	2 532 306

Credit Risk

The Group's financial assets exposed to potential credit risk are mainly represented by receivables from customers and buyers. The Group has adopted procedures ensuring the sale of goods and services to the buyers with appropriate credit history only.

Receivables are reflected in the balance sheet less impairment provision and represents the maximum amount exposed to the credit risk. Taking into account the credit history of buyers and customers, the Group management believes that there is no significant risk of losses. Cash is placed with financial institutions having a minimum default exposure.

The table below shows maximum credit risk exposure, which the Group has in respect to financial assets recognized in its consolidated balance sheet.

KZT '000

	31.12.2010		31.12.2009	
	BV*	MR**	BV*	MR**
Cash and cash equivalents	183 121	-	121 112	-
Trade receivables	2 161 764	2 161 764	3 308 745	3 308 745
Other current assets	215 032	-	36 536	-
Total	2 559 917	2 161 764	3 466 393	3 308 745

* Book Value

** Maximum risk

In 2010 cash and cash equivalents make 2.23% of all assets of the Group (2009: 1.62%). The Group considers its credit risk exposure related to these assets as low.

Delay in repayment of receivables in 2010 made 26.36% of all assets of the Group (2009: 41 %).

Other current assets as at 31.12.2010 make 2.62% of all assets of the Group (2009: 0.45 %), credit risk exposure related to these assets is considered as low.

Liquidity and Solvency Risk

The Group's approach to liquidity management is ensuring its ability to repay all the liabilities as they fall due. The Partnership makes reviews for the risk of insufficient cash using the long-term forecasts of expected cash flows from operating activities.

The Group's internal documents provide for the payment recording and controlling procedures.

Key liquidity figures:

Description	31.12.2010	31.12.2009
Current liquidity	1.38	1.24
Intermediate liquidity	0.65	0.80
Quick assets ratio	0.04	0.03

Contractual Cash Flows

The table below shows contractual cash flows by financial assets and liabilities recognized in the balance sheet. Where there are flexible maturity dates, the table below shows the earliest date at which the Group may have to repay its liability.

The maturity dates shown in the table are contractual. Therefore, the Group estimates the possibility of repayment of those liabilities as high, when estimating their liquidity.

KZT'000

Balance sheet items as at 31.12.2010	Carrying amount	Cash inflow (outflow)	For the period from 1 to 3 months	For the period from 3 to 6 months	For the period from 6 to 12 months	For the period more than 12 months
Assets	2 375 085	2 375 085	479 382	1 895 703	-	-
Trade receivables*	1 511 908	1 511 908	389 767	1 122 141	-	-
Receivable from related parties	664 663	664 663	-	664 663	-	-
Other receivables**	198 514	198 514	89 615	108 899	-	-
Liabilities	4 517 134	4 517 134	1 274 811	1 111 395	1 389 348	741 580
Borrowings	3 487 170	3 487 170	933 289	422 953	1 389 348	741 580
Taxes payable	3 680	3 680	3 680	-	-	-
Trade payables	987 604	987 604	311 896	675 708	-	-
Other payables***	38 680	38 680	25 947	12 733	-	-
Net balance sheet position	(2 142 049)	(2 142 049)	(795 430)	784 309	(1 389 348)	(741 580)

* The difference between cash inflow and carrying amount is the provision for impairment of receivables of KZT 17,644 thousand;

** Cash inflow does not include advances paid for the amount of KZT 50,162 thousand and tax refund of KZT 54,000 thousand;

*** Cash outflow does not include advances received for the amount of KZT 276,560 thousand.

KZT'000

Balance sheet items as 31.12.2009	Carrying amount	Cash inflow (outflow)	For the period from 1 to 3 months	For the period from 3 to 6 months	For the period from 6 to 12 months	For the period more than 12 months
Assets	3 352 322	3 352 322	1 571 645	1 731 701	48 976	-
Trade receivables*	3 313 493	3 313 493	1 570 012	1 694 675	48 806	-
Receivable from related parties	2 293	2 293	98	2 195	-	-
Other receivables**	36 536	36 536	1 535	34 831	170	-
Liabilities	4 660 956	4 660 956	1 600 883	1 064 120	1 862 772	133 181
Borrowings	3 850 426	3 850 426	943 739	912 162	1 861 344	133 181
Taxes payable	8 532	8 532	8 410	-	122	-
Trade payables	734 492	734 492	581 228	151 958	1 306	-
Other payables***	67 506	67 506	67 506	-	-	-
Net balance sheet position	(1 308 634)	(1 308 634)	(29 238)	667 581	(1 813 796)	(133 181)

