JOINT STOCK COMPANY

AIR ASTANA

Financial Statements

Year ended 31 December 2008

JOINT STOCK COMPANY AIR ASTANA

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguish the respective responsibilities of management and those of the independent auditors in relation to the financial statements of JSC Air Astana (the "Company").

Management is responsible for the preparation of financial statements that present fairly in all material respects the financial position of the Company as at 31 December 2008, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining accounting records in compliance with legislation and IFRS;
- 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 2008 were authorised for issue on 20 April 2009 by the management of the Company.

On behalf of the management of the Company:

АО "Эйр Астана"

Peter Foster	**Alima Zamanbekova**
President	**Chief Accountant**
20 April 2009	20 April 2009
Almaty, Republic of Kazakhstan	Almaty, Republic of Kazakhstan

INDEPENDENT AUDITORS' REPORT

To the Shareholders of JSC Air Astana:

We have audited the accompanying financial statements of JSC Air Astana (the "Company"), which comprise the balance sheet as at 31 December 2008, and income statement, 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 (the "financial statements").

Management's responsibility for the preparation of the financial statements

Management of the Company 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 the 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.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Nikolay Demidov
Qualified auditor
Qualification certificate #0000573
dated 20 December 2004,
Republic of Kazakhstan

Russell F. Banham
Engagement Partner
Certified Public Accountant
Qualification Certificate # 24088
Australia

Deloitte, LLP

Deloitte, LLP
Audit license for Republic of Kazakhstan
0000015, type MFU - 2, issued by the Ministry of Finance of the Republic of Kazakhstan
dated 13 September 2006

Nurlan Bekenov
General Director
Deloitte, LLP

20 April 2009
Almaty, Republic of Kazakhstan

JOINT STOCK COMPANY AIR ASTANA

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008
(in thousands of USD)

	Notes	2008	2007
Revenue			
Passenger	5	628,639	522,310
Cargo and mail	5	18,189	16,681
Other	5	12,362	13,501
Total revenue		659,190	552,492
Operating expenses			
Fuel		(180,677)	(118,544)
Handling, landing fees and route charges	6	(76,281)	(66,065)
Engineering and maintenance	6	(67,499)	(60,570)
Aircraft operating lease costs	6	(65,010)	(54,872)
Passenger service	6	(58,751)	(50,343)
Selling costs	6	(58,364)	(51,237)
Employee costs	6	(58,108)	(44,438)
Aircraft crew costs	6	(37,947)	(23,746)
Consultancy, legal and professional services		(8,870)	(16,032)
Insurance	6	(4,883)	(5,231)
Depreciation and amortization	11	(4,014)	(3,192)
Property lease cost		(3,670)	(1,437)
Information technology		(2,597)	(1,925)
Other		(7,810)	(4,544)
Total operating expenses		634,481	502,176
Operating profit		24,709	50,316
Finance income	7	4,505	5,326
Finance costs	7	(936)	(604)
Foreign exchange loss (net)		(1,295)	(1,647)
		2,274	3,075
Profit before tax		26,983	53,391
Income tax expense	8	(9,908)	(18,041)
Net profit for the year		17,075	35,350
Basic and diluted earnings per share (in USD)	19	1,004	2,079

On behalf of the Company's management:

Peter Foster
President

20 April 2009
Almaty, Republic of Kazakhstan

Alima Zamanbekova
Chief Accountant

20April 2009
Almaty, Republic of Kazakhstan

АО "Эйр Астана"

The notes on pages 9 to 40 form an integral part of these financial statements.

