JSC Czech Insurance Company Kazakhstan – Life Insurance

International Financial Reporting Standards
Financial Statements and
Auditor’s Report

31 December 2007

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JSC Czech Insurance Company Kazakhstan – Life Insurance:

1 We have audited the accompanying financial statements of JSC Czech Insurance Company Kazakhstan – Life Insurance (the "Company") which comprise the balance sheet as at 31 December 2007 and the income statement, statement of changes in equity and statement of cashflows for the period from 27 December 2006 to 31 December 2007 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2 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

3 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.

4 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.

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

Opinion

6 In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2007, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Almaty, Republic of Kazakhstan
30 April 2008

Approved by:

Zhanbota T. Bekenov
General Director of PricewaterhouseCoopers LLP (General State License of the Ministry of Finance of the Republic of Kazakhstan №0000005 dated 21 October 1999)
Auditor in charge (Qualified Auditor's Certificate №0000047 dated 28 February 1994)

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	Note	31 December 2007	Opening balance as at 27 December 2006
ASSETS			
Property, plant and equipment	6	14,605	-
Intangible assets including intangible insurance assets	7	27,204	-
Financial assets at fair value through income	8	620,578	-
Loans and advances	9	139,884	-
Receivable from shareholders	13	-	1,000,000
Other assets	10	7,719	-
Bank deposits	11	257,215	-
Cash and cash equivalents	12	15,263	-
TOTAL ASSETS		**1,082,468**	**1,000,000**
EQUITY			
Share capital	13	1,000,000	1,000,000
Accumulated deficit		(70,930)	-
TOTAL EQUITY		**929,070**	**1,000,000**
LIABILITIES			
Insurance liabilities	14	130,052	-
Taxes payable		2,336	-
Trade and other payables	15	21,010	-
TOTAL LIABILITIES		**153,398**	**-**
TOTAL LIABILITIES AND EQUITY		**1,082,468**	**1,000,000**

Approved for issue and signed on behalf of the Board on 30 April 2008.

Ardak Shakirkhanov Acting Chairman of the Board	Mira Aripova Chief Accountant

	Note	Period from 27 December 2006 to 31 December 2007
Gross insurance premium revenue	16	160,285
Unearned premium provision	16	(121,691)
Net insurance premium revenue	16	**38,594**
Net investment income	17	50,081
Net income		**88,675**
Insurance benefits	18	(102)
Insurance reserves	18	(8,361)
Net insurance benefits and reserves	18	**(8,463)**
Expenses for the acquisition of insurance contracts	19	(10,548)
General and administrative expenses	20	(65,279)
Impairment loss provision	21	(64,851)
Net fair value losses on financial assets	22	(3,960)
Loss before income tax		**(64,426)**
Income tax expense	23	(6,504)
Loss for the period		**(70,930)**

	Note	Unpaid share capital	Paid up share capital	Retained earnings	Total
Opening balance at 27 December 2006:					
Unpaid share capital	13	1,000,000	-	-	1,000,000
Paid share capital	13	(1,000,000)	1,000,000	-	-
Loss for the period		-	-	(70,930)	(70,930)
Balance at 31 December 2007		**-**	**1,000,000**	**(70,930)**	**929,070**

The accompanying notes on pages 5 to 29 are an integral part of these financial statements.

	Note	Period from 27 December 2006 to 31 December 2007
Cash flows from operating activities		
Loss for the period		(70,930)
Adjustments for:		
Depreciation of property, plant and equipment	6	717
Amortisation of intangible assets not related to intangible insurance assets	7	95
Impairment of loans and advances	9	64,851
Net fair value losses less gains on financial assets	22	3,960
Income tax expense	23	6,504
Interest income	17	(50,081)
Operating cash flows before working capital changes		**(44,884)**
Net increase in intangible assets related to intangible insurance assets		(24,338)
Net increase in financial assets at fair value through income		(605,251)
Net increase in loans and advances		(203,254)
Net increase in other assets		(7,719)
Net increase in bank deposits		(255,506)
Net increase in insurance liabilities		130,052
Net increase in trade and other payables		20,834
Cash generated from operations		**(990,066)**
Income taxes paid		(3,992)
Interest income received		27,604
Net cash used in operating activities		**(966,454)**
Cash flows from investing activities		
Purchase of property, plant and equipment	6	(15,322)
Acquisition of intangible assets not related to intangible insurance assets	7	(2,961)
Net cash used in investing activities		**(18,283)**
Cash flows from financing activities		
Issue of ordinary shares	13	1,000,000
Net cash from financing activities		**1,000,000**
Net decrease in cash and cash equivalents		**15,263**
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	12	**15,263**

1 General Information

These financial statements have been prepared in accordance with International Financial Reporting Standards for the period from 27 December 2006 to 31 December 2007 for Joint Stock Company Czech Insurance Company Kazakhstan – Life Insurance (the "Company").

The Company was incorporated and is domiciled in the Republic of Kazakhstan. The Company is a joint stock company and was registered with the Ministry of Justice of the Republic of Kazakhstan on 27 December 2006.

The Company is 100% subsidiary of Ceska Pojistovna a.s., Czech Republic. The Company's ultimate parent is Assicurazioni Generali S.p.A.

Principal activity. The Company's principal business activity is underwriting of life and non-life insurance risks. The Company operates under a licence issued by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (the "Agency") on 4 June 2007 and permitting the provision of casualty insurance, life insurance with an insured's participation in an investment income of insurer, life insurance and insurance of occurrence of a special event.

Registered address and place of business. The Company's registered address is:

310/1 Dostyk avenue
Almaty, 050059
Republic of Kazakhstan

2 Operating Environment

Whilst there have been improvements in recent years in the economic situation in the Republic of Kazakhstan, the economy of Kazakhstan continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country, a low level of liquidity in the public and private debt and equity markets and market conformity and transparency.

