UNILEASING CLOSED JOINT-STOCK COMPANY

International Financial Reporting Standards Financial Statements and Independent Auditor's Report

31 December 2009

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Unileasing Closed Joint-Stock Company:

We have audited the accompanying financial statements of Unileasing Closed Joint-Stock Company (the "Company") which comprise the statement of financial position as at 31 December 2009 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

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

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

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

Opinion
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Baku, Republic of Azerbaijan
27 August 2010

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In Azerbaijani Manats	**Note**	**31 December 2009**	**31 December 2008**
Assets			
Cash and cash equivalents	7	1,240,622	1,128,888
Receivables	8	259,304	180,550
Finance lease receivables	9	16,219,224	17,496,996
Equipment under construction for leasing	10	3,849,775	683,640
Intangible assets	11	14,279	16,789
Equipment and leasehold improvement	11	216,394	199,428
Deferred income tax asset		196,388	100,040
Other assets	12	1,122,382	647,315
Total assets		**23,118,368**	**20,453,646**
Liabilities			
Accounts payable	13	1,313,302	547,068
Advances received from customers	14	81,313	184,638
Debt securities in issue	15	-	789,433
Term borrowings	16	16,650,425	14,644,552
Current income tax liability		92,795	531,806
Deferred income		13,150	24,932
Other liabilities	17	94,890	66,398
Total liabilities		**18,245,875**	**16,788,827**
Equity			
Share capital	18	1,800,000	1,800,000
Retained earnings		3,072,493	1,864,819
Total equity		**4,872,493**	**3,664,819**
Total liabilities and equity		**23,118,368**	**20,453,646**

Approved for issue and signed on behalf of the Board of Directors on 27 August 2010.

Zeki Sadigov
Chairman of the Board of Directors

Elchin Jafarov
Finance Director

In Azerbaijani Manats	Note	2009	2008
Finance income from leasing		3,361,822	3,404,517
Interest expense on term borrowings		(1,186,931)	(1,518,071)
Interest expense on debt securities		(47,931)	(82,464)
Net finance income		**2,126,960**	**1,803,982**
Provision for impairment of finance lease receivables	9	(468,362)	(368,040)
Net finance income after provision for impairment of finance lease receivables		**1,658,598**	**1,435,942**
Fee and commission income	19	1,179,515	1,190,605
Foreign exchange translation gains less losses		(56,321)	530,852
Other income		18,319	7,211
Administrative and other operating expenses	20	(1,164,039)	(1,183,329)
Profit before tax		**1,636,072**	**1,981,281**
Income tax expense	21	(428,398)	(486,007)
Profit for the year		**1,207,674**	**1,495,274**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		-	-

In Azerbaijani Manats	**Share capital**	**Retained earnings**	**Total Equity**
Balance at 1 January 2008	**1,800,000**	**369,545**	**2,169,545**
Total comprehensive income for 2008	-	1,495,274	1,495,274
Balance at 31 December 2008	**1,800,000**	**1,864,819**	**3,664,819**
Total comprehensive income for 2009	-	1,207,674	1,207,674
Balance at 31 December 2009	**1,800,000**	**3,072,493**	**4,872,493**

In Azerbaijani Manats	Note	2009	2008
Cash flows from operating activities			
Finance income received from leases		3,307,150	3,077,018
Interest paid		(1,488,320)	(1,404,076)
Fees and commissions received		1,100,761	1,158,062
Staff cost paid		(556,396)	(548,766)
Other operating income received		18,319	7,211
Operating expenses paid		(493,390)	(528,953)
Income tax paid		(963,757)	(129,384)
Cash flows from operating activities before changes in operating assets and liabilities		**924,367**	**1,631,112**
Changes in operating assets and liabilities			
Net decrease / (increase) in finance lease receivables		1,568,955	(5,230,118)
Net increase in equipment under construction for leasing		(3,166,135)	(405,710)
Net (increase) / decrease in other assets		(475,068)	64,055
Net decrease in advances from customers		(103,674)	(26,101)
Net (decrease) / increase in deferred income		(11,782)	24,932
Net (decrease) / increase in debt securities in issue		(750,000)	50,000
Net cash used in operating activities		**(2,013,337)**	**(3,891,830)**
Cash flows from investing activities			
Acquisition of premises and equipment	11	(50,379)	(91,058)
Net cash used in investing activities		**(50,379)**	**(91,058)**
Cash flows from financing activities			
Proceeds from term borrowings	16	7,746,056	15,436,699
Repayment of term borrowings	16	(5,566,864)	(11,076,904)
Net cash provided from financing activities		**2,179,192**	**4,359,795**
Effect of exchange rate changes on cash and cash equivalents		**(3,742)**	**(109,543)**
Net increase in cash and cash equivalents		**111,734**	**267,364**
Cash and cash equivalents at the beginning of the year		1,128,888	861,524
Cash and cash equivalents at the end of the year	7	**1,240,622**	**1,128,888**

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2009 for Unileasing Closed Joint-Stock Company (the "Company").

The Company was incorporated and is domiciled in the Republic of Azerbaijan. The Company is a closed joint stock company limited by shares and was set up in accordance with Azerbaijani regulations.

As at 31 December 2009, OJSC UniBank owned 66.7% (31 December 2008: 66.7%) of the issued share capital and is the ultimate parent company. UniBank is ultimately controlled by Mr. Eldar Garibov (31 December 2008: Mr. Eldar Garibov). Refer to Note 18, for shareholding structure of the Company.

Principal activity. The Company's principal business activity is providing lease finance to companies within the Republic of Azerbaijan. The company leases various types of industrial equipment, equipment used in information technology and real estate. In addition, the Company leases cars, trucks and rail cars. The company purchases leasing assets from suppliers in the Republic of Azerbaijan and abroad. The Company was registered with the Ministry of Justice of the Republic of Azerbaijan and commenced its operations in August 2004.

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

R.Behbudov 57
Baku AZ 1022
Republic of Azerbaijan

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

2 Operating Environment of the Company

The Republic of Azerbaijan. The Republic of Azerbaijan displays certain characteristics of an emerging market, including the existence of a currency that is not freely convertible in most countries outside of the Republic of Azerbaijan, relatively high inflation and strong economic growth.

The tax, currency and customs legislation within the Republic of Azerbaijan is subject to varying interpretations and frequent changes. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalized procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the challenges faced by companies currently operating in the Republic of Azerbaijan. The future economic direction of the Republic of Azerbaijan is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Management is unable to reliably determine the effects on the Company's future financial position of any potential further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability of the Company's business in the current circumstances.

Recent volatility in global financial markets. The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, at times much higher than normal lending rates, and lower liquidity levels across the Republic of Azerbaijan banking sector resulting in a significant reduction in the new number of new loans and advances made to customers, and higher funding costs where its remains possible to obtain debt finance from International Institutions or other local banks. The uncertainties in the global financial market, has also led to bank failures and bank rescues in the United States of America, Western Europe and in Russia. Such circumstances could affect the ability of the Company to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. The borrowers of the Company may also be affected by the lower liquidity situation, which could in turn impact their ability to repay their outstanding loans. Deteriorating operating conditions for leasing customers may also have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, Management has reflected revised estimates of expected future cash flows in their impairment assessments.

2 Operating Environment of the Company (Continued)

The amount of provision for past due but not impaired leases is based on management's appraisals of these assets at the balance sheet date after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and selling the collateral. The market in the Republic of Azerbaijan for many types of collateral, has been affected by the recent volatility in global financial markets resulting in there being a low level of liquidity for certain types of assets. As a result, the actual realisable value on foreclosure may differ from the value ascribed in estimating allowances for impairment.

Management is unable to reliably determine the effects on the Company's future financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company’s business in the current circumstances.

3 Summary of Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of available-for-sale financial assets, and financial instruments categorised as at fair value through profit or loss. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 5). Management, being the Board of Directors, who approved these financial statements for issue, have the power to amend these financial statements.

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

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

Lease classification. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. All other leases are operating leases.

Finance lease receivables/Finance income recognition. The Company records finance lease receivables in the amount equal to the net investment in the lease. Net investment in the lease is calculated as the aggregate of the minimum lease payments, representing the amounts guaranteed by the lessee and any unguaranteed residual value (together gross investment in the lease), discounted at the interest rate implicit in the lease. The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the present value of the gross investment in the lease to be equal to the fair value of the leased asset.