JOINT STOCK COMPANY AIR ASTANA

BALANCE SHEET
AS AT 31 DECEMBER 2008
(in thousands of USD)

	Notes	2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	9	33,018	29,130
Intangible assets	10	2,488	1,675
Prepayment for long-term assets	14	6,706	-
Guarantee deposits	12	15,557	15,217
Deferred tax assets	8	1,436	1,986
		59,205	48,008
Current assets			
Inventories	13	21,381	13,258
Prepayments	14	18,129	17,352
Income tax prepaid		4,583	12,574
Trade and other receivables	15	34,331	20,637
Other taxes prepaid	16	12,484	8,427
Guarantee deposits	12	978	-
Bank deposits	17	18,583	65,750
Cash and bank balances	18	34,702	14,942
		145,171	152,940
Total assets		204,376	200,948
EQUITY AND LIABILITIES			
Equity			
Share capital		17,000	17,000
Foreign currency translation reserve		8,332	8,756
Retained earnings		95,638	87,614
Total equity	19	120,970	113,370
Non-current liabilities			
Finance lease liabilities	20	308	1,507
Provision for aircraft maintenance	22	9,581	8,759
		9,889	10,266
Current liabilities			
Finance lease liabilities	20	904	1,164
Deferred revenue	21	37,719	38,663
Provision for aircraft maintenance	22	7,354	4,434
Trade and other payables	23	27,540	33,051
		73,517	77,312
Total liabilities		83,406	87,578
Total equity and liabilities		204,376	200,948

On behalf of the Company's management:

АО "Эйр Астана"

Peter Foster
President

20 April 2009
Almaty, Republic of Kazakhstan

Alima Zamanbekova
Chief Accountant

20April 2009
Almaty, Republic of Kazakhstan

The notes on pages 9 to 40 form an integral part of these financial statements.

JOINT STOCK COMPANY AIR ASTANA

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008
(in thousands of USD)

	Notes	Share capital	Foreign currency translation reserve	Retained earnings	Total equity
Balance as at 1 January 2007		17,000	3,687	60,537	81,224
Net profit for the year		-	-	35,350	35,350
Dividends paid	19, 26	-	-	(8,273)	(8,273)
Exchange differences arising from translation to presentation currency		-	5,069	-	5,069
Balance as at 1 January 2008		17,000	8,756	87,614	113,370
Net profit for the year		-	-	17,075	17,075
Dividends paid	19, 26	-	-	(9,051)	(9,051)
Exchange differences arising from translation to presentation currency		-	(424)	-	(424)
Balance as at 31 December 2008		17,000	8,332	95,638	120,970

On behalf of the Company's management:

Peter Foster
President

20 April 2009
Almaty, Republic of Kazakhstan

Alima Zamanbekova
Chief Accountant

20 April 2009
Almaty, Republic of Kazakhstan

АО "Эйр Астана"

The Notes on pages 9 to 40 form an integral part of these financial statements.

JOINT STOCK COMPANY AIR ASTANA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2008
(in thousands of USD)

	Notes	2008	2007
OPERATING ACTIVITIES:			
Profit before tax		26,983	53,391
Adjustments for:			
Depreciation and amortisation of property, plant and equipment and intangible assets	11	4,014	3,191
Loss/gain on disposal of property, plant and equipment and intangible assets		1,801	(2,247)
Change in allowance for doubtful debts		924	(57)
Change in allowance for obsolete and slow-moving inventories		-	10
Unrealised foreign exchange loss		1,295	1,647
Interest income	7	(4,505)	(5,326)
Finance costs on finance lease	7	96	159
Operating cash flow before movements in working capital		30,608	50,768
(Increase)/decrease in accounts receivable		(15,171)	3,331
Increase in other receivables and prepaid expenses		(1,555)	(5,575)
Increase in inventories		(8,202)	(3,931)
Increase in guarantee deposits		(368)	(2,295)
(Decrease)/increase in accounts payable, accrued expenses and other current liabilities		(4,051)	4,328
(Decrease)/increase in deferred revenue		(797)	16,318
Cash generated from operations		464	62,944
Income tax paid		(2,251)	(24,128)
Interest paid		(117)	(169)
Net cash (used in)/generated from operating activities		(1,904)	38,647
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(16,969)	(13,233)
Proceeds on the disposal of property, plant and equipment		-	3,845
Purchase of intangible assets		(421)	(120)
Bank term deposits made		(256,532)	(61,366)
Maturities of bank term deposits		300,298	52,326
Interest received		6,658	4,582
Net cash received generated from/(used in) investing activities		33,034	(13,966)

