LEASING

CLOSED JOINT- STOCK COMPANY

MCB LEASING

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

31 DECEMBER 2010

Closed Joint-Stock Company MCB Leasing

Table of Contents

Financial Statements

Statement of Management Responsibilities 2
Independent Auditors' Report 3
Statement of Financial Position 4
Income Statement 5
Statement of Changes in Equity 6
Statement of Cash Flows 7

Notes to the Financial Statements

1. Organization and its principal activity 8
2. Basis of Measurement 8
3. Summary of Significant Accounting Policies 9
4. Cash and cash equivalents 11
5. Advances, prepayments, other receivable 11
6. Income Taxes 11
7. Net investment in finance lease 13
8. Fixed Assets 13
9. Intangible assets 14
10. Current liabilities 14
11. Total long-term borrowings 14
12. Issued, Subscribed and Paid-up Capital 15
13. Interest expense 15
14. Net Gain/(Loss) on Foreign Exchange Operations 15
15. Operating Expenses 15
16. Administrative Expenses 16
17. Contingencies and commitments 16
18. Financial Risk Management 16
19. Related Party Transactions 17

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of Closed Joint Stock Company MCB Leasing (the "Company").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Company at 31 December 2010, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation of the Republic of Azerbaijan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Detecting and preventing fraud and other irregularities.

The financial statements for the year ended 31 December 2010 were authorized for issue on 4 February 2011 by the Board of Directors.

Approved for issue and signed on behalf of the Board of Directors on 4 February 2011.

Chairman of Management Board	Chief Finance Officer
Mr. Ramal Jafarov	Mr. Sibt -e-Hassan Taqi

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Independent Auditors' Report

To the Shareholders and Board of Directors of Closed Joint Stock Company MCB Leasing:

Report on the Financial Statements

We have audited the accompanying financial statements of Closed Joint Stock Company MCB Leasing, which comprise the statement of financial position as at 31 December 2010, and the income statement, statements of changes in equity and cash flows for the year ended 31 December 2010, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Nexia Euro Audit LLC

Azərbaycan Respublikası EURO AUDIT MMC EuroAudit member of Nexia International Azerbaijan Republic EURO AUDIT LLC

Baku, Azerbaijan
4 February 2011

Closed Joint-Stock Company MCB Leasing

Statement of Financial Position for the Year Ended 31 December 2010
(In Azerbaijani Manats)

	Notes	Year ended 31 December, 2010	Year ended 31 December, 2009
ASSETS			
Cash and bank balance	4	60,641	4,000
Advances, prepayments, other receivable	5	51,354	-
Deferred Tax Assets, net	6	88,567	-
Total current assets		**200,562**	**4,000**
Net investment in finance lease	7	1,177,993	-
Fixed assets	8	167,256	-
Pre Operational Expenses	9	11,427	-
Total non-current assets		1,356,676	-
TOTAL ASSETS		**1,557,237**	**4,000**
LIABILITIES			
Current liabilities	10	26,031	-
Long-term Loans	11	1,043,254	-
TOTAL LIABILITES		**1,069,285**	**-**
NET ASSETS		**487,952**	**4,000**
Represented by:			
Share Capital	12	842,105	4,000
Retained Earnings/(accumulated deficit)		(354,153)	-
Total Equity		**487,952**	**4,000**
Contingencies and commitments	17		

Approved for issue and signed on behalf of the Board of Directors on 4 February 2011.

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Chairman of Management Board
Mr. Ramal Jafarov

Chief Finance Officer
Mr. Sibt -e-Hassan Taqi

The accompanying notes on pages 8 to 18 form an integral part of these financial statements

Closed Joint-Stock Company MCB Leasing

Income Statement for the Year Ended 31 December 2010
(In Azerbaijani Manats)

	Notes	Year ended 31 December, 2010	Year ended 31 December, 2009
Interest income from finance leases		12,165	-
Interest expense	13	(2,834)	-
Net interest income		**9,331**	-
Other Income			
Fee, commission and brokerage income		13,906	-
Net gain/(loss) on foreign exchange operations	14	4,403	-
Other income		1,664	-
Operating income		**29,304**	-
Operating expenses	15	(331,103)	-
Administrative expenses	16	(140,921)	-
Loss before income tax		**(442,720)**	-
Income tax expense	6	**88,567**	-
Net loss		**(354,153)**	-

Approved for issue and signed on behalf of the Board of Directors on 4 February 2011.