The difference between the gross investment in the lease and the net investment in the lease represents unearned finance income. The unearned finance income is amortised over the lease term using the discount rate implicit in the lease. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognized over the lease term unless the company acts as manufacturer or dealer lessor, in which case such costs are expensed as part of selling profit similarly to outright sales.

Initial direct costs incurred by lessors include amounts such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease. They exclude general overheads such as those incurred by sales and marketing team. For finance leases initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Insurance payments made by lessor and not reimbursed by lessees are adjusted against minimum lease payments.

Finance lease receivables also include equipment under installation if all the significant risks and rewards of ownership of lease assets are transferred to counterparties. Payments received by the Company from the lessee before the installation date of the lease assets are recorded as principal repayment. The Company starts to accrue interest income from the date of final installation of equipment.

3 Summary of Significant Accounting Policies (Continued)

Any advances made to the supplier after the date of the inception of the lease and before the date of commencement of the lease term, are recorded as prepayments within other assets. Payments received by the Company from the lessee before the commencement of the lease term are recorded as advances received within advances from lessees and other liabilities. Such amounts are adjusted against finance lease receivables on the date of commencement of the lease term.

Provision for impairment of finance lease receivables. Impairment of finance lease receivables is recognised in profit or loss when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of finance lease receivables. Impairment losses are recognised through an allowance account to write down the receivables’ net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the interest rates implicit in the finance leases. The estimated future cash flows include the proceeds that may result from obtaining and selling the assets subject to the lease, other collateral or from guarantees.

If the Company determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Company considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by the borrower’s financial information that the Company obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the value of collateral significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms.

Management’s determination of the adequacy of the provision is based on an evaluation of past loss experience, changes in current economic conditions, volume, growth, the composition of the lease portfolio and other relevant factors.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss.

When a finance lease receivable is uncollectible, it is written off against the related provision. Finance lease receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the provision for uncollectible finance lease receivables in the statement of comprehensive income.

3 Summary of Significant Accounting Policies (Continued)

Derecognition of finance lease receivable and other financial assets. The Company derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (ii) the Company has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Company has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Equipment for leasing. Equipment for leasing represents equipment purchased to be subsequently transferred into leasing and is stated at cost. If there is a difference between cost and fair value of the equipment at the date of inception of the lease, a gain or loss is recognised when the equipment is reclassified into finance lease receivables on the date of commencement of the lease term.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value, or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Company may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flows models or models based on recent arms length transactions or consideration of financial data of the investees are used to fair value certain financial instruments, for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest re-pricing date except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy).

3 Summary of Significant Accounting Policies (Continued)

Initial recognition of financial instruments. Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price, which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Following their initial recognition, the financial assets and financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents. Cash and cash equivalents are items, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at amortised cost. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents include all bank placements with original maturities of less than three months.

Equipment and leasehold improvement. Equipment is stated at cost less accumulated depreciation and impairment losses, if any. Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of equipment items are capitalised and the replaced part is retired.

At each reporting date management assesses whether there is any indication of impairment of equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the statement of comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

Depreciation. Depreciation on other items of premises and equipment is calculated, using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Computers and Communication Equipment	25%
Furniture, Fixtures and Other	20%
Vehicles	25%
Leasehold improvement	over the term of the underlying lease

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each financial position date.

Intangible assets. All of the Company's intangible assets have definite useful life and primarily include capitalised computer software.

3 Summary of Significant Accounting Policies (Continued)

Acquired computer software licenses are capitalised based on the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Company are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight-line basis over expected useful lives of 5 to 10 years.

Operating leases. Where the Company is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Company, the total lease payments are charged to profit or loss on a straight-line basis over the lease term.

The lease term is the non-cancellable period for which the lessee contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight line basis over the lease term.

Leases embedded in other agreements are separated if (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets and (b) the arrangement conveys a right to use the asset.

Debt securities in issue. Debt securities in issue include debentures issued by the Company. Debt securities are stated at amortised cost. If the Company purchases its own debt securities in issue, they are removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from retirement of debt.

Other Borrowed Funds. Other borrowed funds include loans from resident and non-resident financial institutions with fixed maturities and fixed or floating interest rates. Term borrowings are carried at amortised cost.

Accrued interest income and accrued interest expense. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium, are included in the carrying values of related balance sheet items.

Income taxes. Income taxes have been provided for in the financial statements in accordance with Azerbaijani legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in the statement of comprehensive income, except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided, using the balance sheet liability method, for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available, against which the deductions can be utilised.

Advances from lessees and other liabilities. Advances from lessees are recorded if payments are received prior to the commencement of the lease term and are subsequently adjusted against finance lease receivables. Trade and other payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost.

3 Summary of Significant Accounting Policies (Continued)

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

Foreign currency translation. The Company's functional and presentation currency is the national currency of the Republic of Azerbaijan, Azerbaijani Manats ("AZN").

Monetary assets and liabilities are translated into entity's functional currency at the official exchange rate of the Central Bank of Azerbaijan Republic (the "CBAR") at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into entity's functional currency at year-end official exchange rates of the NBAR are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

At 31 December 2009, the principal rate of exchange used for translating foreign currency balances was USD 1 = AZN 0.8031 and EUR 1 = AZN 1.1499 (31 December 2008: USD 1 = AZN 0.8010 and EUR 1 = AZN 1.1292).

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

Staff costs and related contributions. Wages, salaries, contributions to the Azerbaijan Republic state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year, in which the associated services are rendered by the employees of the Company. The Company has no legal or constructive obligation to make pension or similar benefit payments beyond.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Finance leases and derecognition of financial assets. Management applies judgement to determine if substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to counterparties, in particular which risks and rewards are the most significant and what constitutes substantially all risks and rewards.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Impairment losses on finance lease receivables. The Company regularly reviews its finance lease receivables to assess impairment. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of leases before the decrease can be identified with an individual lease in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of lessees in a group, or national or local economic conditions that correlate with defaults in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the assessed delay in repayment of principal on 5% of the total leases receivables differs by +/- one month, the provision would be approximately AZN 35,802 (31 December 2008: AZN 15,514) higher or lower.

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

Initial recognition of related party transactions. In the normal course of business the Company enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 26.

Tax legislation. Azerbaijani tax, currency and customs legislation is subject to varying interpretations. Refer to Note 23.

5 Adoption of New or Revised Standards and Interpretations

Certain new standards and interpretations became effective for the Company from 1 January 2009:

IFRS 8, Operating Segments. The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. IFRS 8 is not relevant to the Company's operations because its debt or equity instruments are not traded in a public market.

IAS 23, Borrowing Costs, revised in March 2007. The main change is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) form part of the cost of that asset, if the commencement date for capitalisation is on or after 1 January 2009. Other borrowing costs are recognised as an expense using the effective interest method. The Company is currently assessing the impact of the amended standard on its financial statements.

5 Adoption of New or Revised Standards and Interpretations (Continued)

IAS 1, Presentation of Financial Statements, revised in September 2007. The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the Company's financial statements but had no impact on the recognition or measurement of specific transactions and balances.

Improvements to International Financial Reporting Standards (issued in May 2008). In 2008, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The Company does not expect the amendments to have any material effect on its financial statements.

Puttable Financial Instruments and Obligations Arising on Liquidation—IAS 32 and IAS 1 Amendment. The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities. The Company is currently assessing the impact of the amendment on its financial statements.

Vesting Conditions and Cancellations—Amendment to IFRS 2, Share-based Payment. The amendment clarified that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Company is currently assessing the impact of the amended standard on its financial statements.

IFRIC 13, Customer Loyalty Programmes. IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Company's operations because the company does not operate any loyalty programmes.

IFRIC 15, Agreements for the Construction of Real Estate. The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. IFRIC 15 is not relevant to the Company's operations because it does not have any agreements for the construction of real estate.

5 Adoption of New or Revised Standards and Interpretations (Continued)

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment, issued in May 2008. The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss for the year rather than as a recovery of the investment. The amendments will not have an impact on the Company's financial statements.

Improving Disclosures about Financial Instruments - Amendment to IFRS 7, Financial Instruments: Disclosures, issued in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity is required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The enhanced disclosures are included in these financial statements.

Embedded Derivatives - Amendments to IFRIC 9 and IAS 39, issued in March 2009. The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. The Company is currently assessing the impact of the amended standard on its financial statements.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation. The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the currency translation gain or loss reclassified from other comprehensive income to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. IFRIC 16 did not have an impact on these financial statements.