Additionally, the insurance sector in Kazakhstan is particularly impacted by political, legislative, fiscal and regulatory developments in Kazakhstan. The prospects for future economic stability in Kazakhstan are largely dependent upon the effectiveness of a range of measures undertaken by the government, the Ministry of Finance of Republic of Kazakhstan (the "MFRK"), the National Bank of the Republic of Kazakhstan (the "NBRK"), the Agency and other authorities. There remains the possibility of unpredictable changes in the financial and economic environment that may have an adverse effect on the Company's operations. Management of the Company is unable to predict the extent and duration of future economic difficulties; consequently these financial statements do not include any adjustments that may result from the future resolution of these uncertainties. Such adjustments, if any, will be reported in the Company's financial statements in the period when they become known and estimable.

Economic conditions continue to limit the volume of activity in the financial markets. Market quotations may not be reflective of the values for financial instruments, which would be determined in an efficient, active market involving many willing buyers and willing sellers. This may result in market volatilities that require management to evaluate among other factors when making judgment.

2 Operating Environment (Continued)

Recent volatility in global financial markets. In 2007 there has been a sharp rise in foreclosures in the US subprime mortgage market. The effects have spread beyond the US housing market as global investors have re-evaluated their exposure to risks, resulting in increased volatility and lower liquidity in the fixed income, equity, and derivatives markets. Borrowers of the Company may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for borrowers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial assets. To the extent that information is available, management have properly reflected revised estimates of expected future cash flows in impairment assessments, however management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets or their increased volatility."

3 Summary of Significant Accounting Policies

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 revaluation of financial assets at fair value through profit and loss. The principal accounting policies applied in the preparation of these financial statements are set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates.

All amounts in the notes are shown in thousands of Kazakhstani Tenge ("Tenge"), rounded to the nearest thousand, unless otherwise stated.

The Company obtained insurance licence in June 2007 and experienced net losses for the period from 27 December 2006 to 31 December 2007. Financial performance of the Company has also been impacted by the credit crunch effects (Note 9). However, the parent company has agreed to provide the Company with financial support in the form of capital and/or borrowings in sufficient amounts to enable the Company to continue its operating activities on a going concern basis.

(a) Amendments to published standards effective in 2007:

- IFRS 7 – *Financial Instruments: Disclosures* (effective for annual periods beginning on or after 1 January 2007). The IFRS introduced new disclosures to improve the information about financial instruments, including about quantitative aspects of risk exposures and the methods of risk management. The new quantitative disclosures provide information about the extent of exposure to risk, based on information provided internally to the entity's key management personnel. Qualitative and quantitative disclosures cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. IFRS 7 replaced IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and some of the requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The adoption of this statement did not affect the measurement of financial instruments, however increased the disclosure in relation to financial instruments (Note 5).

- *Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures* (effective for annual periods beginning on or after 1 January 2007). The Amendment to IAS 1 introduced disclosures about the level of an entity's capital and how it manages capital. The adoption of this statement is not expected to have a material effect on the financial statements.

3 Summary of Significant Accounting Policies (Continued)

(b) Amendments to standards effective in 2007 but not relevant to the Company's operations:

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 March 2006, but have not had a significant effect on the Company's operations:

- IFRS 4, *Implementation guidance to Insurance Contracts* (revised in December 2005, effective for periods beginning on or after 1 January 2007)
- IFRIC 7, *Applying the Restatement Approach under IAS 29* (effective for periods beginning on or after 1 March 2006);
- IFRIC 8, *Scope of IFRS 2* (effective for periods beginning on or after 1 May 2006);
- IFRIC 9, *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after 1 June 2006);
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006).

(c) Interpretations to published standards that are not yet effective and have not been early adopted by the Company:

There are no new standards, amendments or interpretations in this area.

(d) New standards, Amendments and Interpretations to published standards that are not yet effective and not relevant for the Company's operations

- IFRS 3, *Business combinations* (effective from 1 July 2009);
- IFRS 8, *Operating Segments* (effective for annual periods beginning on or after 1 January 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. Management does not expect IFRS 8 to affect the Company's financial statements;
- Amendment to IAS 1, *Presentation of Financial Statements*, amendment relating to revision including the requirement of a statement of comprehensive income (effective for annual periods beginning on or after 1 January 2009);
- IAS 23, *Borrowing Costs* (revised March 2007; effective for annual periods beginning on or after 1 January 2009). The revised IAS 23 was issued in March 2007. The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised Standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The company is currently assessing the impact of the amended Standard on its financial statements;
- IAS 27, *Consolidated and separate financial statements,*(revised, effective from 1 July 2009);
- IAS 32, *Financial instruments: Presentation* and IAS 1, *Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation* (Amendment) (effective from 1 January 2009);
- IFRIC 11, IFRS 2 - *Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007);

3 Summary of Significant Accounting Policies (Continued)

- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008);
- IFRIC 13, *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008); and
- IFRIC 14, *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1 January 2008).

Foreign currency translation. *(a) Functional and presentation currency.* The functional currency of the Company is the currency of the primary economic environment in which the entity operates. The Company's functional currency and presentation currency is the national currency of the Republic of Kazakhstan, Kazakhstani Tenge ("Tenge").

(b) Transactions and balances. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Property, plant and equipment. Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised 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 income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Useful lives in years
Vehicles	10
Office and computer equipment	5
Furniture	10
Other	5

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement in the other operating income. When revalued assets are sold, the amounts included in the revaluation surplus are transferred to retained earnings.

Intangible assets. The Company's intangible assets with definite useful lives include capitalised computer software and intangible assets with indefinite useful lives include insurance licence.

Computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life (ten years) using the straight-line method. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

3 Summary of Significant Accounting Policies (Continued)

Insurance license. Intangible assets with an indefinite useful life are not amortised but are tested for impairment annually and whenever there is an indication that the intangible asset may be impaired.