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008
(in thousands of USD)

	Notes	2008	2007
FINANCING ACTIVITIES:			
Proceeds from bank overdraft		995	-
Repayment of bank overdraft		(995)	-
Dividends paid	19, 26	(9,003)	(8,235)
Principal payments on long-term borrowings		(1,440)	(3,959)
Net cash generated used in financing activities		(10,443)	(12,194)
NET INCREASE IN CASH AND CASH EQUIVALENTS		20,687	12,487
Effect of foreign exchange rates on cash and cash equivalents		(927)	143
CASH AND CASH EQUIVALENTS, as at beginning of the year	18	14,942	2,312
CASH AND CASH EQUIVALENTS, as at end of the year	18	34,702	14,942

On behalf of the Company's management:

АО "Эйр Астана"

Peter Foster
President

20 April 2009
Almaty, Republic of Kazakhstan

Alima Zamanbekova
Chief Accountant

20 April 2009
Almaty, Republic of Kazakhstan

The notes on pages 9 to 40 form an integral part of these financial statements.

1. NATURE OF ACTIVITIES

JSC Air Astana (the "Company") is a joint stock company as defined in the Civil Code of the Republic of Kazakhstan. The Company was established as a closed joint stock company on 14 September 2001 to Resolution of the Government of the Republic of Kazakhstan # 1118 dated 29 August 2001. Due to a change in legislation introduced in 2003, the Company was re-registered as a joint stock company on 27 May 2005.

The Company's principal activity is the provision of scheduled domestic and international air services for passengers. Other business activities include freight and mail transportation.

The Company operated its maiden flight on 15 May 2002, a Boeing 737 service from Almaty to Kazakhstan's national capital, Astana.

The Company's registered office is: Business center "Astana-Towers", 12, Samal microdistrict, Astana, Kazakhstan.

The shareholders of the Company are JSC "Samruk - Kazyna", which holds the investment on the behalf of the Government of the Republic of Kazakhstan and BAE Systems Kazakhstan Limited. JSC "Samruk-Kazyna" and BAE Systems Kazakhstan Limited own 51% and 49% of the Company, respectively.

The Ministry of Transport and Communications of the Republic of Kazakhstan transferred its 51% ownership interest in the Company to JSC "Samruk" on 24 October 2006. Currently, according to the Decree by the President of Kazakhstan, this 51% interest owned by Kazakhstan Government is under the management of SamrukKazyna National Welfare Fund, following JSC "Samruk" joining with other JSC "Kazyna" to form the "Samruk-Kazyna" National Welfare Fund.

2. ADOPTION OF NEW AND REVISED STANDARDS

For the year ended 31 December 2008 the Company has adopted the following new and revised Standards and Interpretations issued by the International Financial Reporting Standards Board (the "IFRSB") and the International Financial Reporting Interpretations Committee ("IFRIC") that are relevant to its operations and effective for accounting periods beginning on 1 January 2008:

The following Interpretations issued by IFRIC are effective for the current period:

- IFRIC 12 "Service Concession Agreements" (effective for accounting periods beginning on or after 1 January 2008);
- IFRIC 13 "Customer Loyalty Programs" (effective for accounting periods beginning on or after 1 July 2008). The Company elected to early adopt this interpretation during the year ended 31 December, 2007.
- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective for accounting periods beginning on or after 1 January 2008).

The adoption of these new and revised Standards and Interpretations has not led to any significant changes in the Company's accounting policies.