* The difference between cash inflow and carrying amount is the provision for impairment of receivables of KZT 7,041 thousand;

** Cash inflow does not include advances paid for the amount of KZT 296,238 thousand and tax refund of KZT 16,417 thousand;

*** Cash outflow does not include advances received for the amount of KZT 161,737 thousand.

Operating Risk

Operating risk is the risk arising in the course of current operating activities, which results in breaking normal production rates, slowing down or reduction in the sales of finished products, as well as due to unexpected changes made to laws and regulations, which result in unexpected financial and operating losses.

The Group operates in one operating segment – production of computer equipment and sale thereof in the Republic of Kazakhstan.

The Group is exposed to the operating risk arising due to weaknesses in information systems, internal control system, as well as due to unexpected changes in the applicable laws, which may result in unexpected financial and operating losses.

Operating risk arising due to weaknesses in information systems is minimized by the Group in the following way:

- 1) risk of loss of current and archive data is minimized by replicating those data on the secondary server on a real time basis, as well as through a regular backup of those data on long-term carriers;
- 2) risk of failure of host server hardware and/or software is minimized by the Group through maintaining an opportunity to immediately start up a system copy on the secondary server;
- 3) risk of failure of secondary servers providing access to information is minimized by an appropriate number of mirrored servers, as well as by a regular back up of critical data stored on those servers;
- 4) risk of failure of communication equipment providing access to the system is minimized by appropriate backup hardware (routers);
- 5) risk of unauthorized access to the system by those who have no appropriate powers (risk of hostile incapacitating of the system, acquisition of private (classified) data, hostile system data spoofing) is minimized by the Group through application of hardware and software cryptographic facilities, which prevent from unauthorized access to the system.

Operating risk arising due to weaknesses in internal control system is minimized by the Group in the following way:

- the Group states official duties and functions of its staff in its internal documentation;
- right to make decisions and range of responsibility of each employee are strictly limited;
- the Group Management monitors the compliance with rules and procedures established to minimize operating risks and ensures proper operating thereof.

The Group's operations are accompanied by legal risk – risk of events which may result in adverse legal implications as determined by the applicable laws.

All the documents of regulatory nature of the Group and outgoing correspondence thereof related to significant issues are subject to obligatory examination by the Group's Legal Department for their compliance with the laws of the Republic of Kazakhstan and legal interests of the Group.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise the shareholders' profit. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may repay the capital to shareholders or issue new shares, as well as make decisions on capital gearing.

Key financial stability figures:

Description	31.12.2010	31.12.2009
Debt ratio	1.30	1.17
Equity-to-total-assets ratio	0.39	0.17
Working capital	1 540 358	1 134 668
% of long-term assets in net assets	0.79	1.59
Interest expense coverage ratio	(0.4)	0.34

40. Contingent Liabilities

BS VTB Bank (Kazakhstan) JSC has a full irrevocable commitment for the Company in respect to trade finance transactions (tender guarantees and guarantees to secure obligations under contracts) for the amount of KZT 30,796 thousand.

BS Sberbank of Russia JSC has a full irrevocable commitment for the Company in respect to trade finance transactions, including:

- letter of credit for the amount of EUR 250,000;
- guarantees to secure obligations under contracts for the amount of USD 365,421 and KZT 11,304,533.