MCB Leasing Qapalı Səhmdar Cəmiyyəti
MCB LEASING

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Closed Joint-Stock Company MCB Leasing

Statement of Changes in Equity for the Year Ended 31 December 2010
(In Azerbaijani Manats)

	Share capital	Unappropriated profit / (loss)	Total equity
Balance as on December 31, 2008	-	-	-
Shares issued during the period	4,000	-	4,000
Net Profit / (loss) for the period	-	-	-
Balance as on December 31, 2009	**4,000**	-	**4,000**
Shares issued during the period	838,105	-	**838,105**
Net Profit / (loss) for the period	-	(354,153)	**(354,153)**
Balance as on December 31, 2010	**842,105**	**(354,153)**	**487,952**

Approved for issue and signed on behalf of the Board of Directors on 4 February 2011.

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Closed Joint-Stock Company MCB Leasing

Statement of Cash Flows for the Year Ended 31 December 2010
(In Azerbaijani Manats)

	Notes	Year ended 31 December 2010	Year ended 31 December 2009
Cash flows from operating activities:			
Profit/(loss) before income tax		(442,720)	-
Adjustments for:			
Depreciation expense	16	20,324	-
Amortization expense	16	2,857	-
Cash flows from operating activities before changes in operating assets and liabilities		**(419,539)**	-
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Advances, prepayments, other receivable		(51,354)	-
Increase/(decrease) in operating liabilities:			
Increase in Current liabilities		26,031	-
Net increase in finance lease		(1,177,993)	-
Cash (outflow)/inflow from operating activities before income taxes		**(1,622,856)**	-
Income tax paid		-	-
Net cash (outflow)/inflow from operating activities		**(1,622,856)**	-
Cash flows from investing activities:			
Purchases of fixed assets		(187,579)	-
Pre Operational Expenses		(14,283)	
Net Cash outflow from investing activities		**(201,863)**	-
Cash flows from financing activities:			
Share capital contrubited during the year		838,105	4,000
Long-term borrowings received during the year		1,043,254	
Net cash inflow from financing activities		**1,881,359**	**4,000**
Net (decrease)/increase in cash and cash equivalents		**56,641**	**4,000**
Cash and cash equivalents at the beginning of the year		4,000	-
Cash and cash equivalents at the end of the year		**60,641**	**4,000**

Approved for issue and signed on behalf of the Board of Directors on 4 February 2011.

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1. Organization and its principal activity

"MCB Leasing" CJSC ("Company") was incorporated and domiciled 16 October 2009 in the Republic of Azerbaijan. The Company is a closed joint stock company limited by shares and was set up in accordance with Azerbaijani regulations.

The Company's principal business activity is providing finance lease within the Republic of Azerbaijan. The company leases various types of industrial equipment, equipment used in medical, public transports and real estate. In addition, the Company leases cars, trucks and rail cars. The company purchases leasing assets from suppliers in the Republic of Azerbaijan and abroad.

The Company was registered under the registration number 1701045991 dated 16 October 2009 at the Ministry of Taxes of the Republic of Azerbaijan.

Registered Address and Place of Business

The Company's registered address is: 49 B Moscow Ave. Baku AZ1065, Republic of Azerbaijan.

As at 31 December 2010, MCB Bank Limited (Pakistan) owned 95% of the issued share capital and is the parent company.

As at 31 December 2010 and 2009 the following shareholders owned the share capital of the Company:

	31 December, 2010 Ownership interest, %	31 December, 2009 Ownership interest, %
MCB Bank Limited (Pakistan)	95	95
Mr. Namig Safarov Rahib (Individual person)	5	5
Total	**100**	**100**

2. Basis of Measurement

2.1 Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of available-for-sale financial assets, and financial instruments categorized as at fair value through profit or loss. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied.