The International Financial Reporting Standard for Small and Medium-sized Entities (issued in July 2009) is a self-contained standard, tailored to the needs and capabilities of smaller businesses. Many of the principles of full IFRS for recognising and measuring assets, liabilities, income and expense have been simplified, and the number of required disclosures have been simplified and significantly reduced. The IFRS for SMEs may be applied by entities which publish general purpose financial statements for external users and do not have public accountability. The amendments will not have an impact on the Company's financial statements.

Unless otherwise stated above, the amendments and interpretations did not have any significant effect on the Company's consolidated financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2010 or later periods and which the Company has not early adopted:

IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss for the year when the entity settles the dividend payable. IFRIC 17 is not relevant to the Company's operations because it does not distribute non-cash assets to owners.

6 New Accounting Pronouncements (Continued)

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 is not expected to have any impact on the Company's financial statements.

Classification of Rights Issues - Amendment to IAS 32 (issued 8 October 2009; effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives.

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Company is currently assessing the impact of the amended standard on its financial statements.

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss for the year. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Company is currently assessing the impact of the amended standard on its financial statements.

Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment is not expected to have an impact on the Company's financial statements.

IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The Company concluded that the revised standard does not have any effect on its financial statements.

6 New Accounting Pronouncements (Continued)

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The Company does not expect the amendments to have any material effect on its financial statements.

Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS (effective for annual periods beginning on or after 1 January 2010). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result. The amendments will not have any impact on the Company's financial statements.

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Company does not expect the amendments to have any material effect on its financial statements.

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities.

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

6 New Accounting Pronouncements (Continued)

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

The Company is considering the implications of the standard, the impact on the Company and the timing of its adoption by the Company.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Company's financial statements.

7 Cash and Cash Equivalents

In Azerbaijani Manats	**31 December 2009**	**31 December 2008**
Cash on hand	17	1,005
Current accounts with resident banks	1,240,605	1,127,883
Total cash and cash equivalents	1,240,622	1,128,888

At 31 December 2009 cash and cash equivalents of AZN 1,238,241 (2008: AZN 952,148) are held on the Company's current accounts with the Parent Bank and has no indication of impairment.

The analysis by credit quality of cash and cash equivalents at 31 December 2009 and 31 December 2008 is as follows:

	31 December 2009	**31 December 2008**
In Azerbaijani Manats	**Current accounts with resident banks**	**Current accounts with resident banks**
Neither past due nor impaired		
- Bank with "B-" rating from Fitch IBCA	1,238,241	952,148
- Other banks	2,364	175,735
Total cash and cash equivalents, excluding cash on hand	**1,240,605**	**1,127,883**

The interest rate analysis of cash and cash equivalents is disclosed in Note 22. The information on related party balances is disclosed in Note 26.

8 Receivables

In Azerbaijani Manats	31 December 2009	31 December 2008
Fee and commission income receivable	164,136	114,346
Insurance income receivable	85,808	59,799
Other	9,360	6,405
Total receivables	**259,304**	**180,550**

The analysis by credit quality of receivables outstanding at 31 December 2009 and at 31 December 2008 is, as follows:

In Azerbaijani Manats	Receivables from banks	Receivables from lessees	Other	Total
Neither past due nor impaired				
- less than 30 days overdue	325	-	9,360	9,685
- 30 to 90 days overdue	163,811	85,808	-	249,619
Total neither past due nor impaired receivables	**164,136**	**85,808**	**9,360**	**259,304**

In Azerbaijani Manats	Receivables from banks	Receivables from insurance companies	Other	Total
Neither past due nor impaired				
- 30 to 90 days overdue	114,346	52,294	6,405	173,045
- 90-180 days overdue	-	7,505	-	7,505
Total neither past due nor impaired receivables	**114,346**	**59,799**	**6,405**	**180,550**

9 Finance Lease Receivables

In Azerbaijani Manats	**31 December 2009**	**31 December 2008**
- Corporate entities	8,761,950	10,866,802
- Individuals-consumer goods	3,585,134	2,489,476
- Individuals-trade and services	2,528,131	2,185,539
- Individuals-construction	883,612	638,961
- Individuals-transportation	792,556	734,618
- Individuals-production	226,585	868,856
- Individuals-other	287,015	173,068
Less: Provision for loan impairment	(845,759)	(460,324)
Total finance lease receivables	**16,219,224**	**17,496,996**

The movements in the provision for impairment of finance lease receivables during 2009 are, as follows:

In Azerbaijani Manats	**Corporate entities**	**Individuals-Transportation**	**Individuals-Consumer goods**	**Individuals-construction**	**Individuals-Production**	**Individuals Trade and services**	**Total**
Provision for impairment at 1 January 2009	**315,426**	**45,551**	**49,641**	**5,643**	**19,142**	**24,921**	**460,324**
Provision for impairment during the year	146,910	(9,659)	156,865	71,230	44,959	58,057	**468,362**
Amounts written off during the year as uncollectible	-	-	(63,506)	(2,062)	(13,275)	(4,084)	**(82,927)**
Provision for impairment at 31 December 2009	**462,336**	**35,892**	**143,000**	**74,811**	**50,826**	**78,894**	**845,759**

9 Finance Lease Receivables (Continued)

Movements in the provision for loan impairment during 2008 are as follows

In Azerbaijani Manats	Corporate entities	Individuals-Transportation	Individuals-Consumer goods	Individuals-Production	Individuals-Trade and services	Individuals-Other	Total
Provision for impairment at 1 January 2008	**38,003**	-	**43,609**	-	**10,672**	-	**92,284**
Provision for impairment during the year	277,423	45,551	6,032	19,142	14,249	5,643	368,040
Provision for impairment at 31 December 2008	**315,426**	**45,551**	**49,641**	**19,142**	**24,921**	**5,643**	**460,324**

Economic sector risk concentrations within the finance lease receivables are as follows:

	2009		2008	
In Azerbaijani Manats	Amount	%	Amount	%
Individuals	8,303,031	49%	7,128,351	40%
Construction	3,423,092	20%	3,182,254	18%
Transportation	2,065,245	11%	565,845	3%
Trade and services	1,460,352	9%	2,540,756	14%
Production	882,750	5%	3,474,229	19%
Consumer goods	110,124	1%	109,675	1%
Other	820,388	5%	956,210	5%
Total finance lease receivables (before impairment)	**17,064,982**	**100%**	**17,957,320**	**100%**

The Company normally structures its finance lease contracts so that the lessee makes a prepayment of 20-25% of the equipment purchase price at the inception of the lease term. The Company holds title to the leased assets during the lease term. The title to assets under finance lease contracts passes to the lessees at the end of those contracts' terms.

There is no unguaranteed residual value of leased assets as at 31 December 2009 (2008: no unguaranteed residual value of leased assets).

Risks related to the leased assets such as damage caused by various reasons, theft and other are generally insured.

Management periodically assesses the financial performance of the lessees by monitoring debts outstanding and analysing their financial reports. Management believes that the provision created for net investment in finance leases is adequate to absorb potential losses existing in the lease portfolio at the balance sheet date.