Financial assets. *Financial assets include financial assets at fair value through profit or loss, loans and advances, and prepayments and other receivables.*

(a) Financial assets at fair value through profit or loss at inception

A financial asset is classified into the 'financial assets at fair value through income' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management.Financial assets designated as at fair value through profit or loss at inception are those that are:

- held in internal funds to match insurance contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and

- managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. The Company's investment strategy is to invest in equity and debt securities and to evaluate them with reference to their fair values. Assets that are part of these portfolios are designated upon initial recognition at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Subsequently they are carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value are included in the income statement in the period in which they arise. The fair values of quoted investments are based on current bid prices.

(b) Loans and advances

Loans and advances are recorded when the Company advances money to purchase or originate an unquoted non-derivative receivable from a counterparty due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances are carried at amortised cost.

Securities purchased under agreements to resell ("reverse repo agreements") which effectively provide a lender's return to the Company are recorded as loans and advances. Loans and advances are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The difference between the purchase and resale price is treated as interest income and accrued over the life of repo agreements using the effective interest method. Securities are treated as collateral and not recorded in the financial statements.

Impairment of assets. *(a) Financial assets carried at amortised cost.* The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

3 Summary of Significant Accounting Policies (Continued)

(a) significant financial difficulty of the issuer or debtor;
(b) a breach of contract, such as a default or delinquency in payments;
(c) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
(d) the disappearance of an active market for that financial asset because of financial difficulties; or
(e) observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
- adverse changes in the payment status of issuers or debtors in the Company; or
- national or local economic conditions that correlate with defaults on the assets in the Company.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and advances carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement.

As a practical expedient, the Company may measure impairment of reverse repo agreements on the basis of an underlying securities' fair value using an observable market price.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

(b) Impairment of other non-financial assets. Assets that have an indefinite useful life, for example intangible assets such insurance licence, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Bank deposits. Bank deposits are loans originated by the Company by providing money directly to banks. All deposits with banks are recognised when cash is advanced to counterparties. They are carried at amortised cost less provision for impairment. Amortised cost is based on the fair value of cash consideration given determinable by reference to market prices at origination date.

Interest earned on deposits with banks is calculated by the effective interest method and reflected in the statement of income as interest income.

3 Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents. Cash and cash equivalents includes cash in hand and deposits held at call with banks with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the cashflow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in other assets.

Share capital. Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

Classification of insurance contracts. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

The Company has two types of insurance contracts – life insurance contracts and non-life insurance contracts. The non-life insurance includes accident insurance contracts.

Life insurance contracts contain a Discretionary Participation Feature ("DPF"). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

1. that are likely to be a significant portion of the total contractual benefits;
2. whose amount or timing is contractually at the discretion of the Company; and
3. that are contractually based on:
   (i) the performance of a specified pool of contracts or a specified type of contract;realised and/or unrealised investment returns on a specified pool of assets held by the Company; or
   (ii) the profit or loss of the Company, fund or other entity that issues the contract.

Recognition and measurement of insurance contracts. *(a) Accident insurance.* These contracts are concluded for a fixed term not exceeding one year or on a continuous basis with either party having the option to cancel. The Company is therefore generally able to re-price the risk by revising the premium at intervals less than one year. It also has the ability to impose deductibles and reject fraudulent claims.

Future insurance claims are the main source of uncertainty which influences the amount and the timing of future cash flows.

The amount of particular claim payments is limited by the sum insured which is established in the insurance policy.

The other significant source of uncertainty connected with non-life insurance arises from legislative regulations which entitle the policyholder to report a claim before the time of expiration, which usually lasts 3-4 years from the date, when the policyholder becomes aware of the claim. This feature is particularly significant in case of permanent disability arising from accident insurance, because of the difficulty in estimating the period between occurrence and confirmation of permanent effects.

For these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

3 Summary of Significant Accounting Policies (Continued)

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to policyholders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company.

(b) Life insurance contracts. These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the policyholder. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments less the expected discounted value of the theoretical premiums that would be required to meet the benefits based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality and persistency that are established at the time the contract is issued.

The liabilities are recalculated at each balance sheet date using the assumptions established at inception of the contracts.

All life insurance contracts has both fixed and guaranteed terms, and DPF. However, the latter comes into force after two years of contract's inception. Life contract entitles the policyholders to a minimum guaranteed crediting rate per annum, 4% and an insurance dividend declared by the Company from the DPF eligible surplus available to date. The DPF eligible surplus is estimated as an excess of guaranteed rate from insurance liabilities multiplied on a factor in the range of 50-85% depending on a business practice and decision of shareholders.

(c) Deferred policy acquisition costs ("DAC"). For non-life insurance contracts, commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). All other costs are recognised as expenses when incurred. The DAC is subsequently amortised over the life of the contracts as premium is earned.

(d) Reinsurance contracts held. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the policyholder is another insurer (inwards reinsurance) are included with insurance contracts.

The Company did not have reinsurance contracts as at 31 December 2007 and during the period then ended as there were not sufficient amount accumulated yet in portfolio to be reinsured.

(e) Receivables and payables related to insurance contracts. Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance policyholders.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement.

3 Summary of Significant Accounting Policies (Continued)

Insurance liabilities. *(a) Provision for unearned premiums – non-life insurance (accident insurance).* The provision for unearned premiums comprises the part of gross premiums written that are attributable to the years subsequent to the reported period and are computed separately for each insurance contract using the pro rata basis, adjusted to reflect any variation in the incidence of risk during the period covered by the contract. The provision for unearned premiums is created for non-life insurance.

