

# **Closed Joint-Stock Company UniLeasing**

**Independent Auditors' Report and**

**Financial Statements**

Year Ended 31 December 2005

# CLOSED JOINT-STOCK COMPANY UNILEASING

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005**

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

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Company as at 31 December 2005, the results of its operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

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

The financial statements for the year ended 31 December 2005 were authorized for issue on 22 June 2006 by the Management Board.

**On behalf of the Management Board**

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**Chairman**

**22 June 2006**

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**Chief Accountant**

**22 June 2006**

## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders of Closed Joint-Stock Company UniLeasing (the "Company"):

We have audited the accompanying balance sheet of the Company as at 31 December 2005 and the related income statement, statements of cash flows and changes in equity for year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The financial statements of the Company for the year ended 31 December 2004 were audited by another auditor whose report dated 1 March 2005 expressed an unqualified opinion.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2005, and the results of its operations and its cash flows for year then ended, in accordance with International Financial Reporting Standards.

22 June 2006

## CLOSED JOINT-STOCK COMPANY UNILEASING

### INCOME STATEMENT FOR YEAR ENDED 31 DECEMBER 2005 (in Azerbaijani Manats and in thousands)

	Notes	2005	2004
Finance income from leasing		2,418,345	44,600
Interest expenses on short-term borrowings	18	<u>(1,199,945)</u>	<u>(10,300)</u>
NET FINANCE INCOME BEFORE PROVISION FOR LEASES		1,218,400	34,300
Provision for impairment of net investment in lease		<u>-</u>	<u>-</u>
NET FINANCE INCOME		<u>1,218,400</u>	<u>34,300</u>
Commission income	4	151,513	800
Net loss on foreign exchange operations		(209,088)	(500)
Other income	5	<u>16,081</u>	<u>3,700</u>
NET NON-FINANCE (LOSS)/INCOME		<u>(41,494)</u>	<u>4,000</u>
OPERATING INCOME		1,176,906	38,300
OPERATING EXPENSES	6, 18	<u>(1,200,853)</u>	<u>(147,600)</u>
LOSS BEFORE INCOME TAX		(23,947)	(109,300)
Income tax expense	7	<u>(4,206)</u>	<u>-</u>
NET LOSS		<u><u>(28,153)</u></u>	<u><u>(109,300)</u></u>

#### On behalf of the Management Board

\_\_\_\_\_  
Chairman

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Chief Accountant

The notes on pages 7 to 16 form an integral part of these financial statements. The Independent Auditors' Report is on page 2.

## CLOSED JOINT-STOCK COMPANY UNILEASING

### BALANCE SHEET

AS AT 31 DECEMBER 2005

(in Azerbaijani Manats and in thousands)

	Notes	2005	2004
<b>ASSETS:</b>			
Cash and cash equivalents	8, 18	355,958	24,500
Prepayments and other receivables	9	619,561	1,244,700
Net investment in finance leases	10	15,871,503	1,130,400
Fixed and intangible assets, less accumulated depreciation	11	202,695	21,600
Deferred tax assets	7	59,010	-
<b>TOTAL ASSETS</b>		<b>17,108,727</b>	<b>2,421,200</b>
<b>LIABILITIES AND EQUITY:</b>			
<b>LIABILITIES</b>			
Accounts payable	12, 18	268,163	71,000
Advances received from customers	13	173,595	384,200
Income tax liability	7	63,216	-
Debt securities issued	14	328,090	-
Short-term borrowings	15	9,470,500	-
<b>Total current liabilities</b>		<b>10,303,564</b>	<b>455,200</b>
Long-term borrowings	16, 18	3,442,616	1,075,300
<b>Total non-current liabilities</b>		<b>3,442,616</b>	<b>1,075,300</b>
<b>Total liabilities</b>		<b>13,746,180</b>	<b>1,530,500</b>
<b>EQUITY:</b>			
Share capital	17	3,500,000	1,000,000
Accumulated deficit		(137,453)	(109,300)
<b>Total equity</b>		<b>3,362,547</b>	<b>890,700</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>17,108,727</b>	<b>2,421,200</b>

On behalf of the Management Board

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Chief Accountant

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## CLOSED JOINT-STOCK COMPANY UNILEASING

### STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2005 (in Azerbaijani Manats and in thousands)

	Share capital	Accumulated deficit	Total equity
Contributed during the year	1,000,000	-	1,000,000
Net loss	<u>-</u>	<u>(109,300)</u>	<u>(109,300)</u>
<b>31 December 2004</b>	<u><u>1,000,000</u></u>	<u><u>(109,300)</u></u>	<u><u>890,700</u></u>
Contributed during the year	2,500,000	-	2,500,000
Net loss	<u>-</u>	<u>(28,153)</u>	<u>(28,153)</u>
<b>31 December 2005</b>	<u><u>3,500,000</u></u>	<u><u>(137,453)</u></u>	<u><u>3,362,547</u></u>

On behalf of the Management Board

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Chief Accountant

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## CLOSED JOINT-STOCK COMPANY UNILEASING

### STATEMENT OF CASH FLOWS FOR YEAR ENDED 31 DECEMBER 2005 (in Azerbaijani Manats and in thousands)

	Notes	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Loss before income taxes		(23,947)	(109,300)
Adjustments for:			
Depreciation of fixed and intangible assets		38,642	1,100
Net change in accruals		(78,386)	-
Cash flow from operating activities before changes in operating assets and liabilities		(63,691)	(108,200)
Changes in operating assets and liabilities			
Increase in operating assets:			
Net investment in finance lease		(14,609,454)	(1,130,400)
Prepayments and other receivables		625,139	(1,244,700)
Increase in operating liabilities:			
Accounts payable		197,163	71,100
Advances received from customers		(210,605)	384,200
Short-term borrowings		9,470,500	-
Cash outflow from operating activities before income taxes		(4,590,948)	(2,028,000)
Income tax paid		-	-
Net cash outflow from operating activities		(4,590,948)	(2,028,000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of fixed and intangible assets		(219,737)	(22,800)
Debt securities issued		310,486	-
Net cash inflows/ (outflows) from investing activities		90,749	(22,800)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Share capital contributed during the year		2,500,000	1,000,000
Long-term borrowings received during the year		2,331,657	1,075,300
Net cash inflows from financing activities		4,831,657	2,075,300
NET INCREASE IN CASH AND CASH EQUIVALENTS		331,458	24,500
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	8	24,500	-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	8	355,958	24,500

**On behalf of the Management Board**

\_\_\_\_\_  
**Chairman**

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**Chief Accountant**

The notes on pages 7 to 16 form an integral part of these financial statements. The Independent Auditors' Report is on page 2.

# CLOSED JOINT-STOCK COMPANY UNILEASING

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005 (in Azerbaijani Manats and in thousands)

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### 1. ORGANISATION

Closed Joint-Stock Company UniLeasing (“the Company”) is a closed joint-stock company, incorporated in the Republic of Azerbaijan in 2004. The address of its registered office is as follows: R. Behbudov 57, AZ 1022, Baku, Republic of Azerbaijan. The Company’s primary business consists of finance lease operations.

As at 31 December 2005 and 31 December 2004, OJSC UniBank owned 100% of the issued share capital and is ultimate parent company.

These financial statements were authorized for issue by the Management Board on 22 June 2006.

### 2. BASIS OF PRESENTATION

**Accounting basis** - These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These financial statements are presented in thousands of Azerbaijani Manats (“AZM”), unless otherwise indicated. These financial statements are prepared on accrual basis under the historical cost convention.

The Company maintains its accounting records in accordance with Azerbaijan law which in majority comply with IFRS. These financial statements have been prepared from the Azerbaijan statutory accounting records and have been adjusted to conform to IFRS.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for losses on finance leases and impairment and the fair value of financial instruments.

**Measurement currency** - The measurement currency of these financial statements is the Azerbaijani Manats.

### 3. SIGNIFICANT ACCOUNTING POLICIES

**Recognition and measurement of financial instruments** - The Company recognizes financial assets and liabilities on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using trade date accounting.

Financial assets and liabilities are initially recognized at cost, which is the fair value of consideration given or received, respectively, including or net of any transaction costs incurred, respectively. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

## CLOSED JOINT-STOCK COMPANY UNILEASING

### NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005 (Continued) (in Azerbaijani Manats and in thousands)

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**Cash and cash equivalents** - Cash and cash equivalents include cash in banks and cash on hand.

**Finance leases** - Leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The lease is classified as finance lease if:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

Finance income is determined on the basis of principal amount and interest rate implicit in the lease and recognized on a systematic basis over the period of the lease agreement.