The following Standards and Interpretations had been issued but were not yet in effect at the date the financial statements were authorised (other than IFRIC 13 as described above):

- IFRS 1 "First-time Adoption of IFRS: Evaluation of investments into subsidiaries, jointly controlled companies and associates on first-time adoption" (effective for accounting periods beginning on or after 1 January 2009);
- IFRS 2 "Share-based payment: Amendment relating to vesting conditions and cancellations" (effective for accounting periods beginning on or after 1 January 2009);
- IFRS 3 "Business Combinations: Comprehensive revision on applying the acquisition method" (revised) (effective for accounting periods beginning on or after 31 July 2009);
- IFRS 8 "Operating Segments" (effective for accounting periods beginning on or after 1 January 2009);
- Amendments to IAS 1 "Presentation of Financial Statements: Comprehensive revision including requiring a statement of comprehensive income, disclosure of puttable instruments and obligations arising on liquidation" (effective for accounting periods beginning on or after 1 January 2009);
- Amendments to IAS 27 "Consolidated and Separate Financial Statements" arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 31 July 2009);
- Amendments to IAS 27 "Consolidated and Separate Financial Statements: cost of an investment on first-time adoption of IFRS" (effective for accounting periods beginning on or after 1 January 2009);
- Amendments to IAS 28 "Investments in Associates" arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009);
- Amendments to IAS 32 "Financial Instruments: disclosure puttable instruments and obligations arising on liquidation" (effective for accounting periods beginning on or after 1 January 2009);
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement: hedged items" (effective for accounting periods beginning on or after 31 July 2009);
- IFRIC 15 "Real estate construction agreements" (effective for accounting periods beginning on or after 1 January 2009);
- IFRIC 16 "Hedging of net investments into foreign operations" (effective for accounting periods beginning on or after 1 October 2008); and
- IFRIC 17 "Distributions of Non-cash Assets to Owners" (effective for accounting periods beginning on or after 1 July 2009).

In May 2008, within an annual initiative aimed at the general improvement of the effective International Financial Reporting Standards, the IFRS Committee issued amendments to 20 existing standards. These amendments are related to certain expressions and matters regarding presentation of financial statements, matters of recognition and measurement. The new version of the above standards is effective for accounting periods starting on or after 1 January 2009.

Amendment to IAS 1 "Presentation of Financial Statements: comprehensive income" requires presentation of information in the financial statements on the basis of general characteristics and adopts a statement of comprehensive income. Due to the fact that amendment to IAS 1 affects only requirements on disclosures, it is supposed that it will not affect the financial performance, financial position and cash flows of the Company. The Company is currently developing actions to introduce procedures and collection of information required for compliance with all requirements for IAS 1.

The Company will adopt relevant new, revised and amended Standards and new Interpretations from their effective date. The management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the Company's financial position, financial performance and cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. The principal accounting policies are set out below.

Functional and presentation currency

The national currency of Kazakhstan is the Kazakhstan Tenge ("tenge"), which is the Company's functional currency, because it reflects the economic substance of the underlying events and circumstances of the Company. US Dollar ("USD") is the presentation currency for these financial statements since management believes that this currency is more useful for the users of these financial statements. All financial information presented in USD has been rounded to the nearest thousand.

The tenge is not a readily convertible currency outside Kazakhstan and, accordingly, any conversion of tenge to USD should not be construed as a representation that the tenge amounts have been, could be, or will be in the future, convertible into USD at the exchange rate disclosed, or at any other exchange rate.

Revenue

Passenger revenue

Ticket sales are reported as revenue when the transportation service has been provided. The value of tickets sold and still valid but not used by the balance sheet date is reported as deferred unearned transportation revenue. This item is reduced either when the Company completes the transportation service or when the passenger requests a refund. The value of tickets that have been issued, but which will never be used, are recognised as passenger transport revenue at the balance date based on analysis of historic patterns of unused tickets.