(b) Life insurance provision. The life insurance provision (the provision for outstanding claims and the other life insurance technical provision) comprises the actuarially estimated value of the Company's liabilities under life insurance contracts. The amount of the life insurance provision is calculated by a prospective net premium valuation, taking account of all future liabilities as determined by the policy conditions for each existing contract and including all guaranteed benefits, bonuses already declared and proposed, expenses and after deducting the actuarial value of future premiums.

(c) Provision for outstanding claims - non life insurance. The provision for outstanding claims represents the total estimated ultimate cost of settling all claims arising from events which have occurred up to the end of the financial period, whether reported or not, less amounts already paid in respect of such claims, including the related internal and external claims settlement expenses as estimated based on historical experience and specific assumptions about future economic conditions.

The provision includes claims reported by policyholders but not settled (RBNS) and claims incurred but not reported (IBNR).

The provision is calculated by recognized actuarial methods. The Company does not discount its provisions for outstanding claims.

The provision for outstanding claims in respect of life insurance policies is included within the life insurance provision.

DPF liability for insurance contracts. DPF liability represents contractual liability to provide significant benefits in addition to the guaranteed benefits which are at the discretion of the issuer over the timing and amount of benefits and which are based on performance of defined contracts, investment returns or profit or loss of the issuer.

Revenue recognition**.** Revenue comprises the fair value for services and is recognised as follows:

(a) Rendering of services. Revenue arising from rendering insurance services offered by the Company is recognised in the accounting period in which the services are rendered. Revenue is presented by insurance premiums that are recorded as written upon inception of the contract and are earned primarily on a pro-rata basis over the term of the related contract coverage. Reserve for unearned premiums represents the proportion of premiums written in the period that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis.

(b) Interest income and expenses. Interest income and expense for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, are recognised within 'investment income' in the income statement using the effective interest rate method.

Acquisition costs. Acquisition costs are costs arising from the conclusion of insurance contracts and include direct costs, such as acquisition commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies.

3 Summary of Significant Accounting Policies (Continued)

In non-life insurance, acquisition costs that vary with and are directly related to the acquisition of new policies or the renewal of existing policies are deferred. Amortised acquisition costs are charged to the income statement.

Deferred acquisition costs are subject to recoverability testing at the time of policy issue and at the end of each accounting period. Deferred acquisition costs which are not deemed to be recoverable are charged to the income statement.

Commissions and other acquisition costs in respect to life insurance contracts are recognized as expenses when incurred. The Company makes allowance for initial expenses related to long-term insurance contracts by making Zillmer adjustment. Implicit deferred acquisition costs (which are presented as a reduction on a liability for contractual benefits) are amortised in line with premium revenue using assumptions consistent with those used in calculating future policy benefit liabilities.

Operating expenses. Operating expenses include expenses relating to the administration of the Company. This includes personnel costs, office rental expenses and other operating expenses. Staff costs include expenses arising from employee benefits, such as salaries and wages, management remuneration and bonuses, social insurance and costs of premium collection, portfolio administration.

Income tax. Income tax on the profit or loss for the period comprises current income tax (deferred income tax for the period is zero). Income tax is recognised in the income statement.

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

Leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Employee benefits. Wages, salaries, contributions to pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits, if any, are accrued in the period in which the associated services are rendered by the employees of the Company.

4 Critical Accounting Estimates and Judgements

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Company. Estimates are made as to the expected number of deaths for each of the periods in which the Company is exposed to risk. The Company bases these estimates on mortality tables that reflect recent historical mortality experience. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as AIDS, SARS, possible earthquake and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk.

Where the numbers of deaths in future periods to differ by 10% from management's estimate, the liability would increase by 19 thousand Tenge or decrease by 19 thousand Tenge.

4 Critical Accounting Estimates and Judgements (Continued)

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. The average estimated rate of investment return exceeds the minimum guaranteed crediting rate of 4%. Where the minimum guaranteed crediting rate to differ by 1%, the insurance liability would increase by 167 thousand Tenge or decrease by 179 thousand Tenge.

The life assurance provision is tested at reporting dates against a calculation of future cash flows using explicit and consistent assumptions of all factors - future premiums, mortality, morbidity, investment returns, lapses, surrenders, guarantees, policyholder dividends, expenses.

Where reliable market data is available, assumptions are derived from observable market prices. Assumptions which cannot be reliably derived from market values are based on current estimates calculated by reference to the Company's own internal models, on publicly available resources. Due to the levels of uncertainty in the future development of the insurance markets and the Company's portfolio, the Company uses conservative margins for risk and uncertainty. Input assumptions are updated annually based on recent experience. The methodology of testing considers current estimates of all future contractual cash flows including cash flows from embedded options and guarantees. This methodology enables quantification of correlation between all risks factors. The principal assumptions used are as follows:

Mortality and morbidity are based on data supplied by the Munich Re.

Persistency. Future contractual premiums are included without any allowance for premium indexation. Estimates for lapses and surrenders are estimated based on the past experience with insurance policies (split by type and policy durations) of Group's companies operating in similar markets.

Expected investment return and discount rate. Future investment returns are estimated market interest rates. The Company discounts all expected cash flows at a rate equal to the estimated market interest rate that exceeds minimum guaranteed rate by about 1-1.5%.

Profit sharing. Whilst, for most life assurance policies, the amount and timing of the dividends to policyholders is at the discretion of the Company, the assessment of liability adequacy takes into account of future discretionary dividends, calculated as a fixed percentage of the excess of the actual interest rate over the guaranteed technical interest rate on individual policies. The percentage applied is consistent with the Company's current business practice and expectations for dividends allocation.

Non-life insurance. Contrary to life insurance, insurance liabilities connected with non-life insurance are calculated by using current (not historical) assumptions.

The liability of reported claims not yet paid is formed on the basis of information directly received from insureds or any available information from insurance agents as well as from loss adjusters.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until some time after the event that gave rise to the claims.