**Fixed and intangible assets** - Fixed and intangible assets are carried at historical cost less accumulated depreciation and any accumulated impairment loss. Depreciation of fixed and intangible assets is designed to write off assets over their useful economic lives and is calculated on a straight line basis at the following annual prescribed rates:

Computer equipment	25%
Furniture and fixtures	20%
Vehicles	25%
Other fixed assets	20%
Intangible assets	10%

The carrying amounts of fixed and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment is recognized in the respective period and is included in other administrative and operating expenses. After the recognition of an impairment loss the depreciation charge for fixed assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

**Impairment losses** - If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable value. The difference being an impairment loss is recognized as an expense in the income statement for the year in which it arises.

## CLOSED JOINT-STOCK COMPANY UNILEASING

### NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005 (Continued) (in Azerbaijani Manats and in thousands)

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**Taxation** - Taxes on income are computed in accordance with the laws of the Azerbaijan Republic. Deferred taxes, if any, are provided on items recognized in different periods for financial reporting purposes and income tax purposes, using the balance sheet liability method at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax liabilities, if any, which result from temporary differences are recognized in full. Deferred tax assets are recorded to the extent that there is a reasonable expectation that these assets will be realized.

Deferred income tax assets and liabilities are offset when:

- the Company has a legally enforceable right to set off the recognized amounts of current tax assets and current tax liabilities;
- the Company has an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously;
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority in the each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

Azerbaijan also has various other taxes, which are assessed on the Company's activities. These taxes are included as a component of operating expenses in the income statement.

**Borrowings from institutions** - Borrowings from institutions are initially recognized at cost. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

**Debt securities issued** - Debt securities issued represent bonds issued by the Company. They are accounted for according to the same principles used for borrowings from institutions.

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

**Share capital** - Share capital is recognized at cost. Share capital contributions made in the form of assets other than cash are stated at their fair value at the date of contribution.

**Contingencies** - Contingent liabilities are not recognized in the financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

**Recognition of income and expense** - Income and expense are recognized on an accrual basis calculated using the effective yield method.

## CLOSED JOINT-STOCK COMPANY UNILEASING

### NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005 (Continued) (in Azerbaijani Manats and in thousands)

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**Foreign currency translation** - Monetary assets and liabilities denominated in foreign currencies are translated into Azerbaijan Manats at the appropriate spot rates of exchange ruling at the balance sheet date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of transaction. Profits and losses arising from these translations are included in net gain on foreign exchange transactions.

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

	31 December 2005	31 December 2004
AZM/USD	4,593	4,903
AZM/EUR	5,459	6,682

**Offset of financial assets and liabilities** - Financial assets and liabilities are offset and reported net on the balance sheet when the Company has a legally enforceable right to set off the recognized amounts and the Company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### 4. COMMISSION INCOME

Commission income comprises:

	2005	2004
Lease agency commission	83,225	-
Executory costs paid by customers	50,564	-
Other	17,724	800
	<hr/>	<hr/>
Total commission income	<b>151,513</b>	<b>800</b>

#### 5. OTHER INCOME

Other income comprises fines and penalties in the amount of AZM 16,081 thousand and AZM 3,700 thousand for the years ended 31 December 2005 and 2004 respectively.

## CLOSED JOINT-STOCK COMPANY UNILEASING

### NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005 (Continued) (in Azerbaijani Manats and in thousands)

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#### 6. OPERATING EXPENSES

	2005	2004
Staff costs and related benefits	452,476	79,500
Rent	163,287	-
Professional fees	133,646	-
Bank charges	125,245	7,000
Social security costs	99,545	21,500
Transportation	41,660	1,200
Depreciation	38,642	1,100
Write-off of small value items	37,824	-
Advertisement	36,451	9,500
Insurance	19,538	-
Business trip	15,452	9,800
Communication	13,749	1,600
Other	23,338	16,400
	<u>1,200,853</u>	<u>147,600</u>
Total operating expenses	<u>1,200,853</u>	<u>147,600</u>

#### 7. INCOME TAXES

The Company provides for taxes based on the statutory tax accounts maintained and prepared in accordance with the Azerbaijan statutory tax regulations that differ from International Financial Reporting Standards. The Company is subject to certain permanent tax differences due to non-tax deductibility of certain expenses.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Temporary differences as at 31 December 2005 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets. The Company did not recognize and disclose the amount of deferred tax assets as at 31 December 2004 since the amount of it was insignificant.