9 Finance Lease Receivables (Continued)

Information about collateral at 31 December 2009 and 31 December 2008 is as follows:

	31 December 2009				31 December 2008			
	Finance lease collateralised by:				Finance lease collateralised by:			
In Azerbaijani Manats	Vehicles	Equipment	Real estate	**Total**	Vehicles	Equipment	Real estate	**Total**
- Corporate entities	3,511,038	4,747,092	504,043	**8,762,173**	5,309,821	4,596,495	965,060	**10,871,376**
- Individuals- consumer goods	3,560,960	24,174	-	**3,585,134**	2,519,835	-	-	**2,519,835**
- Individuals- trade and services	1,573,383	440,535	514,213	**2,528,131**	1,249,879	228,235	742,828	**2,220,942**
- Individuals- production	129,071	97,514	-	**226,585**	400,425	413,127	36,162	**849,714**
- Individuals- construction	412,937	470,675	-	**883,612**	560,187	67,368	11,406	**638,961**
- Individuals- transportation	755,871	18,944	17,741	**792,556**	618,022	71,045	-	**689,067**
- Individuals- other	275,497	11,294	-	**286,791**	30,516	122,431	14,478	**167,425**
Total finance lease receivables	**10,218,757**	**5,810,228**	**1,035,997**	**17,064,982**	**10,688,685**	**5,498,701**	**1,769,934**	**17,957,320**

9 Finance Lease Receivables (Continued)

Analysis by credit quality of finance lease receivables outstanding at 31 December 2009 is as follows:

In Azerbaijani Manats	Corporate lease receivables	Individuals- consumer goods	Individuals-trade and services	Individuals- production	Individuals- construction	Individuals- transportation	Individuals- other	Total
Neither past due nor impaired								
Large customers	3,592,611	272,527	260,062	-	67,855	103,912	-	**4,296,967**
Middle market customers	357,957	634,695	653,205	17,801	38,035	111,875	114,257	**1,927,825**
Small business customers	201,623	351,667	334,196	34,225	6,157	26,251	26,223	**980,342**
Total neither past due nor impaired	**4,152,191**	**1,258,889**	**1,247,463**	**52,026**	**112,047**	**242,038**	**140,480**	**7,205,134**
Past due but not impaired								
- less than 30 days overdue	1,026,739	1,012,989	477,389	38,926	265,039	137,822	101,217	**3,060,121**
- 30 to 90 days overdue	1,331,681	978,233	343,297	4,527	113,114	176,446	1,115	**2,948,413**
- 90 to 180 days overdue	848,091	257,636	192,478	69,478	164,421	102,469	27,928	**1,662,501**
- 180 to 360 days overdue	-	-	-	-	155,722	61,576	-	**217,298**
Total past due but not impaired	**3,206,511**	**2,248,858**	**1,013,164**	**112,931**	**698,296**	**478,313**	**130,260**	**7,888,333**
Loans individually determined								
- less than 30 days overdue	120,679	-	78,621	-	-	-	-	**199,300**
- 30 to 90 days overdue	292,721	-	37,379	39,078	42,125	-	16,274	**427,577**
- 90 to 180 days overdue	509,301	36,049	-	-	31,145	58,568	-	**635,063**
- 180 to 360 days overdue	480,546	151,504	-	19,221	41,338	-	-	**692,609**
- over 360 days overdue	-	-	-	3,331	-	13,636	-	**16,967**
Total individually impaired loans (gross)	**1,403,247**	**187,553**	**116,000**	**61,630**	**114,608**	**72,204**	**16,274**	**1,971,516**
Less impairment provisions	**(462,336)**	**(143,000)**	**(78,894)**	**(50,826)**	**(74,811)**	**(35,892)**	**-**	**(845,759)**
Total loans and advances to customers	**8,299,613**	**3,552,300**	**2,297,733**	**175,761**	**850,140**	**756,663**	**287,014**	**16,219,224**

9 Finance Lease Receivables (Continued)

Analysis by credit quality of finance lease receivables outstanding at 31 December 2008 is as follows:

In Azerbaijani Manats	Corporate lease receivables	Individuals-consumer goods	Individuals-trade and services	Individuals-production	Individuals-construction	Individuals-transportation	Individuals-other	Total
Neither past due nor impaired								
Large customers	4,897,480	125,202	582,014	478,257	429,186	345,067	39,871	6,897,077
Middle market customers	1,108,056	762,272	654,907	63,150	78,880	38,747	32,207	2,738,219
Small business customers	299,848	507,896	304,092	37,472	8,758	36,009	4,450	1,198,525
Total neither past due nor impaired	**6,305,384**	**1,395,370**	**1,541,013**	**578,879**	**516,824**	**419,823**	**76,528**	**10,833,821**
Past due but not impaired								
- less than 30 days overdue	2,898,085	652,487	376,279	53,993	63,230	194,158	-	4,238,232
- 30 to 90 days overdue	1,099,583	238,661	197,268	83,068	58,908	-	-	1,677,488
- 90 to 180 days overdue	96,195	72,864	56,385	-	-	-	-	225,444
- 180 to 360 days overdue	166,441	35,360	-	63,565	-	47,247	-	312,613
Total past due but not impaired	**4,260,304**	**999,372**	**629,932**	**200,626**	**122,138**	**241,405**	**-**	**6,453,777**
Loans individually determined								
- less than 30 days overdue	34,127	-	11,125	-	-	-		45,252
- 30 to 90 days overdue	315,416	49,651	19,532	19,142	28,887	40,940		473,568
- 90 to 180 days overdue	37,189	30,360	-	26,966	-	26,249	13,423	134,187
- 180 to 360 days overdue	-	14,733	393	-	-	1,589		16,715
Total individually impaired loans (gross)	**386,732**	**94,744**	**31,050**	**46,108**	**28,887**	**68,778**	**13,423**	**669,722**
Less impairment provisions	**(315,426)**	**(49,641)**	**(24,921)**	**(19,142)**	**(5,643)**	**(45,551)**	**-**	**(460,324)**
Total loans and advances to customers	**10,636,994**	**2,439,845**	**2,177,074**	**806,471**	**662,205**	**684,456**	**89,951**	**17,496,996**

9 Finance Lease Receivables (Continued)

The Company applied the portfolio provisioning methodology prescribed by IAS 39, Financial Instruments: Recognition and Measurement, and created portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual lease by the balance sheet date. The Company's policy is to classify each lease as 'current and not impaired' until a specific objective evidence of impairment of the lease is identified. The impairment provisions may exceed the total gross amount of individually impaired leases as a result of this policy and the portfolio impairment methodology.

The primary factors that the Company considers whether a lease is impaired is its overdue status and realisability of related collateral, if any. As a result, the Company presents above an ageing analysis of leases that are past due but not impaired.

Past due but not impaired leases represent leases where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such leases, not only the individual instalments that are past due.

Fair value of collateral in respect of finance lease receivables past due but not impaired and in respect of finance lease receivables individually determined to be impaired at 31 December 2009 was as follows:

In thousands of Azerbaijani Manats	**Corporate Lease receivables**	**Individuals -consumer goods**	**Individuals- trade and services**	**Individuals- production**	**Individuals- construction**	**Individuals- transportation**	**Individuals- other**	**Total**
Fair value of collateral - finance lease receivables past due but not impaired								
- vehicles	1,332,570	2,636,714	715,480	96,072	236,772	371,798	143,822	5,533,228
- equipment	1,919,583	39,821	386,478	43,835	621,016	132,129	-	3,142,862
- real estate	92,361	-	94,756	-	-	-	-	187,117
Fair value of collateral - finance lease receivables past due but not impaired								
- vehicles	676,298	169,659	52,960	-	56,032	65,984	30,418	1,051,351
- equipment	417,106	-	33,996	86,733	51,071	-	16,897	605,803
- real estate	273,061	-	39,481	-	-	-	-	312,542
Total	**4,710,979**	**2,846,194**	**1,323,151**	**226,640**	**964,891**	**569,911**	**191,137**	**10,832,903**

9 Finance Lease Receivables (Continued)

Fair value of collateral in respect of finance lease receivables past due but not impaired and in respect of finance lease receivables individually determined to be impaired at 31 December 2008 was as follows:

In thousands of Azerbaijani Manats	**Corporate Lease receivables**	**Individuals -consumer goods**	**Individuals- trade and services**	**Individuals- production**	**Individuals- construction**	**Individuals- transportation**	**Individuals- other**	**Total**
Fair value of collateral - finance lease receivables past due but not impaired								
- vehicles	3,344,511	1,201,986	557,750	140,799	262,190	233,028	-	5,740,264
- equipment	2,258,610	-	91,428	5,293	-	53,084	-	2,408,415
- real estate	597,785	-	30,672	32,919	11,483	-	-	672,859
Fair value of collateral - finance lease receivables past due but not impaired								
- vehicles	152,228	88,372	20,084	9,305	34,914	65,162	14,153	384,218
- equipment	175,639	-	14,279	42,361	-	-	-	232,279
Total	**6,528,773**	**1,290,358**	**714,213**	**230,677**	**308,587**	**351,274**	**14,153**	**9,438,035**

As at 31 December 2009, the Company had 62 lessees (2008: 96 lessees) with total finance lease receivables above AZN 50,000. The total aggregate amount of these finance lease receivables is AZN 5,934,517 (2008: AZN 9,214,274).

As at 31 December 2009, the estimated fair value of finance lease receivables was AZN 16,219,224 (2008: AZN 17,496,996). Refer to Note 24.