The cost of the future claims includes estimates of the cost for the pure indemnity and the associated handling costs (including defence and legal costs).

For accident and health risks, the Company uses common statistical Bornhuetter-Ferguson methods. This method uses an estimate of claims experience based on the paid or incurred claims to date. The estimate uses a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations in which developed claims experience was not available for the projection.

4 Critical Accounting Estimates and Judgements (Continued)

Variables. Profit or loss and insurance liabilities are mainly sensitive to changes in mortality, lapse rate, expense rate and discount rates which are estimated for calculating adequate value of insurance liabilities.

The Company has estimated the impact on profit for the period and equity at the end of the period of changes in key variables that have a material effect on them. As at 31 December 2007 the amounts are as follows (in thousands of Tenge):

	Insurance liability	Change in variable	New insurance liability	Change in I/S
Mortality	2,318	+ 10%	2,337	+ 19
	2,318	- 10%	2,299	- 19
Discount rate	2,318	+1% (+100 bp)	2,485	+167
	2,318	-1% (-100 bp)	2,318	-179

Changes in variables represent reasonable possible changes in mentioned variables which could have occurred and would have lead to significant changes in insurance liabilities at the balance sheet date. The reasonable possible changes represent neither expected changes in variables nor worst case scenarios.

The analysis has been prepared for a change in variable with all other assumptions remaining constant and ignores changes in values of the related assets.

5 Management of Insurance and Financial Risk

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them.

This section provides details of the Company's exposure to risk and describes the methods used by the management to control risk. The most important types of financial risk to which the Company is exposed are credit risk, liquidity risk, actuarial risk and market risk. Market risk includes currency risk, interest rate risk and equity price risk.

Company's risk management - risk identification

The Company's primary activity is providing insurance services. The Company underwrites insurance contracts, maintains the contracts, pays out insurance benefits and claims and in relation to its insurance activity invests primarily to variety of capital market instruments. Positions are open in the money market, foreign exchange markets, debt and credit markets and equity markets based on expectations of future market conditions.

Below is a description of the various risks the Company is exposed to as a result of its activities and the approach taken to manage those risks. Further details of the steps taken to measure and control risk are set out in the "Risk measurement and control" section.

Liquidity risk

Liquidity risk arises in the general funding of the Company's activities and in the management of its positions. It includes both the risk of being unable to fund assets using instruments with appropriate maturities and rates and the risk of being unable to liquidate an asset sufficiently quickly and in the appropriate amount, and the risk of being unable to meet obligations as they become due.

5 Management of Insurance and Financial Risk (Continued)

The Company has access to a diverse funding base. Apart from insurance provisions, which serve as a main source of financing, funds are raised using a broad range of instruments. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Company strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. In addition the Company holds a portfolio of liquid assets as part of its liquidity risk management strategy. Special attention is paid to the liquidity management of non-life insurance business requiring sufficient funding to meet all the potential obligations in the event of a natural disaster. The Company continually assesses its liquidity risk by identifying and monitoring changes in the funding required to meet business goals and the targets set in terms of the overall Company strategy.

The following tables show an analysis of the Company's financial and insurance liabilities broken down into their relevant maturity bands based on the remaining period to repayment.

	less than 1 month	between 1 and 3 months	between 3 months and 1 year	between 3 and 5 years	more than 5 years	Total
Insurance liabilities						
Unearned premium reserve	-	5,243	116,448	-	-	121,691
Loss reserves	182	530	5,331	-	-	6,043
Insurance benefit	-	-	-	73	2,245	2,318
Trade and other payables	18,587	761	3,998	-	-	23,346
Total liabilities	**18,769**	**6,534**	**125,777**	**73**	**2,245**	**153,398**

Market risk

All financial instruments and positions are subject to market risk, the risk that future changes in market conditions may make an instrument more or less valuable. Financial instruments at fair value through profit or loss are recognised at fair value and all changes in market conditions directly affect the net fair value gains. Impairment of financial assets is recognised in net income.

The Company manages its use of financial instruments in response to changing market conditions. Exposure to market risk is formally managed, in accordance with risk limits or frameworks set by senior management, by buying or selling instruments or entering into offsetting positions. The "Risk measurement and control" section describes the approaches used to manage market risk.

Interest rate risk

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities the Company is also exposed to an interest rate cash flow risk, which varies depending on the different repricing characteristics of the various floating rate instruments. Asset-liability management activities are conducted in the context of the Company's sensitivity to interest rate changes.

In relation to financial assets and derivative positions described here, management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to parallel movements of 100 basis points in all yield curves.

5 Management of Insurance and Financial Risk (Continued)

An increase in 100 basis points in interest yields would result in a loss for the period of 12,186 thousand Tenge. This loss would be recognised in income statement.

A decrease in 100 basis points in interest yields would result in a gain for the period of 12,592 thousand Tenge. This gain would be recognised in income statement.

Equity price risk

Equity price risk is the risk that equity prices will fluctuate affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices.

The Company manages its use of equity investments in response to changing market conditions and limits the risk by maintaining a diversified portfolio.

There were no equity investments as at the period end except for corporate shares held under repurchase agreements and recorded as loans and advances.

Currency risk

The Company is exposed to currency risk through transactions in foreign currencies and through its assets and liabilities denominated in foreign currencies.

The Company's transactional exposures give rise to foreign currency gains and losses that are recognised in the income statement. These exposures comprise the monetary assets and liabilities of the Company that are not denominated in the Company's functional currency.

There were no foreign currency assets or liabilities as at the period end.

Credit risk

The Company is subject to credit risk through its trading, lending and investing activities and where it acts as an intermediary on behalf of policyholders or other third parties.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved annually.

The Company maintains records of the payment history for significant policyholders. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. As at 31 December 2007 the Company did not have any past due amounts from policyholders.