## CLOSED JOINT-STOCK COMPANY UNILEASING

### NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005 (Continued) (in Azerbaijani Manats and in thousands)

Temporary differences as at 31 December 2005 comprise:

	<b>2005</b>
<b>Deferred assets:</b>	
Foreign exchange loss	284,754
Accounts payable	112,731
	<u>          </u>
Total deferred assets	<u><b>397,485</b></u>
<b>Deferred liabilities:</b>	
Deferred revenue	129,259
	<u>          </u>
Total deferred liabilities	<u><b>129,259</b></u>
	<u>          </u>
Net deferred assets	<u><b>268,226</b></u>
	<u>          </u>
Deferred tax assets at the statutory rate of 22 %	<u><b>59,010</b></u>

Relationships between tax expenses and accounting profit for the years ended 31 December 2005 and 2004 are explained as follows:

	<b>2005</b>	<b>2004</b>
Loss before income taxes	<u><b>(23,947)</b></u>	<u><b>(109,300)</b></u>
Statutory tax rate	24%	24%
Theoretical tax at the statutory tax rate	5,747	26,232
Tax effect of permanent differences	(10,110)	(26,232)
Carry-forward losses	(5,178)	-
Effect of changes in income tax rate	5,335	-
	<u>          </u>	<u>          </u>
Income tax expense	<u><b>(4,206)</b></u>	<u>          </u>
Current income tax expense	(63,216)	-
Deferred income tax benefit	59,010	-
	<u>          </u>	<u>          </u>
Income tax expense	<u><b>(4,206)</b></u>	<u>          </u>
	<u>          </u>	<u>          </u>
	<b>2005</b>	
<b>Deferred income tax assets</b>		
1 January	-	
Increase in deferred income tax assets	59,010	
	<u>          </u>	
31 December	<u><b>59,010</b></u>	

## CLOSED JOINT-STOCK COMPANY UNILEASING

### NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005 (Continued) (in Azerbaijani Manats and in thousands)

Income tax asset and liability consists of the following:

	<b>2005</b>
Deferred income tax asset	59,010
Current income tax liability	<u>(63,216)</u>
Total income tax liability	<u><b>(4,206)</b></u>

#### 8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	<b>2005</b>	<b>2004</b>
Cash on hand (AZM)	-	3,200
Current accounts with banks (AZM)	<u>355,958</u>	<u>21,300</u>
Total cash and cash equivalents	<u><b>355,958</b></u>	<u><b>24,500</b></u>

#### 9. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables comprise:

	<b>2005</b>	<b>2004</b>
Prepayments to suppliers	607,087	1,240,500
Deferred charges	11,468	-
Advances to employees	1,006	2,100
Other	<u>-</u>	<u>2,100</u>
Total prepayments and other receivables	<u><b>619,561</b></u>	<u><b>1,244,700</b></u>

#### 10. NET INVESTMENT IN FINANCE LEASES

The components of net investment in finance leases as at 31 December 2005 and 31 December 2004 are as follows:

	<b>2005</b>	<b>2004</b>
Total minimum lease and maintenance payments	<u>19,133,472</u>	<u>1,407,700</u>
Net minimum lease payments	19,133,472	1,407,700
Less: unearned finance income	<u>(3,261,969)</u>	<u>(277,300)</u>
Net investment in finance leases	<u><b>15,871,503</b></u>	<u><b>1,130,400</b></u>
Current portion	8,019,060	446,000
Long-term portion	<u>7,852,443</u>	<u>684,400</u>
Net investment in finance leases	<u><b>15,871,503</b></u>	<u><b>1,130,400</b></u>

## CLOSED JOINT-STOCK COMPANY UNILEASING

### NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005 (Continued) (in Azerbaijani Manats and in thousands)

The minimum lease payments due from customers under finance leases as at 31 December 2005 and 31 December 2004 are as follows:

	2005	2004
Not later than one year	10,128,648	617,200
Later than one year not later than five years	<u>9,004,824</u>	<u>790,500</u>
Total future minimum lease payments	<u><u>19,133,472</u></u>	<u><u>1,407,700</u></u>

For the years ended 31 December 2005 and 2004 the average effective interest rate on leasing transactions is 15.5% - 23.0%.