The fair value is determined by discounting expected cash flows using interest rates from 14% p.a. to 31% p.a. (2008: from 14% p.a. to 30% p.a.) depending on the deemed credit risk of the counterparty.

10 Equipment under Construction for Leasing

The equipment under construction for leasing is disclosed in the table below:

In Azerbaijani Manats	31 December 2009	31 December 2008
Equipment under construction for leasing at 1 January (at cost)	683,640	54,620
Cost of equipment acquired during the year	3,917,977	683,640
Equipment transferred to lessees	(751,842)	(54,620)
Equipment under construction for leasing at 31 December (at cost)	**3,849,775**	**683,640**

All the risks incidental to ownership of equipment under construction remains with the Company. Risks related to the leased assets such as damage caused by various reasons, theft and other are generally insured.

11 Equipment and Intangible Assets

In Azerbaijani Manats	Note	Leasehold Improvement	Computer equipment	Furniture and fixtures	Vehicles	Intangible assets	Total
Cost or valuation at 31 December 2007		72,734	45,653	21,372	39,864	20,660	200,283
Accumulated depreciation		-	(15,156)	(6,465)	(15,195)	(2,108)	(38,924)
Carrying amount at 31 December 2007		**72,734**	**30,497**	**14,907**	**24,669**	**18,552**	**161,359**
Additions		-	29,113	6,786	55,159	-	91,058
Depreciation / amortisation charge	26	(13,569)	(8,671)	(2,254)	(9,943)	(1,763)	(36,200)
Carrying amount at 31 December 2008		**59,165**	**50,939**	**19,439**	**69,885**	**16,789**	**216,217**
Cost or valuation at 31 December 2008		72,734	74,766	28,158	95,022	18,044	288,724
Accumulated depreciation		(13,569)	(23,827)	(8,719)	(25,137)	(1,255)	(72,507)
Carrying amount at 31 December 2008		**59,165**	**50,939**	**19,439**	**69,885**	**16,789**	**216,217**
Additions		29,465	1,207	1,470	25,334	-	57,476
Depreciation / amortisation charge	26	(5,218)	(12,164)	(1,434)	(21,693)	(2,511)	(43,020)
Carrying amount at 31 December 2009		**83,412**	**39,982**	**19,475**	**73,526**	**14,278**	**230,673**
Cost or valuation at 31 December 2009		102,199	75,973	29,628	120,356	18,044	346,200
Accumulated depreciation		(18,787)	(35,991)	(10,153)	(46,830)	(3,766)	(115,527)
Carrying amount at 31 December 2009		**83,412**	**39,982**	**19,475**	**73,526**	**14,278**	**230,673**

Intangible assets as at 31 December 2009 represent mainly computer software and licenses.

12 Other Assets

In Azerbaijani Manats	**31 December 2009**	**31 December 2008**
Prepayments to suppliers	1,112,520	540,802
Prepayment to customs office	-	98,958
Advances to employees	868	350
Other	8,994	7,205
Total other assets	**1,122,382**	**647,315**

The analysis by credit quality of prepayment to suppliers at 31 December 2009 and 31 December 2008 is as follows:

In Azerbaijani Manats	**31 December 2009**	**31 December 2008**
Current and not impaired		
Prepayments made to suppliers to purchase equipment for leasing purposes		
- New large suppliers	914,758	357,488
- New medium-size suppliers	186,785	62,047
- New small-size suppliers	10,977	8,180
- Large suppliers with a credit history of over one year	-	113,087
Total prepayments	**1,112,520**	**540,802**

13 Accounts Payable

In Azerbaijani Manats	**31 December 2009**	**31 December 2008**
Trade accounts payable	1,185,266	427,927
Payables to insurance companies	78,476	84,921
Professional fee payable	49,560	34,220
Total accounts payables	**1,313,302**	**547,068**

14 Advances Received from Customers

As at 31 December 2009 and 31 December 2008, advances received from customers comprise of AZN 81,313 and AZN 184,638 received from customers under leasing contracts, respectively. As at 31 December 2009, advances received from customers includes finance income received in advance in the amount of AZN 22,940 (31 December 2007: AZN 29,750).

15 Debt Securities in Issue

In Azerbaijani Manats	**31 December 2009**	**31 December 2008**
Debentures	-	789,433
Total debt securities in issue	**-**	**789,433**

During 2008 the Company issued 750 discount debt securities respectively through a primary placement at the Baku Stock Exchange, with a par value of AZN 1000 each. These discount debt securities were denominated in AZN, had an interest rate of 14% p.a. and were settled at the stated maturity date of 4 June 2009.

16 Other Borrowed Funds

In Azerbaijani Manats	**31 December 2009**	**31 December 2008**
Funds borrowed from resident banks:		
- Unibank Commercial Bank OJSC	642,480	3,770,151
- Pashabank Commercial Bank OJSC	-	305,700
Funds borrowed from East West United Bank	14,455,800	8,149,975
Funds borrowed from European Bank for Reconstruction	1,218,257	2,418,726
Funds borrowed from M&T Bank	333,888	-
Total term borrowings	**16,650,425**	**14,644,552**

On 31 August 2009, the Company signed Loan Agreement with the Unibank OJSC, the Parent Bank, for USD 800,000 for the purpose of financing the leasing operations of the Company. The borrowing is subject to a market interest rate with maturity date of 31 August 2010. There are no financial covenants with regard to borrowing from Unibank OJSC that the Company should comply with. This borrowing was fully repaid after the balance sheet date on its maturity date.

On 12 August 2008, the Company signed a loan agreement with East West United Bank for the amount of USD 8,010,000 for the purpose of financing the leasing operations of the Company. The borrowing is subject to a market interest rate of 5.4% and is repayable in several instalments in 2009. On 10 August 2009, the amendment to Loan Agreement dated 12 August 2008 was signed to extend maturity date up to September 2010. On 29 September 2009, the Company signed a loan agreement with East West United Bank for the amount of USD 8,000,000 for the purpose of financing the leasing operations of the Company. The borrowing is a subject to a market interest rate of 3.5% with maturity date of 29 September 2011. At 31 December 2009, management of the Company believes that the Company was in compliance with those covenants.

On 14 March 2007, the Company signed a Loan Agreement with the European Bank for Reconstruction and Development, for USD 3 million with maturity date of 7 October 2010, for the purpose of financing of the Company's leasing operations. On 13 April 2007, the first tranche of these funds in the amount of USD 1,500,000 was disbursed by the European Bank for Reconstruction and Development. The second tranche in the amount of USD 1,500,000 was disbursed in June 2008. These borrowings carry an interest rate of LIBOR +4,5 % per annum and are repayable quarterly. The maturity date falls on 7 October 2010. The Company is obliged to comply with certain financial covenants stipulated by the aforementioned Loan Agreement. At 31 December 2009, management believes that the Company was in compliance with those covenants, except for breaches as disclosed in Note 23.

On 19 December 2008, the Company signed a Loan Agreement with the M&T Bank (Manufacturers and Traders Trust Company, a New York State Bank), for a credit line not exceeding USD 2,255,262 for the purpose of financing the Company's leasing operations. The credit line carriers an interest rate of LIBOR+0.625% per annum and is repayable together with principal amount. The borrowing is repayable in ten semi-annual instalments beginning six months after the shipment. The maturity date falls on 15 December 2013. At 31 December 2009, management believes that the Company was in compliance with those covenants, except for breaches as disclosed in Note 23.

At 31 December 2009, funds borrowed from East West United Bank in the amount of AZN 14,455,800 represent funds placed by Unibank, the Parent Bank, as a term placements with East West United Bank respectively. This placement has subsequently been granted by the bank, to Unileasing, a subsidiary of Unibank, under separate borrowing agreements. Refer to Note 26

At 31 December 2009, the estimated fair value of term borrowings was AZN 16,650,425 (2008: AZN 14,644,552).

The interest rate analysis of term borrowings is disclosed in Note 22.

17 Other Liabilities

In Azerbaijani Manats	31 December 2009	31 December 2008
Payables to state authorities	66,402	27,509
Accrual of payable to employees	28,488	35,624
Other	-	3,265
Total other liabilities	**94,890**	**66,398**

Included in the balance of accrual of payable to employees is performance bonuses payable to employees in the amount of AZN 28,483, that related to the year ended 31 December 2009 (31 December 2008: 35,220).