	31 December 2007
Listed debt securities at fair value through income	620,578
Bank deposits placed in a high rated banks (including restricted cash – Note 10)	257,415
Reverse repo agreements	139,884
Cash and cash equivalents	15,263
Receivable from bank	313
Total assets under risk	**1,033,453**

5 Management of Insurance and Financial Risk (Continued)

The assets above are analyzed in the table below using Standard & Poor's (S&P) rating (or equivalent when not available from S&P).

Credit Rating	31 December 2007
BBB	383,542
BB	140,196
B	122,213
Below BBB or not rated	387,502
Total assets bearing credit risk	**1,033,453**

The following tables show the economic concentration of credit risk:

Economic concentration	31 December 2007
Financial services	581,106
Public sector	383,542
Telecom providers	29,036
Industry sector	39,769
Total	**1,033,453**

Geographically, all assets are concentrated in Kazakhstan.

Insurance risk

Insurance risk results from the uncertainty surrounding the timing, frequency and size of claims under insurance contracts. The principal risk is that the frequency or size of claims is greater than expected. In addition, for some contracts, there is uncertainty about the timing of insured events. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

The Company is exposed to actuarial and underwriting risk through life and non-life products offered to customers: participating and non-participating traditional life products and non-life products (accident). Insurance risk relates to the uncertainty of the insurance business.

The most significant components of actuarial risk are the premium risk and the reserve risk. These concern the adequacy of insurance premium rate levels and the adequacy of provisions with respect to insurance liabilities and the capital base. The adequacy is assessed taking into consideration the supporting assets (fair and book value, currency and interest sensitivity), changes in interest rates and exchange rates and developments in mortality, morbidity, non-life claims frequency and amounts, lapses and expenses as well as general market conditions. Specific attention is paid to the adequacy of provisions for the life business.

The following table indicates the estimated amount and timing of cash flows arising from the long-term liabilities in this category of ALM framework and the extent of duration-matching for these contracts. They summarise the Company's exposure to interest rate risks for these assets and liabilities. When debt securities mature, the proceeds not needed to meet liability cash flows, will be re-invested in fixed rate securities.

5 Management of Insurance and Financial Risk (Continued)

Liquidity analysis of assets and related liabilities

Carrying value and cash flows arising from:	Carrying amount	Contractual cash flows (undiscounted) in years			
Assets backing liabilities - guaranteed component		**0-5**	**6-10**	**11-15**	**16-20**
Government securities with fixed rate	383,542	432,821	-	-	-
Long-term insurance contracts	2,318	1,549	1,467	58	13
Difference in expected cash flows		**431,272**	**(1,467)**	**(58)**	**(13)**

Concentration of insurance risk

A key aspect of the insurance risk faced by the Company is the extent of concentration of insurance risk, which determines the extent to which a particular event or series of events could impact significantly upon the Company's liabilities. Such concentrations may arise from a single insurance contract or through a number of related contracts where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it could arise from the accumulation of risks within a number of different insurance classes.

Concentrations of risk can arise in low frequency, high-severity events such as natural disasters; in situations where the Company is exposed to unexpected changes in trends, for example, unexpected changes in human mortality or in policyholder behavior; or where significant litigation or legislative risks could cause a large single loss, or have a pervasive effect on many contracts.

Geographic and sectoral concentrations

The risks underwritten by the Company are primarily located in Kazakhstan.

Within life and non life insurance, the management believes that the Company has no significant concentration of exposure to any group of policyholders measured by social, professional, age or similar criteria.

Risk measurement and control

Risk is an essential part of the Company's operating environment. Risk management is one of the key processes within the Company, the main aim of which is to ensure that the equity is adequate in relation to the risks arising from business activities. Insurance is the Company's primary line of business.

The insurance business is principally connected with insurance risks, market risk and credit risks associated with the investment portfolios. Insurance risks relate to the adequacy of insurance premium rate levels and of insurance liabilities. Maximum underwriting exposures are limited through exclusions and cover limits. Insurance risks connected with life insurance are managed through asset-and-liability management policies. Operational risks are less relevant.

The Company dedicated the financial risk management to professional persons within the Company, which closely cooperate with the Group's risk management department. This enables the Company to concentrate on risk management policies, including management of the insurance risks.

The Company's management of insurance and financial risk is a critical aspect of the business. For a significant proportion of life insurance contracts, the cash flows are linked, directly or indirectly, to the performance of the assets that support those contracts.

The Company is currently having no reinsurance contracts in place. Considering the Company’s portfolio and the future development, the Company is undertaking steps to conclude reinsurance agreement in 2008.

5 Management of Insurance and Financial Risk (Continued)

Interest rate sensitivity

The Company uses a duration analysis to estimate the degree of sensitivity to interest rate changes in respect of its trading and non-trading positions. The duration of a bond is the life, in years, of a notional zero coupon bond whose fair value would change by the same amount as the real bond or portfolio in response to a change in market interest rates. Financial instruments, including derivatives, used to manage asset-liability positions have the effect of changing the net duration.

The Company also monitors the sensitivity of financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in the yield.

Insurance risk management

The Company manages the insurance risk using internal guidelines for product design, reserving, pricing criteria, reinsurance strategy and guidelines for underwriting. Monitoring of risk profiles, review of insurance-related risk control and asset/liability management are also carried out by senior management.

Underwriting strategy

The underwriting strategy is an integral part of the annual business plan that specifies the classes of business to be written within the planned period and the target sectors of clients. The strategy is cascaded to the individual underwriters in the form of underwriting limits (each underwriter can write business by line size, class of business, territory and industry in order to ensure the appropriate risk selection within the portfolio). The underwriters review all general insurance contracts (only non-life) on an annual basis and have the right to decline the renewal or to change the terms and conditions of the contract.

Asset liability matching

The key goal is the matching of the interest rate sensitivity of assets and liabilities.

