Subsidiary of JSC BTA Bank
JSC BTA Securities

Financial Statements

Year ended 31 December 2010
together with Independent Auditors' Report

CONTENTS

INDEPENDENT AUDITORS' REPORT

NOTES TO FINANCIAL STATEMENTS

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Independent auditors' report

To the Shareholders and Board of Directors of Subsidiary of JSC BTA Bank JSC BTA Securities -

We have audited the accompanying financial statements of Subsidiary of JSC BTA Bank JSC BTA Securities which comprise the statement of financial position as at 31 December 2010 and the income statement, statements of comprehensive income, statement of changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

ERNST & YOUNG

Opinion

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

Ernst & Young LLP

Zhemaletdinov Evgeny
Auditor/General Director
Ernst & Young LLP

State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

Auditor Qualification Certificate No. 0000553 dated 24 December 2003

20 April 2011

Statement of financial position

As of 31 December 2010

(Thousands of tenge)

	Notes	2010	2009
Assets			
Cash and cash equivalents	5	**112,817**	542,696
Amounts due from credit institutions	6	**520,000**	–
Trading securities	7	**1,654,195**	753,096
Investment securities available-for-sale		**23,506**	2,898
Trade accounts receivable	8	**85,897**	134,841
Investment in associate	9	**64,105,497**	60,587,127
Dividends receivable	9	**551,446**	–
Other investments		**51,400**	51,400
Property and equipment	10	**7,707**	11,318
Current income tax assets	11	**113,844**	60,024
Deferred income tax assets	11	**24,840**	16,725
Restricted cash	12	**–**	93,841
Other assets		**29,486**	38,856
Total assets		**67,280,635**	62,292,822
Liabilities			
Accrued expenses and other liabilities	13	**59,176**	52,737
Total liabilities		**59,176**	52,737
Equity			
Share capital	14	**50,559,902**	50,559,902
Revaluation reserve on property and equipment		**1,649,408**	1,390,117
Revaluation reserve of investment securities available-for-sale		**(587,960)**	23,556
Currency translation differences		**75,371**	70,610
Other reserves		**381,285**	3,856
Retained earnings		**15,143,453**	10,192,044
Total equity		**67,221,459**	62,240,085
Total liabilities and equity		**67,280,635**	62,292,822

Signed and authorised for release on behalf of the Management Board of the Company:

Tsurkan Oleg Grigorevich — Chairman of the Management Board

Slipchuk Tatiana Mikhailovna — Chief Accountant

20 April 2011

The accompanying notes on pages 6 to 28 are an integral part of these financial statements.

Income statement

For the year ended 31 December 2010

(Thousands of tenge)

	Notes	*2010*	*2009*
Interest income			
Cash and due from credit institutions		**25,045**	62,858
Trading securities		**176,626**	430,594
		201,671	493,452
Interest expense			
Repurchase agreements		**(441)**	(87)
Net interest income		**201,230**	493,365
Net fee and commission income	16	**122,579**	223,000
Net gains/(losses) from trading securities	17		
- dealing		**107,170**	(2,920,363)
- revaluation		**520,235**	(3,858,898)
Share in net profit of associate	9	**4,483,124**	5,006,617
Net (losses)/gains from foreign currencies		**(34,074)**	191,090
Non-interest income/(loss)		**5,199,034**	(1,358,554)
Personnel expenses	18	**(258,797)**	(268,343)
Other operating expenses	18	**(142,450)**	(154,203)
Other impairment and provisions	8	**(36,095)**	(67,565)
Depreciation and amortization	10	**(8,426)**	(9,731)
Taxes other than income tax		**(11,202)**	(10,321)
Non-interest expenses		**(456,970)**	(510,163)
Profit/(loss) before income tax expense		**4,943,294**	(1,375,352)
Income tax benefit	11	**8,115**	2,730
Profit/(loss) for the year		**4,951,409**	(1,372,622)

The accompanying notes on pages 6 to 28 are an integral part of these financial statements.

Statement of comprehensive income

For the year ended 31 December 2010

(Thousands of tenge)

	Note	*2010*	*2009*
Profit/(loss) for the year		**4,951,409**	(1,372,622)
Other comprehensive income			
Share in other comprehensive income of associate:			
Revaluation reserve on property and equipment, net of tax		**259,291**	26,850
Revaluation reserve on investment securities available-for-sale, net of tax		**(632,126)**	372,602
Currency translation differences, net of tax		**4,761**	(194)
Other reserves, net of tax		**377,429**	(872)
Share in other comprehensive income of associate	9	**9,355**	398,386
Revaluation reserve on investment securities available-for-sale, net of tax		**20,610**	–
Other comprehensive income for the year, net of tax	9	**29,965**	398,386
Total comprehensive income/(loss) for the year		**4,981,374**	(974,236)

The accompanying notes on pages 6 to 28 are an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2010

(Thousands of tenge)

			Share in other comprehensive income of associate:					
	Notes	*Share capital*	*Revaluation reserve on property and equipment, net of tax*	*Revaluation reserve of investment securities available-for-sale, net of tax*	*Currency translation differences, net of tax*	*Other reserves, net of tax*	*Retained earnings*	*Total equity*
31 December 2008		47,353,107	1,363,267	(349,046)	70,804	4,728	11,564,666	60,007,526
Total comprehensive income/(loss) for the year		–	26,850	372,602	(194)	(872)	(1,372,622)	(974,236)
Issue of share capital	14	3,206,795	–	–	–	–	–	3,206,795
31 December 2009		50,559,902	1,390,117	23,556	70,610	3,856	10,192,044	62,240,085
Total comprehensive income/(loss) for the year		–	259,291	(611,516)	4,761	377,429	4,951,409	4,981,374
31 December 2010		**50,559,902**	**1,649,408**	**(587,960)**	**75,371**	**381,285**	**15,143,453**	**67,221,459**

The accompanying notes on pages 6 to 28are an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December 2010

(Thousands of tenge)