18 Share Capital

At 31 December 2009, Unibank OSCJ, the Parent Bank, owned 66.7% of the Company's ordinary shares. (31 December 2008: 66.7%). The European Bank for Reconstruction and Development ("the EBRD") owned 33.3% of the Company's shares (31 December 2008: 33.3%). Movements in the Company's ordinary shares are as follows:

In AZN except for number of shares	Number of outstanding shares	Ordinary shares	Total
At 1 January 2008	**900,000**	**1,800,000**	**1,800,000**
At 31 December 2008	**900,000**	**1,800,000**	**1,800,000**
At 31 December 2009	**900,000**	**1,800,000**	**1,800,000**

At 31 December 2009, all of the Company's outstanding shares were authorised, issued and fully paid.

All ordinary shares have a nominal value of AZN 2 per share (2008: AZN 2) and rank equally. Each share carries one vote.

The total authorised capital of the Company as at 31 December 2009 consisted of 900,000 shares with a par value of AZN 2 each.

19 Fee and Commission Income

In Azerbaijani Manats	2009	2008
Fee and commission income		
-Lease agency commission	1,139,274	1,103,903
-Commission income from insurance companies	40,241	86,702
Total fee and commission income	**1,179,515**	**1,190,605**

20 Administrative and Other Operating Expenses

In Azerbaijani Manats	Note	2009	2008
Staff costs		562,920	548,766
Social security cost (pension contribution)		125,291	120,693
Rent		106,991	111,122
Professional services		83,374	48,013
Bank charges		54,255	78,977
Depreciation / amortisation charge for the year	11	43,020	36,200
Office supplies		24,691	32,166
Communication		24,011	22,993
Transportation		22,176	14,325
Taxes other than on profit		15,279	7,671
Representative expenses		13,909	20,491
Insurance		12,971	16,697
Advertising and marketing		7,347	41,600
Business trip		5,345	5,808
Repair and Maintenance		2,814	15,628
Other		59,645	62,179
Total administrative and other operating expenses		**1,164,039**	**1,183,329**

21 Income Taxes

Income tax expense comprises the following:

In Azerbaijani Manats	2009	2008
Current tax	524,746	532,712
Deferred tax	(96,348)	(46,705)
Income tax expense for the year	**428,398**	**486,007**

21 Income Taxes (Continued)

The income tax rate applicable to the majority of the Company's income is 22% (2008: 22%). Reconciliation between the expected and the actual taxation charge is provided below

In Azerbaijani Manats	2009	2008
IFRS profit before tax	**1,636,072**	**1,981,281**
Theoretical tax charge at statutory rate (2009: 22%; 2008: 22%)	(359,936)	(435,882)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non deductible expenses	(50,120)	(49,886)
- Other temporary differences	1,297	(239)
- Effect of changes in taxation rates	(19,639)	-
Income tax expense for the year	**(428,398)**	**(486,007)**

On 19 June 2009, the Republic of Azerbaijan reduced the standard corporate income tax rate from 22% to 20% with effect from 1 January 2010. The impact of the change in tax rate presented above represents the effect of applying the reduced 20% tax rate to deferred tax balances at 31 December 2009 and 31 December 2008.

Differences between IFRS and Azerbaijani statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

	31 December 2008	Charged to profit or loss	31 December 2009
Tax effect of taxable temporary differences			
Finance lease receivables	92,512	93,964	186,476
Accounts payable	7,528	2,384	9,912
Net deferred tax asset	**100,040**	**96,348**	**196,388**

	31 December 2007	Credited/ (charged) to profit or loss	31 December 2008
Tax effect of deductible/ (taxable) temporary differences			
Finance lease receivables	36,572	55,940	92,512
Accounts payable	7,528	-	7,528
Accrual of payables to employees	7,945	(7,945)	-
Other movement	1,290	(1,290)	-
Net deferred tax asset	**53,335**	**46,705**	**100,040**

22 Financial Risk Management

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

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

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

i. Limits for business portfolio and consumer leasing portfolio;
ii. Limits by sectors of economy;
iii. Regional limits;
iv. Concentration limits; and
v. Limits by collateral type.

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

22 Financial Risk Management (Continued)

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

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

In order to monitor credit risk exposures, regular reports are produced by the Credit Risk Management together with the Leasing Department officers based on a structured analysis focusing on the customer's business and financial performance. Any significant exposures against lessees with deteriorating creditworthiness are reported to and reviewed by Credit Administration Department of the Company. The Company uses formalised internal credit ratings to monitor exposures to credit risk. Management monitors and follows up on past due balances.

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

The Company's maximum exposure to credit risk by class of assets is as follows:

In Azerbaijani Manats	**31 December 2009**	**31 December 2008**
Finance lease receivables	16,219,224	17,496,996
Prepayment made to purchase equipment for leasing purposes	1,112,520	540,802
Cash and cash equivalents	1,240,622	1,128,888
Total on-balance sheet exposure	**18,572,366**	**19,166,686**

Risk management department. Company's risk management is provided by the Risk Management Department headed by Chief Risk Officer. In order to manage risk, crisis prevention and to maintain continuity in business the Company had developed a comprehensive Risk Management System. This system covers every aspect of the business. A comprehensive Risk Management System shows the areas of most risk within the financial leasing business, and control systems to mitigate the chances of those risks occurring. The control systems are reviewed periodically to ensure that the risks are adequately managed. Risk management staff of the company studies the business carefully and identifies all potential risks that might affect various aspects of financial leasing business and take the relevant actions to mitigate those risks.

Credit Committee. The Credit Committee of the Company ("UCC") is the collective body which operates and reports to the Management Board. UCC is an independent body functioning based on recommendations of Management Board and Supervisory Council. The overall role of UCC is to control and manage all leasing operations approved in the framework of strategic and business plan of the Company. UCC controls procedures and operations of leasing arrangements in accordance with the approved Credit Policy of the Company.

The Credit Committee of the Company consists of five members. The Chairman and other members are appointed by the Supervisory Council. Each Credit Committee Member has one vote.

22 Financial Risk Management (Continued)

A lease development process assumes the following steps:

Lease approval procedure and delegations:

i. Once leasing needs have been identified a proposal is reviewed and analysis of the lessee's financial capacity to be conducted by the Leasing Department.

ii. The draft lease memorandum is then reviewed by the Risk Management Department for completion and assessment of project related risks.

iii. Upon approval by both the Risk Management, the proposal is then submitted to the Credit Committee for final approval.

iv. The Credit Committee of the Company made up of (i) Head of the Leasing Department, (ii) Chief Executive Officer (iii) Chief Finance Officer, (iv) Chief Risk Officer, (v) Head of the Marketing and Business Development Department. The Credit Committee is headed by the Head of the Leasing Department.

Delegation of authorities for credit granting approval:

i. The Company's Credit Committee conducts the preliminary assessment of the lease proposals and has approval authority up to a limit of AZN 200,000.

ii. The Credit Committee of the Unibank makes the approval of the leases over AZN 200,000.

iii. Upon the Credit Committee approval, the Leasing Department submits a formal lease proposal to the client. If, in subsequent negotiations with the client, the terms of the initial lease proposal are significantly modified, or if new information is discovered, the Manager returns the proposal to the Credit Committee for a second approval.

iv. A final legal review by law department is also performed prior to a lease contract is sent to the client for signature.

v. Once a lease contract is signed, the Leasing Department performs the asset delivery and monitoring.

The appraisal of the collateral value

i. Normally, as owner and title holder of leased assets, the leasing company does not require additional security from lessees. If potential new customers do not meet Unileasing's credit criteria set on financial performance or does not have a business history, the Company might require financial guarantee from a financially sound parent or an additional security.

Registration of leased assets

i. The leased assets such as trucks, cars, minivans and some construction equipment are registered with the State Traffic Police. The Company's Credit Administration Department handles the registration related tasks and obtains all necessary documents to allow customers to operate the vehicles. Credit Administration Department ensures the validity and completeness of registration related documents.

ii. However for certain fixed assets such as equipment and machinery, there is no state registry and the lease contract remains the only proof of the ownership title. Therefore, the Leasing Department carefully provides the due diligence of the proposals and law department define all possible features, including the serial numbers, in the lease agreements. The contracts also state the criminal responsibility for illegal transfer of the ownership rights to the third parties.