The Company maintains its accounting records in accordance with Azerbaijan law, which in majority complies with IFRS. These financial statements have been prepared from the Azerbaijan statutory accounting records and have been adjusted to conform to IFRS. These adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

2.2 Presentation currency. These financial statements are presented in Azerbaijani Manats ("AZN").

2.3. Critical accounting estimates and judgments. The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's

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financial statements or where judgment was exercised in the application of accounting policies are as follows:

a) Taxation. In making the estimates for income taxes currently payable by the Company, the management considers the current income tax laws.

b) Depreciation, amortization and revaluation of operating fixed assets. In making estimates of the depreciation or amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Company.

3. Summary of Significant Accounting Policies

3.1 Recognition and measurement of financial instruments. The Company recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability.

3.2 Cash and cash equivalents. Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash.

3.3 Inception of the lease. The inception of the lease is considered to be the date of the lease agreement, or the date of commitment, if earlier. For purposes of this definition, a commitment shall be in writing, signed by the parties involved in the transaction, and shall specifically set forth the principal terms of the transaction.

3.4 Commencement of the lease term. The commencement of the lease term is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease.

3.5 Fixed assets. Property and equipment, other than land carrying value of which is not amortized, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses (if any). Depreciation on all operating fixed assets is charged using the diminishing balance method except for vehicles and computers, which are depreciated using the straight line method in accordance with the rates below and after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation of fixed assets is calculated at the following rates:

Furniture and fixtures	10%
Computer and office equipment	20%
Vehicles	20%
Other fixed assets	20%

The carrying amounts of fixed assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment is recognized in the respective period and is included in other administrative and operating expenses. After the recognition of an

NX

impairment loss the depreciation charge for fixed assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off. Surplus on revaluation of land and buildings is credited to the surplus on revaluation account (if any) . Gains or losses on sale of property and equipment are credited or charged to the profit and loss account currently, except that the related surplus on revaluation of land and buildings is transferred directly to unappropriated profit. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

3.6 Pre operational expenses. Expenses incurred to setup the company are recognised as an assets and amourtised using the straight line method in accordance with the rates specified below. The useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Amortization of Pre operational expenses calculated at the following rates:

Pre operational expenses	20%

3.7 Foreign currencies. Transactions in foreign currencies are translated to Manat at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Manat terms at the rates of exchange prevailing at the balance sheet date. Translation gains and losses are included in the profit and loss account.

The exchange rates at the year-end used by the Company in the preparation of the financial statements are as follows:

31 December 2010	**31 December 2009**
USD 1 = AZN 0.7979	USD 1 = AZN 0.8031
EUR 1 = AZN 1.0560	EUR 1 = AZN 1.1499
GBP 1 = AZN 1.2377	GBP 1 = AZN 1.2759
RUR 1 = AZN 0.0263	RUR 1 = AZN 0.0266

3.8 Revenue recognition. Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains / losses on termination of lease contracts are recognized as income when these are realized.

3.9 Prepayments. Prepayments are stated at their nominal value.

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

3.11 Share capital. Contributions to share capital are recognized at cost. Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under the International Accounting Standard 10 "Events after the Balance Sheet Date" ("IAS 10") and disclosed accordingly.

3.12 Recognition and measurement of financial instruments. The Company recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date

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accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

4. Cash and cash equivalents

Cash and cash equivalents comprise:

	December 31, 2010	December 31, 2009
Cash at hand	459	-
Currents accounts with banks in local currency	47,663	-
Currents accounts with banks in foreign currency	12,518	4,000
Total cash and cash equivalents	**60,641**	**4,000**

As of December 31, 2010 the current accounts of the Company are located in commercial Banks (Access Bank OJSC, Demir Bank OJSC,National Bank of Pakistan Baku) within Azerbaijan Republic and abroad (MCB Bahrain). As of December 31, 2009 the Company had bank account with Demir Bank OJSC.

5. Advances, prepayments, other receivable

Advances, prepayments, other receivable are comprised of:

	December 31, 2010	December 31, 2009
Advance to lease supplier	7,200	-
Tax paid in advance	1,327	-
Advances to employees	7,140	-
Prepaid expenses	7,860	-
Reimbursement receivable	27,270	-
Other receivable	557	-
Total advances, prepayments, other receivable	**51,354**	-

6. Income Taxes

The Company provides for taxes based on the statutory tax accounts maintained and prepared in accordance with the Azerbaijani statutory tax regulations which may differ from the IFRS. During the year ended December 31, 2010, Azerbaijan's tax rate for corporations' profits was 20%. The tax rate will remain the same for the following fiscal year.