Passenger revenue includes revenue from code-share agreements with other airlines. Under these agreements, the Company sells seats on these airlines' flights and those other airlines sell seats on the Company's flights. Revenue from the sale of code-share seats on other airlines are recorded net in Company's passenger revenue in the income statement. The revenue from other airlines' sale of code-share seats on our flights is recorded in passenger revenue in the Company's income statement.

Cargo revenue

Cargo transport services are recognised as revenue when the air transportation is provided. Cargo sales for which transportation service has not yet been provided are shown as deferred (unearned) transportation revenue.

Government subsidies

Government subsidies are not recognised until there is reasonable assurance that the Company will comply with conditions attaching to them and that the grants will be received.

Other government subsidies are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Customer loyalty program

Sales of tickets that result in award credits for customers, under the Company's Nomad Program, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the services provided and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value being the amount for which the award credits could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction but is deferred and recognised as revenue when the award credits are redeemed and the Company's obligations have been fulfilled.

Travel agents' commissions

Travel agents' commissions are recognised as an expense when the transportation service is provided.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Operating leases for aircraft provide for contingent rental payments which vary according to the flying hours and cycles and are recognised as expenses in the periods in which they are incurred. In the event that incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives received is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease guarantee deposits

Guarantee deposits represent amounts paid to the lessors of foreign aircraft, which are held as security deposits by lessors in accordance with the provisions of finance and operating lease agreements; these deposits are returned back to the Company at the end of the lease period. Lease deposits relating to the operating lease agreements are presented as assets on the balance sheet. These deposits are interest free and are recorded at amortised cost using an average market yield of 9% (2007: 8.5%).

Foreign currencies

Transactions in currencies other than the Company's functional currency (foreign currencies) are at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The results and financial position of the Company are translated into the presentation currency using the following procedures:

a) assets and liabilities for each balance sheet presented (i.e. including comparatives) are translated at the closing rate at the date of that balance sheet;
b) income and expenses for each income statement (i.e., including comparatives) are translated at exchange rates at the dates of the transactions; and

all resulting exchange differences are recognised as foreign currency translation reserve a separate component of equity.

The following table summarises the tenge exchange rates at December 31:

	2008	**2007**
US dollar (USD)	120.77	120.30
Euro (EUR)	170.89	177.17
British Pound (GBP)	175.12	240.14

Finance income and expenses

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Short-term employee benefits

Short-term employee benefit obligations are recognised as an expense in profit or loss as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Income tax

Income tax expense comprises current and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be recognised. Such assets and liabilities are not recognised if the temporary difference arises in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset recognised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity

Property, plant and equipment

Property, plant and equipment held for use in the supply of services, or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and stand-by equipment are classified as property, plant and equipment when the Company expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings and premises	14-50 years
• Aircraft engines	14 years
• Rotable spare parts	5-10 years
• Office equipment and furniture	3-7 years
• Vehicles	7 years
• Other	5-10 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Depreciation methods, useful lives and residual values are reassessed at each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful economic life of software for the current and comparative periods is from 7 to 10 years.

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories include comprise consumable items and spare parts for aircraft that are expected to be used within 12 months of the reporting date. Such items are not held for trading purposes. Inventories are stated at cost. The cost of inventories is based on the weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Expenditures incurred in acquiring the inventories such as customs duties, freight and broker’s services are accumulated into a separate inventory account and allocated depending on use of relevant inventory. Delivery overheads do not include fuel and de-icing (Note 13).

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provision for aircraft maintenance

The Company's aircraft operating lease agreements require it to perform regular scheduled maintenance and to return the aircraft to the lessor in a satisfactory condition at the end of the lease term, which requires the performance of final return conditions. Major aircraft maintenance relates to airframes (referred to as the C-check program) and engines. The C-check program takes place every 18 months or 5,000 to 6,000 flying hours according to aircraft type. Engine overhaul occurs after specified flight hours or cycles occur. The operating lease agreements include a component of variable rent which is reimbursable to the Company by the lessor as a contribution to engine maintenance costs after they are incurred. Maintenance costs are recognized as an expense in profit or loss based on flying hours and cycles performed. For engine maintenance, a provision is recorded on a progressive basis based upon the Company's estimate of the excess of maintenance costs over the amount reimbursable by the lessor.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restructurings

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, 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, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’.