	Notes	*2010*	*2009*
Cash flows from operating activities			
Net income/(loss) before income taxes		**4,943,294**	(1,375,352)
Adjustments for:			
Share of profit of associate	9	**(4,483,124)**	(5,006,617)
Net unrealised (gains)/losses from trading securities		**(520,235)**	3,858,898
Depreciation and amortization	10	**8,426**	9,731
Net unrealized gains from foreign currencies		**(6,540)**	(15,322)
Net (gains)/losses on disposal of property and equipment	18	**(62)**	1,967
Impairment charge	8	**40,718**	67,565
Other		**–**	7,675
Operating loss before changes in net operating assets and liabilities		**(17,523)**	(2,451,455)
(Increase)/decrease in operating assets			
Amounts due from credit institutions		**(520,000)**	–
Trading securities		**(380,864)**	3,032,095
Trade accounts receivables		**11,522**	67,656
Restricted cash		**93,841**	(93,841)
Receivables arising from reverse repurchase agreements		**–**	10,355
Other assets		**8,070**	(22,005)
Increase/(decrease) in operating liabilities			
Accrued expenses and other liabilities		**6,439**	(50,935)
Net cash flows (used in)/from operating activities before income taxes		**(798,515)**	491,870
Income tax paid		**(12,431)**	(33,573)
Net cash flows (used in)/from operating activities		**(810,946)**	458,297
Cash flows from investing activities			
Purchase of property and equipment	10	**(3,451)**	(2,135)
Investment in associate	9	**–**	(3,269,091)
Dividends received from investment in associate	9	**381,274**	
Net cash flows from/(used in) investing activities		**377,823**	(3,271,226)
Cash flows from financing activities			
Proceeds from issue of share capital	14	**–**	3,206,795
Net cash provided by financing activities		**–**	3,206,795
Effect of exchange rates changes on cash and cash equivalents		**3,244**	(5,132)
Net (decrease)/increase in cash and cash equivalents		**(429,879)**	388,734
Cash and cash equivalents, beginning of the year	5	**542,696**	153,962
Cash and cash equivalents, end of the year	5	**112,817**	542,696

The accompanying notes on pages 6 to 28 are an integral part of these financial statements.

1. Principal activities

Subsidiary of JSC "BTA Bank", "BTA Securities" JSC provides securities' issuance and underwriting services, financial advisory services, brokerage services, trust asset management, and mutual investment fund management services. The Company was formed on 17 October 1997 under the laws of the Republic of Kazakhstan.

The Company operates under licenses issued by the Agency for Regulation and Supervision of Financial Markets (the "FMSA"):

- № 0401201983 dated 24 July 2008, issued by FMSA, for conducting broker-dealer activities in the securities market with the right to open and manage clients' accounts;
- № 0403200991 dated 24 July 2008, issued by FMSA, for conducting investment management activities.

As at 31 December 2010 the Company managed assets of 16 mutual investment funds (MIFs) (2009: 15).

The Company's registered legal address is 281 Khusainova Street, Almaty 050060, Kazakhstan. As at 31 December 2010 and 2009, the sole ultimate shareholder and controlling party of the Company is JSC "BTA Bank" (the "Parent company").

2. Basis of preparation

General

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

The financial statements have been prepared under the historical cost convention except for trading securities and investment securities available-for-sale that have been measured at fair value.

These financial statements are presented in thousand of Kazakhstani tenge ("KZT" or "tenge"), unless otherwise indicated. The KZT is utilised as the functional currency as the shareholders, the managers and the regulators measure the Company's performance in KZT. Transactions in other currencies are treated as transactions in foreign currencies.

Associate accounted for under equity method

The following associate is accounted for under the equity method:

2010

Associate	*Holding, %*	*Country*	*Activities*	*Share in net income*	*Total assets*	*Total liabilities*	*Share-holders' equity*
Sekerbank Turk Anonim Sirketi	**33.98%**	**Turkey**	**Banking**	**4,483,124**	**1,095,840,781**	**969,728,545**	**126,112,236**

2009

Associate	*Holding, %*	*Country*	*Activities*	*Share in net income*	*Total assets*	*Total liabilities*	*Share-holders' equity*
Sekerbank Turk Anonim Sirketi	33.98%	Turkey	Banking	5,006,617	895,627,251	776,704,448	118,922,803

3. Summary of accounting policies

Changes in accounting policies

The Company has adopted the following amended IFRS and new IFRIC Interpretations during the year. The principal effects of these changes are as follows:

IAS 24 "Related party disclosures" (Revised)

The revised IAS 24, issued in November 2009, simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Previously, an entity controlled or significantly influenced by a government was required to disclose information about all transactions with other entities controlled or significantly influenced by the same government. The revised standard requires disclosure about these transactions only if they are individually or collectively significant. The revised IAS 24 is effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. The Company has decided to early adopt the revised IAS 24 from 1 January 2010. This amendment had no impact on the Company's financial statements.

3. Summary of significant accounting policies (continued)

Changes in accounting policies (continued)

Amendment to IAS 39 "Financial Instruments: recognition and measurement" - Eligible Hedged Items

The amendment to IAS 39 was issued in August 2008, and became effective for annual periods beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The amendment did not affect the Company's financial statements as the Company has not entered into any such hedges.

IFRS 3 "Business Combinations" (revised in January 2008) and IAS 27 "Consolidated and Separate Financial Statements" (revised in January 2008)

The revised standards were issued in January 2008 and became effective for financial years beginning on or after 1 July 2009. Revised IFRS 3 introduces a number of changes in the accounting for business combinations that impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Revised IAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change has no impact on goodwill, nor it gives raise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised Standards are applied prospectively. The amendment did not affect the Company's financial statements.

IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions

The amendment to IFRS 2 was issued in June 2009 and became effective for financial years beginning on or after 1 January 2010. The amendment clarifies the scope and the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. This amendment had no impact on the Company's financial statements.

IFRIC 17 "Distribution of Non-Cash Assets to Owners"

IFRIC Interpretation 17 was issued on 27 November 2008 and is effective for annual periods beginning on or after 1 July 2009. IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions and requires that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. This interpretation had no impact on the Company's financial statements.