The Company manages its financial position using an approach that balances quality, diversity, liquidity and return on investment. The desired result of the investment process is to optimize the net of taxes, risk adjusted investment income and the risk-adjusted total return, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

The Company assigns particular asset portfolios to major classes of liabilities/equity - i.e. non-life insurance liabilities, life insurance liabilities and shareholder equity. The investment strategy is adjusted to the particular portfolios, taking into account the effective duration, yield curve, sensitivity, liquidity, asset sector concentration, credit quality and regulatory limits.

Capital Management

The Company carries business in insurance sector, which is the regulated industry. The Company has to comply with all regulations including the prudential rules relating to the capital. The prudential rules set the method for calculating a minimum solvency margin (Minimum Capital Requirement) and an actual solvency margin (Solvency Capital Requirement).

Regulatory capital at 31 December 2007	
Minimum Capital Requirement	500,000
Solvency Capital Requirement	961,486

6 Property, Plant and Equipment

	Vehicles	Office and computer equipment	Furniture and other assets	Total
Cost at 27 December 2006	-	-	-	-
Accumulated depreciation	-	-	-	-
Additions	4,375	7,652	3,295	15,322
Depreciation charge	(173)	(422)	(122)	(717)
Net book amount at 31 December 2007	**4,202**	**7,230**	**3,173**	**14,605**
Cost at 31 December 2007	4,375	7,652	3,295	15,322
Accumulated depreciation	(173)	(422)	(122)	(717)
Net book amount at 31 December 2007	**4,202**	**7,230**	**3,173**	**14,605**

Depreciation expense of 717 thousand Tenge has been charged to general and administrative expenses.

7 Intangible Assets

	Deferred acquisition costs	Acquired software licenses	Insurance license	Total
Cost at 27 December 2006	-	-	-	-
Accumulated depreciation	-	-	-	-
Additions	31,105	2,906	55	34,066
Amortisation charge	(6,767)	(95)	-	(6,862)
Net book amount at 31 December 2007	**24,338**	**2,811**	**55**	**27,204**
Cost at 31 December 2007	31,105	2,906	55	34,066
Accumulated amortisation	(6,767)	(95)	-	(6,862)
Net book amount at 31 December 2007	**24,338**	**2,811**	**55**	**27,204**

Amortization of 6,767 thousand Tenge is included in “Expenses for the acquisition of insurance contracts” and 95 thousand Tenge in “General and administrative expenses”.

8 Financial Assets at Fair Value Through Income

The Company's financial assets are summarised in the table below.

	31 December 2007
Government bonds	**383,542**
• MEOKAM (6.48%)	383,542
Corporate bonds	**237,036**
Floating rate:	
• Eurasian Bank JSC (9.5%)	25,558
• Kazakhstan Kagazy JSC (11.5%)	23,757
Fixed rate:	
• KazinvestBank JSC (12.34%)	96,654
• KazkommertsInvest JSC (12.07%)	46,020
• KaztransCom JSC (13.5%)	29,036
• Kazneftekhim (14%)	16,011
Total financial assets at fair value through income	**620,578**

Yields to maturity of each security are disclosed in the above table.

Debt securities classified at fair value through profit and loss are designated in this category upon initial recognition.

9 Loans and Advances

	31 December 2007
Gross loans and advances	204,735
Impairment provision	(64,851)
Net loans and advances	**139,884**

Securities presented by common shares were purchased under reverse repo agreements in December 2007 with commitment to resell them in three months, e.i. in March 2008. The amounts paid have been recognised as loans and advances and have been shown as collateralised by the underlying securities.

A provision for impairment of these loans and advances at 31 December 2007 has been established when the counterparty failed to repurchase securities back at maturity date. Impairment provision has been assessed based on fair values of underlying securities at 31 December 2007.

10 Other Assets

	31 December 2007
Inventory	6,228
Advances given	696
Deferred expenses	595
Restricted cash	200
Total other assets	**7,719**

Inventory at 31 December 2007 inlcudes marketing materials of 4,536 thousand Tenge which will be used within one year.

11 Bank Deposits

	31 December 2007
CITI Bank (interest rate: 7.2%-8% p.a.)	155,786
HSBC Bank (interest rate: 5% p.a.)	101,429
Total bank deposits	257,215

All bank deposits are denominated in Tenge. Term deposits have original maturities of 3-6 months.

12 Cash and Cash Equivalents

	31 December 2007
Cash at bank and in hand	15,263
Total cash and cash equivalents	**15,263**

13 Share Capital

Total authorised number of ordinary shares is 1,000,000 thousand shares with a par value of 1 Tenge per share. All issued ordinary shares are fully paid.

14 Insurance Liabilities

	31 December 2007
Short-term insurance contracts - accident	**127,734**
• Claims reported (RBNS)	217
• Claims incurred but reported (IBNR)	5,826
• Unearned premiums	121,691
Long-term insurance contracts - life	**2,318**

14 Insurance Liabilities (Continued)

(a) Insurance loss reserves of short-term insurance contracts as at 31 December 2007 are as follows:

	RBNS	IBNR	Total loss reserves
Insurance loss reserves during 2007			
Gross reserves	217	5,826	6,043
Net reserves	**217**	**5,826**	**6,043**

(b) Unearned premium reserves of short-term insurance contracts as at 31 December 2007 are as follows:

	31 December 2007
Unearned premium reserves	
Gross reserves	121,691
Net reserves	**121,691**

(c) Life insurance reserves of long-term insurance contracts as at 31 December 2007 are as follows:

	31 December 2007
Life insurance reserves	
Gross reserves	2,318
Net reserves	**2,318**

During 2007 the Company did not cede any of insurance liabilities to reinsurers.