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company ‘s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 24.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Change in presentation of income statement

In 2008 the Company changed presentation of its income statement and reclassified revenues and expenses by their nature. Management believes that this presentation is more consistent with industry practice and provides sufficient information to the users of the financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies and estimates

The following are the critical judgments and estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Provisions

Provisions are made when any probable and quantifiable risk of loss attributable to disputes is judged to exist. Provisions mainly consist of provision for aircraft maintenance (Note 22).

Compliance with tax legislation

As discussed further in Note 25 compliance with tax legislation is subject to significant degree of interpretation and can be routinely challenged by the tax authorities. The management records a provision in respect of its best estimate of likely additional tax payments and related penalties which may be payable if the Company's tax compliance is challenged by the relevant tax authorities.

Useful lives of property, plant and equipment

In reporting intangible assets and tangible assets, an assessment is made of the useful economic life and an assessment is made at least once a year to determine whether impairment exists.

Outdated transportation tickets

Management have made estimates based on statistical analysis in order to calculate the value of outdated tickets sold during the year which remained unused as of reporting date. This amount is recognised as revenue. The maximum expiry date of transportation tickets is 12 months after purchase date.

Based on ticket validity at end of each financial year, an analysis is prepared of outdated tickets which remained unused and adjustments, where required, are made in the current year to adjust estimated revenue recognised in the prior year.

Fair value of financial instruments

As described in Note 24 management use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Non-derivative financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. Details of the assumptions used and of the results of sensitivity analyses regarding these assumptions are provided in Note 24.

Allowances

The Company accrues allowances for doubtful accounts receivable. Judgment is used to estimate doubtful accounts, which includes consideration of historical and anticipated customer performance. Changes in the economy or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in these financial statements. As at 31 December 2008 and 2007, allowances for doubtful accounts have been created in the amount of USD 1,062 thousand and USD 263 thousand, respectively (Notes 14, 15).

The Company annually estimates the necessity of accrual of allowances for obsolete and slow-moving inventories based on annual stock count data, conducted at the balance sheet date. As at 31 December 2008 the Company accrued allowance for obsolete and slow-moving inventories in the amount of USD 10 thousand (2007: 10) (Note 13).

Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the financial statements. They are disclosed in the Notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the financial statements. Where an inflow of economic benefits is probable, they are disclosed in the Notes to the financial statements.

5. REVENUE

During the years ended December 31, revenue consisted of:

Passenger revenue	**2008**	**2007**
Passenger transport	564,760	475,892
Fuel surcharge	36,294	22,060
Airport services	22,291	19,217
Excess baggage	5,294	5,141
	628,639	522,310

Cargo and mail	**2008**	**2007**
Cargo	17,680	16,191
Mail	509	490
	18,189	16,681

Other revenue	2008	2007
Government subsidies	4,862	4,638
Penalties on agency contracts	4,112	3,426
Advertising revenue	1,146	886
Income from ground services	591	365
Gain on disposal of spare parts	254	2,386
Spare parts received free of charge	52	78
Other	1,345	1,722
	12,362	13,501

In accordance with Resolution # 915 of the Government of the Republic of Kazakhstan dated 17 August 2002, the Government provides subsidies to companies rendering air passenger services on unprofitable routes from Astana, Semey, Petropavlosk, Pavlodar and Zhezkazgan. Additionally, there is a subsidy agreement with Uralsk, signed on 1 November 2008. Subsidies are based on the excess of flight costs over revenue earned.