Improvements to IFRSs

In April 2009 the IASB issued the second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after 1 January 2010. There are separate transitional provisions for each standard. Amendments included in April 2009 "Improvements to IFRS" had no impact on the accounting policies, financial position or performance of the Company, except the following amendments resulting in changes to accounting policies, as described below.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.
- IFRS 8 Operating Segment Information: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. The amendment had no impact on the Company's financial statements.
- IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- IAS 36 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment had no impact on the Company's financial statements.

3. Summary of significant accounting policies (continued)

Investments in associates

Associates are entities in which the Company generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognised at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Company's share of net assets of the associate. The Company's share of its associates' profits or losses is recognised in the income statement, and its share of movements in reserves is recognised in other comprehensive income. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognise further losses, unless the Company is obliged to make further payments to, or on behalf of, the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dividends received from associate are recognised as changes in the Company's share of net assets of the associate.

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

Date of recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

'Day 1' profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Company immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit) in the income statement. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on financial assets held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Determination of fair value

The fair value for financial instruments traded in active market at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

3. Summary of accounting policies (continued)

Financial assets (continued)

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading is no longer held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category in one of the following cases:

- a financial asset that would have met the definition of loans and receivables above may be reclassified to loans and receivables category if the Company has the intention and ability to hold it for the foreseeable future or until maturity;
- other financial assets may be reclassified to available for sale or held to maturity categories only in rare circumstances.

A financial asset classified as available for sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category of the Company has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognised in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank accounts and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Amounts due from credit institutions

In the normal course of business, the Company maintains current accounts or deposits for various periods of time with banks. Amounts due from credit institutions with a fixed maturity term are subsequently measured at amortised cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for impairment.

Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as cash and cash equivalents. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

Securities lent to counterparties are retained in the statement of financial position. Securities borrowed are not recorded in the statement of financial position, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the income statement. The obligation to return them is recorded at fair value as a trading liability.

Leases

Operating - Company as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

3. Summary of accounting policies (continued)

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the income statement in finance costs.

Financial liabilities

Trade and other payables

Liabilities for trade and other amounts payable are recognized at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised whene:

- the rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- The Company either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash -settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

3. Summary of accounting policies (continued)

Taxation

The current income tax expense is calculated in accordance with the regulations of the Republic of Kazakhstan.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

The Republic of Kazakhstan also has various operating taxes that are assessed on the Company's activities. These taxes other than income tax are included as a component of other operating expenses in the income statement.

Property and equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Computers and office equipment	2-5
Motor vehicles	4
Furniture and fixtures	6-7

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalisation.

Intangible assets

Intangible assets include computer software.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over the useful economic lives between 6 and 7 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Related parties

Related parties include the key management personnel of the Company, the Company's shareholders, and affiliated companies.

Provisions

Provisions are recognised 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 amount of obligation can be made.

Retirement and other benefit obligations

The Company does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. The Company has no post-retirement benefits or significant other compensated benefits requiring accrual.

3. Summary of accounting policies (continued)

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

Trust activities

Assets held in trust are not reported in the financial statements, as they are not the assets of the Company.

Contingencies

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing securities classified as trading securities, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Fee and commission income

The Company earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, other management and advisory fees.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Dividend income

Revenue is recognised when the Company's right to receive the payment is established.

Expenses

Expenses are recognised on an accrual basis when the service is provided.

3. Summary of accounting policies (continued)

Foreign currency translation

The financial statements are presented in Kazakhstani Tenge, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the income statement as gains less losses from foreign currencies - translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the market exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. The market exchange rates at 31 December 2010 and 2009, were 147.40 KZT and 148.36 KZT to 1 USD, respectively.

Future changes in accounting policies

Standards and interpretations issued but not yet effective

Amendments to IAS 32 *"Financial instruments: Presentation": Classification of Rights Issues"*

In October 2009, the IASB issued amendment to IAS 32. Entities shall apply that amendment for annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment alters the definition of a financial liability in IAS 32 to classify rights issues and certain options or warrants as equity instruments. This is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The Company expects that this amendment will have no impact on the Company's financial statements.

IFRS 9 *"Financial Instruments"*

In November 2009, the IASB issued the first phase of IFRS 9 Financial instruments. This Standard will eventually replace IAS 39 Financial Instrument: Recognition and Measurement. IFRS 9 becomes effective for financial years beginning on or after 1 January 2013. Entities may adopt the first phase for reporting periods ending on or after 31 December 2009. The first phase of IFRS 9 introduces new requirements on classification and measurement of financial assets. In particular, for subsequent measurement all financial assets are to be classified at amortised cost or at fair value through profit or loss with the irrevocable option for equity instruments not held for trading to be measured at fair value through other comprehensive income. The Company now evaluates the impact of the adoption of new Standard and considers the initial application date.

IFRIC 19 *"Extinguishing Financial Liabilities with Equity Instruments"*

IFRIC Interpretation 19 was issued in November 2009 and is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. IFRIC 19 is not expected to have any material impact on the Company's financial statements.

Improvements to IFRS

In May 2010 the IASB issued the third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after 1 January 2011. There are separate transitional provisions for each standard. Amendments included in May 2010 "Improvements to IFRS" will have impact on the accounting policies, financial position or performance of the Company, as described below.

- IFRS 3 Business combinations: limits the scope of the measurement choices that only the components of NCI that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. As the amendment should be applied from the date the Company applies IFRS 3 Revised, it may me required to restate for effects incurred under IFRS 3 Revised, but before the adoption of this amendment. The Company expects that other amendments to IFRS 3 will have no impact on financial statements of the Company.
- IFRS 7 Financial instruments: Disclosures; introduces the amendments to quantitative and credit risk disclosures. The additional requirements are expected to have minor impact as information is expected to be readily available.

3. Summary of accounting policies (continued)

Future changes in accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

Improvements to IFRS (continued)

- IAS 34 Interim Financial Reporting: adds disclosure requirements about the circumstances affecting fair values and classification of financial instruments, about transfers of financial instruments between levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. Additional disclosures required will be introduced in interim financial statements of the Company
- Amendments to IFRS 1, IAS 1, IAS 27 and IFRIC 13 will have no impact on the accounting policies, financial position or performance of the Company.