22 Financial Risk Management (Continued)

Market risk. The Company takes on exposure to market risks. Market risks arise from open positions in currency, interest rate and equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a weekly basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December 2009 and the comparatives as at 31 December 2008:

	31 December 2009			31 December 2008		
In Azerbaijani Manats	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**
AZN	11,772,277	494,140	11,278,137	16,494,384	1,418,891	15,075,493
US Dollars	5,925,194	17,469,587	(11,544,393)	2,280,123	14,562,162	(12,282,039)
Euros	21,679	-	21,679	31,927	-	31,927
Total	**17,719,150**	**17,963,727**	**(244,577)**	**18,806,434**	**15,981,053**	**2,825,381**

The above analysis includes only monetary assets and liabilities. Non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the balance sheet date, with all other variables held constant:

	At 31 December 2009	**At 31 December 2008**
In Azerbaijani Manats	**Impact on profit or loss**	**Impact on profit or loss**
US Dollars strengthening by 5%	(463,565)	(491,896)
US Dollars weakening by 5%	463,565	491,986
Euro strengthening by 10%	2,493	2,557
Euro weakening by 10%	(2,493)	(2,557)

Other than as a result of any impact on the Company's profit or loss, there is no other impact on the Company's equity as a result of such change in exchange rates. The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Company.

22 Financial Risk Management (Continued)

Interest rate risk. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Margins between finance income earned and interest expenses paid may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

Financing of finance lease receivables is primarily provided by the Company's capital and borrowings from banks. Interest rates on most of these borrowings are fixed with few borrowings having floating rates based on the LIBOR rates for 1 to 6 month periods.

The table below summarises the Company's exposure to interest rate risks. The table presents the aggregated amounts of the Company's financial assets and liabilities at carrying amounts, categorised by expected maturity dates.

In Azerbaijani Manats	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Non-monetary**	**Total**
31 December 2009						
Total financial assets	1,798,150	3,309,680	3,188,511	9,422,809	-	17,719,150
Total financial liabilities	1,918,249	128,036	9,471,842	6,445,600	-	17,963,727
Net interest sensitivity gap at 31 December 2009	**(120,099)**	**3,181,644**	**(6,283,331)**	**2,977,209**	**-**	**(244,577)**
31 December 2008						
Total financial assets	1,756,098	3,009,196	3,319,191	10,721,949	-	18,806,434
Total financial liabilities	464,143	834,921	8,182,481	6,499,508	-	15,981,053
Net interest sensitivity gap at 31 December 2008	**1,291,955**	**2,174,275**	**(4,863,290)**	**4,222,441**	**-**	**2,825,381**

At 31 December 2009, if interest rates at that date had been 100 basis points lower with all other variables held constant, profit for the year would have been AZN 11,031 (2008: AZN 18,679) higher, mainly as a result of lower interest expense on variable interest liabilities. Other components of equity would not be affected by the change.

If interest rates had been 100 basis points higher, with all other variables held constant, profit would have been AZN 11,031 (2008: AZN 18,679) lower, mainly as a result of higher interest expense on variable interest liabilities. Other components of equity would not be affected by the change.

The Company makes the following assumptions when carrying out its sensitivity analysis:

i. The sensitivity analysis shows the effects of changes that are considered to be reasonably possible over the period until the entity will next present these disclosures, which is usually its next annual reporting period.

ii. The sensitivity analysis shows the effect on current period profit or loss and equity if a reasonably possible change in the relevant risk variable had been applied to the risk exposures in existence at the balance sheet date.

iii. A reasonably possible change in annual LIBOR is considered to be 100 basis points.

iv. The Company discloses only the effects of the changes at the limits of the reasonably possible range of the relevant risk variable, rather than all reasonably possible changes.

22 Financial Risk Management (Continued)

The Company monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel:

	2009			2008		
In % p.a.	**AZN**	**USD**	**Euro**	**AZN**	**USD**	**Euro**
Assets						
Finance lease receivables	14-31	12-28	18	14-30	15-28	18-22
Liabilities						
Term borrowings	-	4-10	-	-	5-19	-
Debt securities in issue	-	-	-	14	-	-

The sign "-" in the table above means that the Company does not have the respective assets or liabilities in corresponding currency.

Geographical risk concentrations. The geographical concentration of the Company's financial assets and liabilities at 31 December 2009 is set out below:

In thousands of Russian Roubles	**Republic of Azerbaijan**	**OECD**	**Total**
Financial assets			
Cash and cash equivalents	1,240,622	-	1,240,622
Financial lease receivables	16,219,224	-	16,219,224
Receivables	259,304	-	259,304
Total financial assets	**17,719,150**	**-**	**17,719,150**
Financial liabilities			
Accounts payable	1,085,222	228,080	1,313,302
Term borrowings	642,480	16,007,945	16,650,425
Total financial liabilities	**1,727,702**	**16,236,025**	**17,963,727**
Net position in on-balance sheet financial instruments	**15,991,448**	**(16,236,025)**	**(244,577)**

Assets and liabilities have generally been based on the country in which the counterparty is located. Balances with Azerbaijani counterparties actually outstanding to/from offshore companies of these Azerbaijani counterparties are allocated to the caption "Republic of Azerbaijan". Cash on hand and premises and equipment have been allocated based on the country in which they are physically held.

22 Financial Risk Management (Continued)

The geographical concentration of the Company's assets and liabilities at 31 December 2008 is set out below:

In Azerbaijani Manats	**Republic of Azerbaijan**	**OECD**	**Total**
Financial assets			
Cash and cash equivalents	1,128,888	-	1,128,888
Financial lease receivables	17,496,996	-	17,496,996
Receivables	180,550	-	180,550
Total financial assets	**18,806,434**	**-**	**18,806,434**
Financial liabilities			
Accounts payable	244,084	302,984	547,068
Term borrowings	4,075,851	10,568,701	14,644,552
Debt securities in issue	789,433	-	789,433
Total financial liabilities	**5,109,368**	**10,871,685**	**15,981,053**
Net position in on-balance sheet financial instruments	**13,697,066**	**(10,871,685)**	**2,825,381**

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 25 of net assets. The Company did not have any such significant risk concentrations at 31 December 2009 and 2008.

Management determines concentrations by assessing the quantitative data about its exposure to the risk at the reporting date. This disclosure is based on the information provided internally to key management personnel of the Company and includes for example disclosure of concentrations of risks such as currency, credit and interest.

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is managed by the Financial Controlling Department of the Company.

The Company seeks to maintain a stable funding base comprising primarily amounts due to other banks, and debt securities and invest the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Company requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring the balance sheet liquidity position by the Finance Department. The Company's liquidity ratio is calculated on a weekly basis. There is no instruction or requirements set by any regulatory authorities regarding the liquidity position of the Company, however, under a borrowing agreement with one of the shareholders of the Company, European Bank for Reconstruction and Development ("EBRD"), the liquidity ratio is required to be calculated at least on a quarterly basis and is not to be less than 25%:

- Liquidity ratio, being calculated as the ratio of liquid assets to total assets, was 40% at 31 December 2009 (2008: 50%).

22 Financial Risk Management (Continued)

The Finance Department responsibilities include:

i. Monitoring the compliance with the requirements of the EBRD for the Company's liquidity ratio on a quarterly basis;

ii. Cash flow forecasting and reporting to Management Board;

iii. Monitoring of the largest depositors as a factor of risk of liquidity concentration;

iv. \Researching and engaging in the domestic and international markets for obtaining mid and short terms borrowings, for as and when required by the Company as part of its day-to-day operations; and

v. Monitoring of possible cash movements as new leases are entered into or former contracts are terminated.

The table below shows assets and liabilities at 31 December 2009 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the balance sheet because the balance sheet amount is based on discounted cash flows.