The Company is subject to certain permanent tax differences due to non-deductibility of certain expenses under local tax regulations.

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Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Relationships between tax expenses and accounting profit for the years ended December 31, 2010 and 2009 are explained as follows:

Temporary differences as at 31 December 2010 and 2009 comprise:

	Year ended 31 December 2010	**Year ended 31 December 2009**
Deductible temporary differences:		-
Tax losses carried forward	442,835	-
Total deductible temporary differences	442,835	-
Net deferred deductible temporary differences	442,835	-
Net deferred tax asset at the statutory tax rate (20%)	88,567	-
Net deferred tax asset	**88,567**	**-**

Relationships between tax expenses and accounting profit for the years ended 31 December 2010 and 2009 are explained as follows:

	Year ended 31 December 2010	**Year ended 31 December 2009**
Profit/(loss) before income tax	(442,720)	-
Tax at the statutory tax rate	88,544	-
Tax effect of permanent differences	23	-
Income tax (benefit) / expense	88,567	-
Current income tax expense	-	-
Provision for deferred income tax assets	88,567	-
Income tax (benefit) / expense	**88,567**	**-**

Deferred income tax assets	**Year ended 31 December 2010**	**Year ended 31 December 2009**
Beginning of the period	-	-
Change in the income tax assets for the period charged to profit	88,567	-
End of the period	**88,567**	**-**

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7. Net investment in finance lease

	December 31, 2010				December 31, 2009			
	Not later than one year	Later than one and less than five year	Over five year	Total	Not later than one year	Later than one and less than five year	Over five year	Total
Lease rental receivable	566,619	977,901	-	1,544,521	-	-	-	-
Minimum lease payments	566,619	977,901	-	1 ,544,521	-	-	-	-
Finance charges for future period	202,789	163,738	-	366,527	-	-	-	-
Present value of minimum lease payments	**363,830**	**814,163**	**-**	**1,177,993**	**-**	**-**	**-**	**-**

8. Fixed Assets

Property and equipment of the company comprise:

	Computer and Office Equipment	Vehicles	Furniture & Fixtures	Other Fixed Assets	Total Premises & Equipment
Cost at 31 December 2009	-	-	-	-	-
Additions	42,542	39,814	72,342	32,881	**187,579**
Cost at 31 December 2010	42,542	39,814	72,342	32,881	**187,579**
Accumulated Depreciation at 31 December 2009	-	-	-	-	-
Charge for the year	5,313	6,311	4,999	3,700	**20,324**
Accumulated Depreciation at 31 December 2010	5,313	6,311	4,999	3,700	**20,324**
NBV at 31 December 2009	-	-	-	-	-
NBV at 31 December 2010	**37,229**	**33,503**	**67,343**	**29,181**	**167,256**

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9. Intangible assets

Intangible assets include pre-operational expenses:

	Pre Operational Expenses
Cost at 31 December 2009	-
Additions	14,283
Cost at 31 December 2010	14,283
Accumulated Depreciation at 31 December 2009	
Charge for the year	2,857
Accumulated Depreciation at 31 December 2010	2,857
NBV at 31 December 2009	-
NBV at 31 December 2010	**11,427**

10. Current liabilities

	December 31, 2010	December 31, 2009
Accrued Expenses	11,229	-
Lease security deposit	7,200	-
Payable to suppliers	2,314	-
Other payables	5,288	-
Total advances, prepayments, other receivable	**26,031**	-

11. Total long-term borrowings

This is a foreign currency loan facility amounting to USD $ 2 million (1,595,800 AZN) with grace period of 18 months. First principal repayment is due in April 2012. Loan is secured against current assets and leased equipments

	December 31, 2010		December 31, 2009	
	Rate of interest per annum	Amount	Rate of interest per annum	December 31, 2009
MCB Bank Ltd. Bahrain	3 month's LIBOR + 4%	1,043,254	-	-
Total long-term borrowings		**1,043,254**		-