15 Trade and Other Payables

	31 December 2007
Amounts due to related parties	12,389
Trade payables other than to related parties	6,553
Accrued provision of employee benefit costs	1,140
Advances from policy holders	928
Total trade and other payables	**21,010**

The carrying values of amounts to related parties and trade payables approximate their fair values because of the short maturities of these instruments. All trade and other payables are current liabilities.

16 Net Insurance Premium Revenue

	Period from 27 December 2006 to 31 December 2007
Long-term insurance contracts - life	**4,777**
Short-term insurance contracts - accident	**33,817**
• Premium receivables	155,508
• Change in unearned premium provision	(121,691)
Total net insurance premium revenue	**38,594**

17 Investment Income

	Period from 27 December 2006 to 31 December 2007
Income on financial assets at fair value through profit and loss	25,129
Loans and advances interest income	12,589
Bank deposits interest income	12,363
Total investment income	**50,081**

18 Insurance Benefits and Reserves

	Period from 27 December 2006 to 31 December 2007
Claims paid	**102**
• Long-term insurance contracts - life	-
• Short-term insurance contracts – accident	102
Increase in insurance loss reserves	**8,361**
• Long-term insurance contracts - life	2,318
• Short-term insurance contracts – accident	6,043
Total insurance benefits and reserves	**8,463**

19 Expenses for the Acquisition of Insurance Contracts

	Period from 27 December 2006 to 31 December 2007
Amortisation of intangible assets	6,767
Costs incurred for the acquisition of insurance contracts	3,781
Total expenses for the acquisition of insurance contracts	**10,548**

Amortisation of intangibles assets of 6,767 thousand Tenge represents amortised deferred policy acquisition costs (agent commission) associated with accident insurance while costs expensed directly to income statement of 3,781 thousand Tenge comprise agent commission associated with life insurance.

20 General and Administrative Expenses

	Period from 27 December 2006 to 31 December 2007
Salaries and related taxes	34,460
Operating lease expenses	15,616
Audit and consultancy fees	5,022
Repair and maintenance expenses	2,462
Bank charges	2,089
Inventory	1,035
Representative expenses	900
Depreciation and amortisation	812
Communication expenses	645
Business trip expenses	628
Other expenses	1,610
Total general and administrative expenses	**65,279**

21 Impairment Loss Provision

Impairment loss provision of 64,851 thousand Tenge represents provision for impaired reverse sale and repurchase agreements (Note 9).

22 Net Fair Value Losses on Assets at Fair Value Through Income

	Period from 27 December 2006 to 31 December 2007
Fair value gains on assets at fair value through income	3,339
Fair value losses on assets at fair value through income	(7,299)
Total net fair value losses on assets through income	**(3,960)**

23 Income Tax Expense

Income tax expenses comprise of current income tax charges. Income tax on the Company's income/(loss) before tax differs from the theoretical amount that would arise using the tax rates applicable to the Company's income/(loss) as follows:

	Accident	Life	Other	Total
IFRS income/(loss) before tax	**(62,125)**	**(2,755)**	**454**	**(64,426)**
Tax rates	4%	2%	30%	
Theoretical tax calculated	(2,485)	(55)	136	(2,404)
Effects of:				
Income not subject to tax	(1,463)	(18)	(635)	(2,116)
Non-deductible expenses for tax purposes	10,168	169	678	11,015
Reclassification of taxable income	18	(9)	-	9
Income tax expense for the period	**6,238**	**87**	**179**	**6,504**

24 Related Party Transactions

The Company is controlled by Ceska Pojistovna a.s. (incorporated in Czech Republic) which owns 100% of the Company's shares. The ultimate parent of the Company is Assicurazioni Generali S.p.A.

The following transactions were carried out with related parties (Home Credit Kazakhtstan JSC is an entity under common control):

(a) Purchases of services:

	Related party	Period from 27 December 2006 to 31 December 2007
Expenses for acquisition of insurance contracts	Home Credit Kazakhstan JSC	6,767
Operating lease expenses (Note 20)	Home Credit Kazakhstan JSC	15,616
Reimbursed expenses (staff costs, communication expenses, etc.)	Home Credit Kazakhstan JSC	9,099
Total purchases of services		**31,481**

(b) Period-end balances arising from sales/purchases of services:

	Related party	31 December 2007
Receivables from related parties:		
• Deferred policy acquisition costs (Note 7)	Home Credit Kazakhstan JSC	24,338
Payables to related parties:		
• Trade payables (Note 15)	Home Credit Kazakhstan JSC	12,389

(c) Key management compensation

Key management compensation of 6,771 thousand Tenge is comprised of a contractual salary and performance bonus.

25 Contingencies, Commitments and Operating Risks

Legal proceedings. The Company, like all other insurers, is subject to litigation in the normal course of its business. On the basis of its own estimates and both internal and external professional advice the Management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these financial statements.

Tax legislation. Kazakhstani tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the tax authorities. Recent events within the Republic of Kazakhstan suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

25 Contingencies, Commitments and Operating Risks (Continued)

Operating lease commitments. Operating lease commitments, where the Company is the lessee, occur under operating lease agreement related to rent of office premises.

The future aggregate lease commitments are as follows:

	31 December 2007
No later than 1 year	20,310
Total commitments	**20,310**

26 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Company using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Financial assets at fair value through income are carried on the balance sheet at their fair value. These financial assets comprise of government and corporate bonds. As of 31 December 2007 the fair values of these instruments are defined based on closing prices of the most recent sales at Kazakh Stock Exchange.

Financial assets carried at amortised cost. For monetary assets carried at amortised costs, excluding the insurance related assets, fair value approximates the carrying value as the assets are short-term in nature.

Financial liabilities carried at amortised cost. For monetary liabilities carried at amortised costs, excluding the insurance related liabilities, fair value approximates the carrying value as the liabilities are short-term in nature.

27 Events after the balance sheet date

No material events occurred after the balance sheet date other than those disclosed in Note 9.