Amendments to IFRS 7 "Financial instruments: disclosures"

In October 2010, the IASB issued amendments to IFRS 7 effective for financial years beginning on or after 1 July 2011. Amendments introduce additional requirements to disclosure of information on assets which were transferred but not derecognised. The Company expects that these amendments will have no impact on financial position or performance of the Company.

Amendments to IAS 12 "Income taxes" – Deferred taxes: reimbursement of asset providing the basis for deferred tax

In December 2010, the IASB issued amendments to IAS 12 effective for financial years beginning on or after 1 January 2012. According to amendments, deferred tax on investment property carried at fair value and on non-amortised assets in the scope of IAS 16 application to which the revaluation model is applied shall be determined based on assumption that the carrying amount shall be reimbursed through asset realization. Currently the Company evaluates the impact of these amendments.

4. Significant accounting judgments and estimates

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements:

Estimation of uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Taxation

Kazakh 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 relevant regional and state authorities. As such, 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.

As at 31 December 2010, management believes that its interpretation of the relevant legislation is appropriate and that the Company's tax, currency and custom positions will be sustained.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Allowance for receivables impairment

The Company regularly reviews receivables to assess impairment. The Company uses its experienced judgment to estimate the amount of any impairment loss in cases where a debtor is in financial difficulties and there are few available sources of historical data relating to similar debtors. Similarly, the Company estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of debtors.

4. Significant accounting judgments and estimates (continued)

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in the business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that my cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	2010	*2009*
Cash on hand	**1,978**	29
Current bank accounts	**110,839**	538,161
Time deposit with maturity of less than 90 days from origination date	**–**	4,506
	112,817	542,696

6. Amounts due from credit institutions

As at 31 December 2010, amounts due from credit institutions of 520,000 thousand tenge represent time deposits in tenge held with Kazakhstani banks, with maturity of more than 90 days from origination date and earned interest at 6% and 8% p.a. (2009: nil).

7. Trading securities

Trading securities as at 31 December comprise:

	2010	*2009*
Equity securities:		
BTA Group shares	**650,979**	47,506
Corporate shares	**141,036**	176,096
Kazakh financial institutions	**51,711**	48,513
GDRs	**221**	8,776
	843,947	280,891
Debt securities:		
Corporate bonds	**418,286**	81,040
Kazakhstani financial institutions	**286,918**	–
BTA Group bonds	**89,531**	193,242
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**12,403**	194,574
Bonds of the Ministry of Finance of the Russian Federation	**3,110**	3,349
	810,248	472,205
	1,654,195	753,096

8. Trade accounts receivable

Trade accounts receivable as at 31 December comprise:

	2010	*2009*
Trade accounts receivable	**190,124**	202,973
Less: Allowance for impairment	**(104,227)**	(68,132)
	85,897	134,841

Trade accounts receivable represent receivables from the Company's customers for securities trading services. The movement in the allowance for impairment was as follows:

	Trade accounts receivable
31 December 2008	(567)
Charge	(67,565)
31 December 2009	(68,132)
Charge	**(36,095)**
31 December 2010	**(104,227)**

9. Investment in associate

The movement in investment in associate was as follows:

	2010	*2009*
Balance, beginning of the year	**60,587,127**	51,913,033
Purchase cost	**–**	3,269,091
Share in net profit	**4,483,124**	5,006,617
Dividends receivable	**(974,109)**	–
Share in other comprehensive income	**9,355**	398,386
Investments in associate, end of the year	**64,105,497**	60,587,127

Investment in associate as at 31 December 2010 and 2009 include goodwill of 23,497,372 thousand tenge (excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities over cost.

In March 2007 BTA Securities on behalf of BTA Group acquired 33.98% ownership in Sekerbank (Turkey). Based on the 33.98% share of ownership interest and based on the fact that the Company may influence the decision making process at Sekerbank through its representative of the Board of Directors, the investment in Sekerbank shares is accounted for under the equity method. Investment in associate represents pre-emptive and voting rights of 254,840,310 shares in Sekerbank that has been transferred to "Samruk-Kazyna" the National Welfare Fund of Kazakhstan under trust management agreement (Note 15). However, the Company has retained the right of ownership and control over these shares.

In accordance with the minutes of Meeting of the Board of Directors of Sekerbank dated 15 March 2011 dividends in the amount of 5,627 thousand Turkish lira or equivalent to 551,446 thousand tenge were declared on the financial results for the year ended 31 December 2010. Dividends will be paid in the amount of 5,627 thousand Turkish lira during 2011.

Subsequently after the date of Sekerbank's financial statements were authorised for issue in accordance with the minutes of Meeting of the Board of Directors of the Sekerbank dated 24 March 2010 dividends in the amount of 4,417 thousand Turkish lira or equivalent to 422,663 thousand tenge (including withholding tax of 41,389 thousand tenge) were declared on the financial results for the year ended 31 December 2009. Dividends were paid in the amount of 3,976 thousand Turkish lira or equivalent 381,274 thousand tenge during 2010.

10. Property and equipment

The movements in property and equipment were as follows:

	Computers and office equipment	*Other*	*Total*
Cost			
31 December 2008	19,735	17,162	36,897
Additions	552	1,583	2,135
Disposals	(3,068)	(4,269)	(7,337)
Transfers	(95)	95	–
31 December 2009	**17,124**	**14,571**	**31,695**
Additions	**3,030**	**421**	**3,451**
Disposals	**(5,890)**	**(735)**	**(6,625)**
31 December 2010	**14,264**	**14,257**	**28,521**
Accumulated depreciation			
31 December 2008	(8,820)	(8,622)	(17,442)
Charge	(6,067)	(2,238)	(8,305)
Disposals	3,029	2,341	5,370
Transfer	14	(14)	–
31 December 2009	**(11,844)**	**(8,533)**	**(20,377)**
Charge	**(4,889)**	**(2,112)**	**(7,001)**
Disposals	**5,880**	**684**	**6,564**
31 December 2010	**(10,853)**	**(9,961)**	**(20,814)**
Net book value:			
31 December 2008	10,915	8,540	19,455
31 December 2009	5,280	6,038	11,318
31 December 2010	**3,411**	**4,296**	**7,707**

Depreciation and amortisation in the income statement also include amortisation of intangible assets (classified as part of other assets) of 1,425 thousand tenge for 2010 (amortisation for 2009: 1,426 thousand tenge).