When the amounts payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial instruments at 31 December 2009 is as follows:

In Azerbaijani Manats	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Total**
Assets					
Cash and cash equivalents	1,252,506	-	-	-	1,252,506
Financial lease receivables	557,018	3,347,408	3,763,488	13,987,642	21,655,556
Receivables	9,778	263,260	-	-	273,038
Total	**1,819,302**	**3,610,668**	**3,763,488**	**13,987,642**	**23,181,100**
Liabilities					
Term borrowings	1,561,039	-	9,218,743	7,974,794	18,754,576
Accounts payable	368,202	132,261	872,752	-	1,373,215
Total potential future payments for financial obligations	**1,929,241**	**132,261**	**10,091,495**	**7,974,794**	**20,127,791**
Liquidity gap arising from financial instruments	**(109,939)**	**3,478,407**	**(6,328,007)**	**6,012,848**	**3,053,309**

22 Financial Risk Management (Continued)

The maturity analysis of financial instruments at 31 December 2008 is as follows:

In Azerbaijani Manats	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Total**
Assets					
Cash and cash equivalents	1,139,702	-	-	-	1,139,702
Financial lease receivables	637,713	3,094,263	3,917,734	15,916,143	23,565,853
Receivables	-	190,417	-	-	190,417
Total	**1,777,415**	**3,284,680**	**3,917,734**	**15,916,143**	**24,895,972**
Liabilities					
Term borrowings	-	-	8,429,985	7,200,692	15,630,677
Accounts payable	427,927	84,921	34,220	-	547,068
Debt securities in issue	36,216	795,414	-	-	831,630
Total potential future payments for financial obligations	**464,143**	**880,335**	**8,464,205**	**7,200,692**	**17,009,375**
Liquidity gap arising from financial instruments	**1,313,272**	**2,404,345**	**(4,546,471)**	**8,715,451**	**7,886,597**

The Company does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Company monitors expected maturities and the resulting expected liquidity gap as follows as at 31 December 2009:

In Azerbaijani Manats	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Total**
At 31 December 2009					
Financial assets	1,798,150	3,309,680	3,188,511	9,422,809	17,719,150
Financial liabilities	1,918,249	128,036	9,471,842	6,445,600	17,963,727
Net liquidity gap based on expected maturities	**(120,099)**	**3,181,644**	**(6,283,331)**	**2,977,209**	**(244,577)**
At 31 December 2008					
Financial assets	1,756,098	3,009,196	3,319,191	10,721,949	18,806,434
Financial liabilities	464,143	834,921	8,182,481	6,499,508	15,981,053
Net liquidity gap based on expected maturities	**1,291,955**	**2,174,275**	**(4,863,290)**	**4,222,441**	**2,825,381**

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Company. It is unusual for companies ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Company and its exposure to changes in interest and exchange rates.

22 Financial Risk Management (Continued)

As set out in Note 22, included in the above analysis of maturities, total borrowings of AZN 1,552,145 (2008: nil) is included as “on demand” due to breaches of certain covenants imposed in those borrowing agreements as at 31 December 2009. Subsequent to the year end, management has been in the process of rectifying of those breaches that have occurred. Management believes that all such actions will be forthcoming and that these borrowings will not be required to be repaid prior to the contractual maturity dates as set out in the relevant agreements.

23 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Company may be received. Based on its own estimates and both internal and external professional advice Management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statements.

Tax legislation. Azerbaijani 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 authorities. Recent events within the Republic of Azerbaijan suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

Management believes that its interpretation of the relevant legislation is appropriate and the Company’s tax, currency legislation and customs positions will be sustained. Accordingly, at 31 December 2009 no provision for potential tax liabilities had been recorded.

Capital expenditure commitments. At 31 December 2009, the Company has no contractual capital expenditure commitments in respect of its premises and equipment, or any other area.

Operating lease commitments. Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

In thousands of Azerbaijani Manats	**2009**	**2008**
Not later than 1 year	24,767	-
Total operating lease commitments	**24,767**	**-**

Compliance with covenants. The Company is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Company, including growth in the cost of borrowings and the timing of repayment of existing facilities. As at 31 December 2009 and at certain times during the year then ended the Company was in breach of the ratios stipulated by EBRD that limit the maximum exposure of the Company to (i) a ratio of leases in arrears of more than 60 days to total leases of no more than 5% (ii) a timely submission of certain deliverables which are specified in loan agreements with EBRD and M&T Bank.

As at 31 December 2009, as disclosed in the financial statements, the ratio of leases in arrears of more than 60 days to total leases was 25.5%. Besides that the Company does not meet the requirements regarding timely submission of certain deliverables to EBRD and M&T Bank. As a result, the Company was not in compliance with these covenants as at 31 December 2009, and at certain times during the reporting periods then ended.

The total borrowings affected by the breaches of the covenants comprised AZN 1,552,145 as at 31 December 2009 (2008: nil). In accordance with those agreements, where covenants are breached, provision is made for the borrowings to become due and/or repayable on demand. Accordingly, the borrowings impacted have been reclassified to being on demand within these financial statements.

24 Fair Value of Financial Instruments

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

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

Financial instruments carried at fair value. Cash and cash equivalents are carried at amortised cost, which equals current fair value.

Liabilities carried at amortised cost. The fair value of is based on quoted market prices. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Refer to Notes 15 and 16 for the estimated fair values of debt securities in issue and term borrowings, respectively. The discount rates used were consistent with the Company's credit risk and also depend on currency and maturity of the instrument and ranged from 14 % p.a. to 31% p.a. (2008: from 14% p.a. to 30 % p.a.)

Finance lease receivables. The finance lease receivables are stated net of provisions for impairment. The estimated fair value of finance lease receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. Refer to Note 9 for the estimated fair value of finance lease receivables.

25 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39, *Financial Instruments: Recognition and Measurement*, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2009:

In Azerbaijani Manats	**Loans and receivables 2009**	**Loans and receivables 2008**
Assets		
Cash and cash equivalents		
Cash on hand	17	1,005
Current accounts with resident banks	1,240,605	1,127,883
Finance lease receivables		
- Corporate entities	8,299,613	10,551,376
- Individuals – consumer goods	3,552,300	2,439,835
- Individuals – production	175,761	849,714
- Individuals – trade and services	2,297,733	2,160,618
- Individuals – construction	850,140	638,961
- Individuals – transportation	756,663	689,067
- Individuals – other	287,014	167,425
Receivables		
Fee and commission income receivable	164,136	114,346
Insurance income receivable	85,808	59,799
Other	9,360	6,405
Total financial assets	**17,719,150**	**18,806,434**
Non-financial assets	**5,399,218**	**1,647,212**
Total assets	**23,118,368**	**20,453,646**

26 Related Party Transactions

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can 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.

Included in the following information, "Other related entities" refers to other companies under common control. Key management personnel consists of members of the Company's Management Board.

26 Related Party Transactions

At 31 December 2009 and 31 December 2008, the outstanding balances with related parties were as follows:

	31 December 2009			31 December 2008		
In Azerbaijani Manats	**Parent company**	**Other related entities**	**Key management personnel**	**Parent company**	**Other related entities**	**Key management personnel**
Cash an cash equivalents	1,238,241	-	-	952,148	-	-
Finance lease receivables	-	-	138,887	-	-	131,344
Receivables	163,812	-	-	114,346	7,506	-
Accounts payable		36,676		-	84,921	-
Debt securities	-	-	-	-	538,111	-
Term borrowings (contractual interest rate: 2009: 7% p.a; 2008: 13% p.a)	642,480	1,218,257	-	3,770,151	2,418,726	-

The income and expense items with related parties for the year ended 31 December 2009 and 31 December 2008 were as follows:

	2009			2008		
In Azerbaijani Manats	**Parent company**	**Other related entities**	**Key management personnel**	**Parent company**	**Other related entities**	**Key management personnel**
Commission income	1,139,274	40,241	-	1,103,903	68,179	-
Interest income from leases	-	-	11,999	-	-	8,251
Interest expense	464,142	104,351	-	607,116	142,778	-
Bank service charge	54,255	-	-	76,370	-	-
Insurance service income	-	-	12,971	-	-	12,242
Communication expense			4,082	-	-	3,306
Business trip expense			1,443			697
						-

At 31 December 2009, funds borrowed from East West United Bank in the amount of AZN 14,455,800 represents funds placed by Unibank, the Parent Bank, as a term placement with East West United Bank. This placement has subsequently been granted by the bank, to Unileasing, a subsidiary of Unibank, under separate borrowing agreements. Refer to Note 16.

Key management compensation is presented below:

In Azerbaijani Manats	**2009**	**2008**
Short-term benefits – salaries	261,287	228,218
Total	**261,287**	**228,218**

During the year ended 31 December 2009, the remuneration of members of the key management, being the members of the Board of Directors, comprised salaries and compensation classified as short-term in accordance with IAS 19 “Employee Benefits”.

27 Subsequent Events

On 29 January 2010, the Company signed a new loan agreement with East West United Bank, for USD 9,000,000 with an interest rate of 8% p.a and twenty four months term.