#### 11. FIXED AND INTANGIBLE ASSETS

	Computer equipment	Furniture and fixtures	Vehicles	Other fixed assets	Licenses and software	Total
<b>At cost</b>						
31 December 2004	18,542	-	-	927	3,264	22,733
Additions	<u>92,432</u>	<u>65,087</u>	<u>60,442</u>	<u>1,776</u>	<u>-</u>	<u>219,737</u>
31 December 2005	<u>110,974</u>	<u>65,087</u>	<u>60,442</u>	<u>2,703</u>	<u>3,264</u>	<u>242,470</u>
<b>Accumulated depreciation</b>						
31 December 2004	752	-	-	55	326	1,133
Charge for the period	<u>14,290</u>	<u>9,074</u>	<u>14,324</u>	<u>417</u>	<u>537</u>	<u>38,642</u>
31 December 2005	<u>15,042</u>	<u>9,074</u>	<u>14,324</u>	<u>472</u>	<u>863</u>	<u>39,775</u>
<b>Net book value</b>						
31 December 2005	<u><u>95,932</u></u>	<u><u>56,013</u></u>	<u><u>46,118</u></u>	<u><u>2,231</u></u>	<u><u>2,401</u></u>	<u><u>202,695</u></u>
<b>Net book value</b>						
31 December 2004	<u><u>17,790</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>872</u></u>	<u><u>2,938</u></u>	<u><u>21,600</u></u>

#### 12. ACCOUNTS PAYABLE

Accounts payable comprise:

	2005	2004
Trade accounts payable	265,616	71,000
Payable to State Budget	1,656	-
Payable to employee	<u>891</u>	<u>-</u>
Total accounts payable	<u><u>268,163</u></u>	<u><u>71,000</u></u>

## CLOSED JOINT-STOCK COMPANY UNILEASING

### NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005 (Continued) (in Azerbaijani Manats and in thousands)

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#### 13. ADVANCES RECEIVED FROM CUSTOMERS

As at 31 December 2005 and 31 December 2004 advances received from customers comprise AZM 173,595 thousand and AZM 384,200 thousand received from customers under leasing contracts.

#### 14. DEBT SECURITIES ISSUED

As at 31 December 2005 debt securities issued include promissory notes amounting to AZM 310,486 thousand with a maturity on 31 December 2005 and bearing an annual interest rate of 13%. As at 31 December 2005 included in the debt securities issued is accrued interest amounting to AZM 17,604 thousand.

#### 15. SHORT-TERM BORROWINGS

Short-term borrowings comprise:

	2005		2004	
	Interest, %	Amount	Interest, %	Amount
OJSC RabitaBank	13%	2,755,400	-	-
OJSC Bank Standard	15%	3,500,000	-	-
OJSC KredoBank	13%	<u>3,215,100</u>	-	<u>-</u>
Total short-term borrowings		<u><u>9,470,500</u></u>		<u><u>-</u></u>

As at 31 December 2005 all short-term loans were received for the purpose of financing the main leasing transactions of the Company.

#### 16. LONG-TERM BORROWINGS

As at 31 December 2005 long-term borrowings comprise AZM 3,406,957 thousand (2004: AZM 1,039,000 thousand) of principal and AZM 35,659 thousand of accrued interest expense from the parent company, the shareholder to the Company with an interest rate of 13% per annum and a maturity of 30 November 2007 obtained by the Company for the purpose of financing of the Company's operations.

#### 17. SHARE CAPITAL

As at 31 December 2005 share capital authorized, issued and fully paid comprised of 350,000 ordinary shares with par value of AZM 10,000 each.

As at 31 December 2004 share capital authorized, issued and fully paid comprised of 100,000 ordinary shares with par value of AZM 10,000 each.

## CLOSED JOINT-STOCK COMPANY UNILEASING

### NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005 (Continued) (in Azerbaijani Manats and in thousands)

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#### 18. TRANSACTIONS WITH RELATED PARTIES

Related parties, as defined by IAS 24, are those counter parties that represent:

- (a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company. (This includes holding companies, subsidiaries and fellow subsidiaries);
- (b) associates – enterprises in which the Company has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company;
- (d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and officers of the Group and close members of the families of such individuals; and
- (e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Company and enterprises that have a member of key management in common with the Company.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Company had the following transactions outstanding with related parties:

	2005		2004	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Cash and balances with banks	355,958	355,958	21,291	24,500
Accounts payable	106,473	268,163	35,900	71,000
Long-term borrowings	3,442,616	3,442,616	1,075,300	1,075,300
Interest expense	379,138	1,199,945	10,300	10,300
Operating expenses		1,200,853		147,600
- key management personnel	238,022		55,876	

#### 19. SUBSEQUENT EVENTS

The Azerbaijan Manat was denominated on 1 January 2006 and, starting from that date, AZM 5 thousand is equal to 1 New Azerbaijan Manat (“AZN”).