11. Taxation

The corporate income tax expense comprises:

	2010	*2009*
Current tax charge	–	13,995
Deferred tax benefit – origination and reversal of temporary differences	**(8,115)**	(16,725)
Income tax benefit	**(8,115)**	(2,730)

As at 31 December 2010 the Company had current income tax assets of 113,844 thousand tenge (2009: 60,024 thousand tenge).

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on the statutory rate with actual is as follows as at 31 December:

	2010	*2009*
Profit/(loss) before income tax	**4,943,294**	(1,375,352)
Statutory tax rate	20%	20%
Theoretical income tax expense/(benefit) at the statutory rate	**988,659**	(275,070)
Share in profit of associate	**(896,625)**	(1,001,323)
Non-taxable (gains)/losses on qualified securities	**(104,646)**	1,292,619
Non-deductible operating expenses	**4,497**	1,632
Change in unrecognised deferred tax assets	–	(17,858)
Permanent difference from the change in the tax rate	–	(2,730)
Income tax benefit	**(8,115)**	(2,730)

In accordance with changes in legislation in 2010 corporate income tax rate remains at the rate of 20%. Previously tax legislation enacted income tax rates at 17.5% from 1 January 2013 and 15% from 1 January 2014.

Deferred tax assets and liabilities as at 31 December and their movements for the respective years comprise:

	2008	*Origination and reversal of temporary difference in the income statement*	*2009*	*Origination and reversal of temporary difference in the income statement*	*2010*
Tax effect of deductible temporary differences:					
Trade accounts receivable	170	13,344	13,514	**7,331**	**20,845**
Accrued expenses and other liabilities	19,423	(16,071)	3,352	**(427)**	**2,925**
Property and equipment	(1,043)	1,072	29	**1,041**	**1,070**
	18,550	(1,655)	16,895	**7,945**	**24,840**
Unrecognised deferred tax asset	(17,858)	17,858	–	–	–
Deferred tax assets	692	16,203	16,895	**7,945**	**24,840**
Tax effect of taxable temporary differences:					
Taxes other than income tax	(692)	522	(170)	**170**	–
Deferred tax liabilities	(692)	522	(170)	**170**	–
Net deferred tax assets	–	16,725	16,725	**8,115**	**24,840**

Kazakhstan currently has a Tax Code that relates to various taxes imposed by governmental authorities. Applicable taxes include income tax, social taxes, and others. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges.

These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Company is in substantial compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

12. Restricted cash

As at 31 December 2009 restricted cash represents a deposit placed with JSC BTA Bank in accordance with Kazakh legislation as a collateral for a legal claim filed against the Company. On 8 June 2010, the Company lost the legal case and paid 13,002 thousand tenge to the claimant. The remaining amount of 80,839 thousand tenge was released from restricted cash account.

13. Accrued expenses and other liabilities

Accrued expenses and other liabilities comprise:

	2010	*2009*
Payables arising from repurchase agreements	**23,001**	–
Due to employees	**14,623**	16,761
Trade payables	**13,740**	24,678
Advances received	**1,020**	5,840
Other	**6,792**	5,458
	59,176	52,737

14. Equity

Movements in shares authorised, issued and fully paid were as follows:

	Common shares		
	Number of authorized shares	*Number of shares issued and paid*	*Placement value (thousand tenge)*
31 December 2008	26,392,400	26,392,400	47,353,107
Increase in share capital	1,876,173	1,203,300	3,206,795
31 December 2009 and 2010	**28,268,573**	**27,595,700**	**50,559,902**

On 5 December 2008 the Company's shareholder approved the issue of additional 1,876,173 common shares, of which 1,203,300 common shares with par value per share 2,665 tenge were issued and fully paid in cash during 2009. No dividends were declared or paid during 2009 and 2008.

The Company during 2010 and 2009 has no dividends declared or paid.

15. Commitments and contingencies

Political and economic environment

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Kazakhstani economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Kazakhstan. While the Kazakhstani Government has introduced a range of stabilization measures aimed at providing liquidity and supporting debt refinancing for Kazakhstani banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Company and its counterparties, which could affect the Company's financial position, results of operations and business prospects.

Also, deterioration of liquidity could affect the Company's customers that in return could make an impact on its ability to settle the debt to the Company. Based on currently available information, the Company reconsidered estimation of future cash flows in the course of assets impairment analysis.

While management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Company's results and financial position in a manner not currently determinable.

Legal actions and claims

The Company is subject to various legal proceedings related to business operations. The Company does not believe that pending or threatened claims of these types, individually or in aggregate, are likely to have any material adverse effect on the Company's financial position or results of operations.

The Company assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated.

15. Commitments and contingencies (continued)

Legal actions and claims (continued)

Since the JSC BTA Bank (the parent) being an indirect shareholder of the Sekerbank, does not meet the requirements established by the Law "On banks" of the Republic of Turkey.

In March 2010 the Financial Markets Supervision Agency of Turkey (the "BRSA") required the Company to transfer the ownership on Sekerbank's shares (Note 9) to its ultimate shareholder, "Samruk-Kazyna" the National Welfare Fund of Kazakhstan by the end of 2010. The Company decided to appeal the above requirement of BRSA. No decision has been made by the court of Turkey as of the date of this report.

Tax contingencies

Various types of legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan laws, decrees and related regulations is severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of generally 50% of the taxes unpaid.

The Company believes that it has paid or accrued all taxes that are applicable. Where legislation concerning the provision of taxes is unclear, the Company has accrued tax liabilities based on management's best estimate. The Company's policy is to recognize provisions in the accounting period in which a loss is deemed probable and the amount is reasonably determinable.