41. Subsequent Events

1. Caspian Group JSC (Caspian Group), which is a major shareholder of Logycom JSC (number of shares owned is 1,947,663 shares, which makes 92.7784% of the total number of outstanding and voting shares), intends during the second quarter of 2011 to alienate its shares by selling them to:

- Mr. S.A Shvalov: 1,558,130 (one million five hundred fifty eight thousand one hundred thirty) common shares, which makes 74.2227% of the total number of outstanding shares of Logycom JSC;
- Mr. M.A. Krugov: 389,533 (three hundred eighty nine thousand five hundred thirty three) common shares, which makes 18.5557 % of the total number of outstanding shares of Logycom JSC.

2. By the end of April 2011 a number of contracts has been signed and planned to be signed by the tenders won for supply of equipment and software for the total amount of KZT 1.65 billion, including:

KazTransOil JSC: amounts of contracts are KZT 113.2 billion and KZT 160.5 mln.

Nazarbayev University JSC: amount of contract is KZT 414.7 mln.

Kazakhstan Temir Zholy National Company JSC: amount of contract is KZT 221.3 mln.

Republic of Kazakhstan Ministry of Internal Affairs: amounts of contracts are KZT 27 mln and KZT 61.5 mln.

Republic of Kazakhstan National Bank: amount of contract is KZT 19 mln.

Kazpost JSC: amount of contract is KZT 26.2 mln.

3. NIF JSC suggested to sell the share of Logycom JSC in Logycom Perspective Innovations Incorporated Hedge Fund JSC to a strategic investor willing to finance and develop the venture fund in future. Logycom JSC gave its prior consent to sell its shares, which it plans to do during 2-3 quarters of 2011.

4. Trade receivables were repaid for the amount of KZT 1,130,587 thousand.

5. Coupon interest was paid for the amount of KZT 43,700 thousand, as well as loan interest for the amount of KZT 78,160 thousand.

6. Credit Facility Agreement No. AΦ31/01 was signed on 31 January 2011 between BS Sberbank of Russia JSC and Saikan LTD for the amount of KZT 275,952 thousand, credit facility term: from 31 January 2011 to 31 January 2016. Interest rate is fixed: 13% per annum. Under Bank Loan Agreement No. AΦ10/02-3 dated 10 February 2011, loan for the amount of KZT 275,952 thousand was received.

7. On 22 February 2011 Credit Agreement No. 7228138143 was concluded between VTB Bank (Georgia) JSC and Logycom JSC for the credit amount of USD 2,500,000, interest rate is 10.5%, purpose: working capital replenishment. Maturity date: 18 August 2011. On 24 February 2011 a loan was received for the amount of USD 2,500 thousand, which makes KZT 365,200 thousand.

8. Credit Facility Agreement No. AΦ10/03 was signed on 10 March 2011 between BS Sberbank of Russia JSC and Logycom JSC for the amount of KZT 7,300,000 thousand, credit facility term: from 10 March 2011 to 10 March 2014. Credit currency –tenge (KZT), US dollars (USD) and/or Euro (EUR) (at the reporting exchange rates of BS Sberbank of Russia JSC as at the credit date). Interest rate for the use of credit facility is floating and determined based on the tranche period by the following scheme:

Tranche period	Interest rate in KZT	Interest rate in USD, EUR
Up to 6 months	11.5% per annum	9% per annum
Up to 12 months	12% per annum	10% per annum

Since 10 September 2011 a variable interest rate is established based on quarterly credit turnovers of the Group of companies Logycom JSC, LC Trade LLP and WesCom TRADE LLP by the following scheme:

Amount of quarterly turnovers	Tranche period	Interest rate in KZT	Interest rate in USD, EUR
Up to 80% of the total amount of quarterly revenue	Up to 6 months	14.5%	12%
	Up to 12 months	15%	9%
Over 80% of the total amount of quarterly revenue	Up to 6 months	11.5%	9%
	Up to 12 months	12%	10%

9. Logycom JSC received additional loans from BS VTB Bank JSC for the amount of KZT 127,000 thousand and from BS Sberbank of Russia JSC for the amount of KZT 1,319,602 thousand. The loan was repaid for the amount of KZT 933,289 thousand.

President
Logycom JSC



Chief Accountant

S.A. Shvalov

N.A. Bochkaryova