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12. Issued, Subscribed and Paid-up Capital

	December 31, 2010	December 31, 2009
842,105 (December 31, 2009: 4,000) ordinary shares of AZN 1 each fully paid in cash	842,105	4,000

13. Interest expense

Interest expense comprises of the following:

	Year ended 31 December 2010	Year ended 31 December 2009
Interest on borrowings from institutions	2,834	-
Total interest expense	2,834	-

14. Net Gain/(Loss) on Foreign Exchange Operations

Net gain/(loss) on foreign exchange operations comprise:

	Year ended 31 December 2010	Year ended 31 December 2009
Translation differences, net	4,403	-
Total net (loss)/gain on foreign exchange operations	**4,403**	-

15. Operating Expenses

Operating expenses comprise:

	Year ended 31 December 2010	Year ended 31 December 2009
Salary and bonuses	265,051	
Social security costs	58,311	
Staff medical insurance	7,740	-
Total operating expenses	**331,103**	-

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16. Administrative Expenses

	Year ended 31 December 2010	Year ended 31 December 2009
Office rent	44,960	-
Depreciation and amortization	20,324	-
Secirutiy	16,369	-
Professional services fees	11,733	-
Marketing & Advertisement	8,294	-
Communication	6,617	-
Audit fee	6,400	-
Bank charges	5,717	-
Stationary & printing	3,794	-
Repair and maintenance	3,275	-
Amortization of Pre Operational Expenses	2,857	-
Vehicle running costs	2,669	-
Utilities	2,446	-
Office supplies	1,756	-
Vehicle insurance	1,432	-
Taxes, other than income tax	620	-
Other expenses	1,660	-
Total dministrative expenses	**140,921**	**-**

17. Contingencies and commitments

	December 31, 2010	December 31, 2009
Contingencies and commitments	Nil	Nil

18. Financial Risk Management

The risk management function within the Company is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational and legal risks.

Credit risk. The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Company's lending and other transactions with counterparties giving rise to financial assets.

Credit Policy of the Company, which was approved by the Management and Supervisory Board, sets forth principles and rules of financial leasing activity, as well as establishing main indicators of procedures with regard to the activity, mitigating the Company's risks, determining profitability and serving as guidance for all employees while they perform their duties. There are certain limits set for the lease portfolio in order to ensure its diversification and minimization of possible credit risks. These limits are, as follows:

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- Limits for business portfolio;
- Limits by sectors of economy; and
- Concentration limits

The limits are developed and revised by the Management on an annual basis. In case of significant change in the market environment, the limits may also be reviewed. A proposal for limits change is provided firstly to the Credit Committee and next to the Management Board for approval and then it is approved by Supervisory Board.

The Leasing Operations department controls maintenance of all limits on a regular basis and some of them (maximum exposure to a single borrower or group of related borrowers, maximum exposure to related parties) are controlled before new lease issue.

The Credit Policy of the Company regulates the authorities and responsibilities of each body of the Company involved in lending process and determine the limits for credit granting approval, the rules for monitoring of leases, and lending procedures etc.

The Company's maximum exposure to credit risk is primarily reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Credit Committee. The Credit Committee of the Company ("CC") is the collective body which operates and reports to the Management Board. The overall role of CC is to control and manage all leasing operations approved in the framework of strategic and business plan of the Company. CC controls procedures and operations of leasing arrangements in accordance with the approved Credit Policy of the Company.

Currency risk
Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The company believes that it is not exposed to major foreign exchange risk.

Liquidity risk
Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

Fair values of financial assets and liabilities
The carrying values of financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

19. Related Party Transactions

At 31 December 2010, the outstanding balances with related parties were as follows:

	December 31, 2010	**December 31, 2009**
	Parent Company	Parent Company
Cash and cash equivalents	1,013	-
Long-term borrowings	1,043,254	-
Accounts payable	2,834	-

NX

The income and expense items with related parties for the year ended 31 December 2010 were as follows:

	December 31, 2010	**December 31, 2009**
	Parent Company	Parent Company
Interest expense	**2,834**	**-**

NX