Because of the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, penalties and interest, if any, as a result of past transactions, may be in excess of the amount expensed to date and accrued at 31 December 2010. Although such amounts are possible and may be material, it is the opinion of the Company's management that these amounts are either not probable, not reasonably determinable, or both.

The Company's operations and financial position may be affected by Kazakhstan political developments, including the application of existing and future legislation and tax regulations. The Company does not believe that these contingencies, as related to its operations, are any more significant than those of similar enterprises in Kazakhstan.

As at 31 December 2010 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Company's tax positions will be sustained, except as provided for or otherwise disclosed in these financial statements.

Commitments and contingencies

As of 31 December the Company's commitments and contingencies comprised the following:

Operating lease commitments	*2010*	*2009*
Not later than 1 year	–	7,763
	–	7,763

16. Net fee and commission income

Net fee and commission income comprises:

	2010	*2009*
Brokerage fee	**93,446**	189,929
Securities' issuance and placement commission	**83,674**	16,367
Trust services commission	**31,189**	112,893
Commissions for MIF management	**30,470**	48,955
Financial advisory services	**5,507**	12,016
Other	**5,161**	768
Fee and commission income	**249,447**	380,928
Custodian fee	**(121,565)**	(110,075)
Kazakhstan Stock Exchange commission fee	**(3,608)**	(37,711)
Other	**(1,695)**	(10,142)
Fee and commission expense	**(126,868)**	(157,928)
Net fee and commission income	**122,579**	223,000

17. Net gains / (losses) from trading securities

Net loss from trading securities of the Company in 2009 mostly attributable to the default of parent bank and subsequent debt restructuring gains in 2010. As at 31 December 2010 net gains from BTA Bank trading securities were 380,252 thousand tenge (2009: net loss from BTA Bank trading securities were 7,244,236 thousand tenge).

18. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2010	*2009*
Salaries and bonuses	**(235,504)**	(242,791)
Social security costs	**(23,293)**	(25,552)
Personnel expenses	**(258,797)**	(268,343)
Rent	**(38,682)**	(48,580)
Professional fees	**(31,518)**	(26,216)
Advertising	**(16,986)**	(14,901)
Fines and penalties	**(15,405)**	(10,686)
Subscriptions for periodicals	**(13,317)**	(8,419)
Telecommunications	**(4,654)**	(4,972)
Bad debt write-off	**(4,623)**	–
Bank charges	**(3,028)**	(5,983)
Business travel	**(2,818)**	(845)
Office expenses	**(1,792)**	(2,443)
Repairs and maintenance	**(1,352)**	(2,171)
Personnel training	**(1,051)**	(434)
Transportation	**(360)**	(1,755)
Entertainment and representation	**–**	(13,931)
Other	**(6,864)**	(12,867)
Other operating expenses	**(142,450)**	(154,203)

19. Risk management

Introduction

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into currency, interest rate and equity price risks. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Company's strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the responsibility to monitor the overall risk process within the Company.

Risk Management

The Risk Management Unit has the overall responsibility for the development of the risk strategy, implementing and maintaining risk related procedures to ensure an independent control process. This unit is also responsible for monitoring risks associated with the Company's compliance with risk principles, frameworks, policies and limits.

Investment Management

Investment Committee is responsible for investment security portfolio investment management of own assets and pension assets and the overall diversification and mitigation of risk concentration financial structure.

19. Risk management (continued)

Introduction (continued)

Internal audit

Risk management processes throughout the Company are audited annually by the internal audit function that examines both the adequacy of the procedures and the Company's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Board of Directors.

Risk measurement and reporting systems

The Company's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Company also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept. In addition the Company monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board, the Investment Committee, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, value at risk (VaR), liquidity ratios and risk profile changes. On a weekly basis detailed reporting of risks, compliance with limits, and potential losses takes place. The Board of Directors receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Company.

For all levels throughout the Company, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Management of risk is fundamental to the business and is an essential element of the Company's operations.

The main risks inherent to the Company's operations are those related to market movements in interest rates and fair value. The Company's exposure to the liquidity risk is minimised as its assets are substantially funded by its equity. A summary description of the Company's risk management policies in relation to those risks is as follows.

Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of cash and cash equivalents, amount due from credit institutions, trading securities and commission receivable. While the Company may be subject to losses in the event of non-performance by its counterparties, the management of the Company does not expect such losses to occur in the selection of counterparties.

19. Risk management (continued)

Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Notes	*Gross maximum exposure 2010*	*Gross maximum exposure 2009*
Cash and cash equivalents (excluding cash on hand)	5	**110,839**	542,667
Amounts due from credit institutions	6	**520,000**	–
Trading securities (excluding shares)	7	**810,248**	472,205
Trade accounts receivable	8	**85,897**	134,841
Dividends receivable	9	**551,446**	–
Restricted cash	12	–	93,841
Total credit risk exposure		2,078,430	1,243,554

At the year end, leading international rating agencies lowered their long-term counterparty ratings for a large number of Kazakhstani banks and corporations. In the management's view, the maximum exposure to the credit risk arising from the cash and cash equivalents, amount due from credit institutions held with local banks is equal to the carrying amounts of these assets.

Trading securities comprise Government and corporate bonds and corporate equity instruments which are actively traded on local and foreign stock exchange and can be easily converted into cash within a short period of time.

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The geographical concentration of Company's monetary assets and liabilities is set out below:

2010	*Kazakhstan*	*OECD*	*CIS and other non OECD countries*	*Total*
Assets:				
Cash and cash equivalents	**112,817**	–	–	**112,817**
Deposits	**520,000**	–	–	**520,000**
Trading securities	**807,138**	–	**3,110**	**810,248**
Trade accounts receivable	**85,735**	**13**	**149**	**85,897**
Dividends receivable	–	**551,446**	–	**551,446**
	1,525,690	**551,459**	**3,259**	**2,080,408**
Liabilities:				
Accrued expenses and other liabilities	**(56,032)**	**(3,129)**	**(15)**	**(59,176)**
Net position	**1,469,658**	**548,330**	**3,244**	**2,021,232**

2009	*Kazakhstan*	*OECD*	*CIS and other non OECD countries*	*Total*
Assets:				
Cash and cash equivalents	438,724	103,260	712	542,696
Trading securities	391,790	77,065	3,350	472,205
Trade accounts receivable	134,841	–	–	134,841
Restricted cash	93,841	–	–	93,841
	1,059,196	180,325	4,062	1,243,583
Liabilities:				
Accrued expenses and other liabilities	(24,678)	–	–	(24,678)
Net position	1,034,518	180,325	4,062	1,218,905

19. Risk management (continued)

Liquidity risk and funding management

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis.

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices. The market risk for the trading portfolio is managed and monitored based on a VaR methodology.

Objectives and limitations of the VaR Methodology

The Company uses simulation models to assess possible changes in the market value of the trading securities based on historical data from the past one year. The VaR models are designed to measure equity price risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The distribution is calculated based on actual historical data. The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 95% confidence level.

In practice the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Company would withstand an extreme market event.

VaR assumptions

The VaR that the Company measures is an estimate, using a confidence level of 95% of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for one day. The use of a 95% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every twenty days.

Since VaR is an integral part of the Company's market risk management, VaR limits have been established for all trading operations and exposures are reviewed daily against the limits by management.

Equity price risk

	Change in equity price in %	*Effect on income statement*
2010 – 31 December	**(2.00%)**	**(2,084)**
2009 – 31 December	(3.54%)	(5,314)

19. Risk management (continued)

Market risk (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the change in the fair value of debt security instruments held as trading securities at 31 December.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income statement.

Increase in basis points	*Sensitivity of net interest income 2010*	*Sensitivity of net interest income 2009*
+100	**(17.495)**	(7.262)
+200	**(34.990)**	(14.523)
+300	**(52.485)**	(21.785)
+400	**(69.980)**	(29.047)
+500	**(87.475)**	(36.308)

Decrease in basis points	*Sensitivity of net interest income 2010*	*Sensitivity of net interest income 2009*
-100	**17,495**	7,262
-200	**34,990**	14,523
-300	**52,485**	21,785
-400	**69,980**	29,047
-500	**87,475**	36,308

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. For assessment of currency risk the Company uses a one year Historical Simulation VaR model, with 95% confidence level. The table below illustrates currency risk to which the Company had significant exposure at 31 December on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of potential losses in the case of the currency rate movement against the Tenge, with all other variables held constant on the income statement. A negative amount in the table reflects a potential net reduction in the income, while a positive amount reflects a net potential increase.

	Change in exchange rates in %	*Effect on income statement*
2010 – 31 December	**+/-0.37%**	**+/-0,203**
2009 – 31 December	+/-1.16%	+/-2,734

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

20. Fair values of financial instruments

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

20. Fair values of financial instruments (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

At 31 December 2010	*Level 1*	*Level 2*	*Total*
Financial assets			
Trading securities	**861,642**	**792,553**	**1,654,195**
Investment securities available-for-sale	**23,506**	**–**	**23,506**
	885,148	**792,553**	**1,677,701**

At 31 December 2009	*Level 1*	*Level 2*	*Total*
Financial assets			
Trading securities	486,279	266,817	753,096
Investment securities available-for-sale	2,898	–	2,898
	489,177	266,817	755,994

Financial instruments recorded at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

Trading securities

Trading securities valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Transfers between level 1 and 2

The following table shows transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities which are recorded at fair value during the year ended 31 December 2010:

	Transfers from level 1 to level 2	
Financial assets		
Trading securities	**(792,553)**	**792,553**

The above financial assets were transferred from level 1 to level 2 as they ceased to be actively traded during the year and fair values were consequently obtained using valuation techniques using observable market inputs. There have been no transfers from level 2 to level 1 in 2010 (2009: 266,817 thousand tenge).

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value 2010	*Fair value 2010*	*Unrecognised gain/(loss) 2010*	*Carrying value 2009*	*Fair value 2009*	*Unrecognised gain/(loss) 2009*
Financial assets						
Cash and cash equivalents	**112,817**	**112,817**	–	542,696	542,696	–
Amounts due from credit institutions	**520,000**	**520,000**	–	–	–	–
Trade accounts receivables	**85,897**	**85,897**	–	134,841	134,841	–
Restricted cash	–	–	–	93,841	93,841	–
Financial liabilities						
Accrued expenses and other liabilities	**59,176**	**59,176**	–	24,678	24,678	–
Total unrecognised change in unrealised fair value			–			–

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

20. Fair values of financial instruments (continued)

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Liquidity risk and funding management

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Company manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis.

The maturity of Company's financial assets and liabilities is as follows.

	2010			*2009*		
Financial assets	*Up to 3 months*	*3 to 12 months*	*Total*	*Up to 3 months*	*3 to 12 months*	*Total*
Cash and cash equivalents	**112,817**	**–**	**112,817**	542,696	–	542,696
Amounts due from credit institutions	**–**	**520,000**	**520,000**	–	–	–
Trade accounts receivable	**79,302**	**6,595**	**85,897**	124,488	10,353	134,841
Dividends receivable		**551,446**	**551,446**	–	–	–
Restricted cash	**–**	**–**	**–**	–	93,841	93,841
Total	**192,119**	**1,078,041**	**1,270,160**	667,184	104,194	771,378
Financial liabilities						
Accrued expenses and other liabilities	**56,647**	**2,529**	**59,176**	24,678	–	24,678
Total	**56,647**	**2,529**	**59,176**	24,678	–	24,678
Net position	**135,472**	**1,075,512**	**1,210,984**	642,506	104,194	746,700

21. Trust activities

The Company provides asset management services for mutual funds and other companies, which involve the Company making allocation and purchase and sales decisions in relation to securities. Those securities and assets that are held in a fiduciary capacity are not included in these financial statements. As at 31 December 2010 such securities and assets held in this capacity were 30,978,012 thousand tenge (2009 – 39,449,987 thousand tenge).

As at 31 December total assets of investment funds managed by the Company comprised:

	2010	*2009*
Total assets of investment funds		
MIF BTA Investicionnyi	**1,248,521**	1,532,884
MIF Vektor	**428,638**	701,905
MIF BTA Strategic	**243,351**	282,322
MIF Nadezhnyi	**104,055**	105,430
MIF Novye proekty	**32,004**	72,017
MIF Foxtrot	**48,370**	63,283
MIF Sigma	**48,132**	63,050
MIF Delta	**39,119**	60,952
MIF Gamma	**39,354**	59,850
MIF Omega	**53,315**	53,581
MIF BTA Balanced	**41,449**	44,580
MIF Sputnik	**39,832**	42,044
MIF Fortune	**45,132**	38,665
MIF Kamkor-Invest	**20,103**	35,569
MIF BTA Capital	**724**	963
	2,432,099	3,157,095
Cash received from customers for securities trading	**466,165**	680,250
Time deposits	**–**	5,921,511
Securities held in fiduciary capacity	**27,145,625**	28,780,475
Real estate portfolio	**934,123**	910,656
	30,978,012	39,449,987

During 2010 the Company received funds from entities under common control of the Parent company to be held in a fiduciary capacity for the total amount of 27,611,790 thousand tenge (2009: 35,382,236 thousand tenge) (Note 22).

21. Trust activities (continued)

Cash received from customers for securities trading represents customers' non-interest bearing funds, which are restricted in use under contractual terms. The Company could use these facilities for trading transactions with securities on behalf of customers only if appropriate customers' instructions are available. As at 31 December 2010 and 2009, cash and securities are held with an independent custodian bank.

22. Related party disclosures

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

	2010			*2009*		
	Shareholder	*Associate*	*Entities under common control*	*Shareholder*	*Associate*	*Entities under common control*
Statement of financial position:						
Cash and cash equivalents at 1 January	**175,716**	**4,506**	–	106,522	–	–
Cash and cash equivalents received	**2,120,547**	**(4,506)**	–	21,199,604	–	–
Cash and cash equivalents paid	**(2,227,008)**	–	–	(21,130,410)	4,506	–
Cash and cash equivalents at 31 December	**69,255**	–	–	175,716	4,506	–
Trading securities at 1 January	–	–	**240,748**	5,353,922	–	217,358
Trading securities, purchased	**3,342,737**	–	**2,328**	7,540,096	–	240,452
Revaluation gains/(losses) from trading securities	**385,765**	–	**73,918**	(7,139,701)	–	(40,894)
Trading securities, sold	**(3,107,850)**	–	**(197,136)**	(5,754,317)	–	(176,168)
Trading securities at 31 December	**620,652**	–	**119,858**	–	–	240,748
Trade accounts receivables at 1 January	**105,122**	–	**20,592**	2,128	99	24,576
Trade accounts receivables, accrued	**130,123**	–	**71,784**	295,361	9,183,293	123,174
Trade accounts receivables, paid	**(235,004)**	–	**58,926**	(192,367)	(9,183,392)	(127,158)
Trade accounts receivables at 31 December	**241**	–	**151,302**	105,122	–	20,592
Investment in associate at 1 January	–	**60,587,127**	–	–	51,913,033	–
Investment in associate, increased	–	**2,544,261**	–	–	8,674,094	–
Investment in associate, increased	–	**(974,109)**	–	–	8,674,094	–
Investment in associate at 31 December	–	**64,105,497**	–	–	60,587,127	–
Restricted cash at 1 January	**93,841**	–	–	–	–	–
Restricted cash, received	**(93,841)**					
Restricted cash, accrued	–	–	–	93,841	–	–
Restricted cash at 31 December	–	–	–	93,841	–	–
Accrued expenses and other liabilities at 1 January	**657**	–	**886**	1,243	–	279
Accrued expenses and other liabilities, accrued	–	**49,107**	**1,550**	1,185	–	5,050
Accrued expenses and other liabilities, paid	**(657)**	**(45,978)**	**1,986**	(1,771)	–	(4,443)
Accrued expenses and other liabilities, at 31 December	–	**3,129**	**4,422**	657	–	886

22. Related party disclosures (continued)

	2010			*2009*		
	Shareholder	*Associate*	*Entities under common control*	*Shareholder*	*Associate*	*Entities under common control*
Income statement:						
Interest income	–	**3,414**	–	5,412	57,329	–
Fee and commission income	**8,461**	–	**33,759**	10,315	–	96,107
Fee and commission expense	–	**(49,107)**	**2**	(10,918)	–	(28,022)
Net gain/(losses) from trading securities	**380,552**	–	**3,221**	(7,244,236)	–	(327,003)
Share in net profit of associate	–	**4,483,124**	–	–	5,006,617	–
Other operating expenses	**(19,603)**	**(269)**	–	(5,273)	(1,274)	(783)
Statement of comprehensive income:						
Share in other comprehensive income of associate	–	**(9,355)**	–	–	398,386	–
Trust activities:						
Cash received from customers for securities trading	–	–	**466,165**	–	–	680,250
Time deposits	–	–	–		–	5,921,511
Securities held in fiduciary capacity	–	–	27,145,625	–	–	28,780,475
			27,611,790			35,382,236

Compensation of key management personnel was comprised of the following:

	2010	*2009*
Salaries and other short-term benefits	**82,453**	129,082
Social security costs	**15,414**	25,517
Total key management personnel compensation	**97,867**	154,599

23. Capital adequacy

The Company maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Company's capital is monitored using, among other measures, the ratios established by the FMSA in supervising the Company.

During the past year, the Company had complied in full with all its externally imposed capital requirements.

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

FMSA capital adequacy ratio

The FMSA requires management companies to maintain a capital adequacy ratio of not less than 1 of the minimum capital required by FMSA. Liquid assets and liabilities calculated in accordance with FMSA requirements were derived from the Company's financial statements modified by FMSA regulations. As at 31 December, the Company's capital adequacy ratio on this basis was as follows:

	2010	*2009*
Liquid assets	**4,560,067**	8,199,982
Liabilities	**(3,302,854)**	(7,259,369)
	1,257,213	940,613
Minimum capital	**259,200**	50,000
Capital adequacy ratio	4.85	18.8