6. OPERATING EXPENSES

During the years ended December 31, operating expenses consisted of:

Handling, landing fees and route charges	2008	2007
Landing fees	26,734	24,392
Handling charge	24,211	19,600
Aero navigation	23,067	19,900
Meteo services	1,619	1,473
Other	650	700
	76,281	66,065

Engineering and maintenance	2008	2007
Maintenance – variable cost	38,109	32,252
Maintenance - provisions	18,723	17,365
Spare parts	9,221	7,540
Technical inspection	1,446	3,413
	67,499	60,570

The Company's aircraft operating lease agreements require it to perform regular scheduled maintenance and to return the aircraft to the lessor in a satisfactory condition at the end of the lease term. Major aircraft maintenance, referred to as the C-Check Program, takes place every 18 months or 5,000 to 6,000 flying hours according to aircraft type, whichever occurs first. The operating lease agreements require payments covering a substantial portion of the estimated scheduled maintenance costs during the lease term.

Aircraft operating lease costs	2008	2007
Fixed lease charges	59,455	49,707
Leased Engine on Wing Costs	2,403	1,158
Wet lease charges	1,945	2,922
Lease of Aircraft and Engine Rotable Spares	1,207	1,085
	65,010	54,872

Passenger service	**2008**	**2007**
Catering	32,328	26,184
Other passenger services	24,751	23,191
Inflight entertainment	1,672	968
	58,751	50,343

Selling costs	**2008**	**2007**
Commissions	38,700	34,947
Reservation cost	12,615	10,308
Advertising	4,346	2,871
Interline comissions	1,618	2,100
Other	1,085	1,011
	58,364	51,237

Employee costs	**2008**	**2007**
Wages and salaries of operations staff	41,554	31,960
Wages and salaries of administrative staff	7,440	4,552
Social cost – tax	3,651	3,665
Wages and salaries of sales staff	2,338	1,496
Other	3,125	2,765
	58,108	44,438

The average number of employees during 2008 was 2,874 (2007: 2,077).

Aircraft crew costs	**2008**	**2007**
Accommodations and allowances	14,749	12,453
Contract crew	14,344	3,475
Training	8,854	7,818
	37,947	23,746

Insurance	**2008**	**2007**
Hull insurance	2,250	2,517
Legal liability insurance	2,060	2,375
Medical insurance	398	226
Other	175	113
	4,883	5,231

7. FINANCE INCOME AND COSTS

Finance income	**2008**	**2007**
Finance income from bank deposits	4,429	5,278
Other	76	48
	4,505	5,326

Finance costs	**2008**	**2007**
Bank commissions	460	445
Interest expenses	96	159
Other	380	-
	936	604

8. INCOME TAX EXPENSE

The Company's income tax expense for the year ended December 31 was as follows:

	2008	2007
Current income tax expense		
Current year	9,363	16,273
Prior years	-	1,280
Deferred income tax expense	545	488
	9,908	18,041

Income tax expense related to prior years recorded in 2007 for USD 1,280 thousand was made based upon a tax audit completed in 2007.

Deferred income 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 income tax purposes. The tax effect on the major temporary differences that give rise to the deferred income tax assets and liabilities as at 31 December 2008 and 2007 is presented below:

	2008	2007
Deferred tax assets		
Provision for aircraft maintenance	3,156	3,958
Prepaid expenses	247	(314)
Trade and other payables	109	1,235
Trade and other receivables	81	82
Total	3,593	4,961
Deferred tax liabilities		
Difference in depreciable value of property, plant and equipment	(2,147)	(2,975)
Intangible assets	(10)	-
Total	(2,157)	(2,975)
Net deferred tax assets	1,436	1,986

The income tax rate in the Republic of Kazakhstan, where the Company is located, in 2008 and 2007 was 30%. In November 2008, amendments were made to the Tax Code reducing corporate income tax from 30% to 20% effective on 1 January 2009; to 17.5% effective on 1 January 2010 and to 15% effective on 1 January 2011. In 2008, current income tax was calculated based on the rate of 30% (2007: 30%) of the estimated taxable profit and deferred taxes were calculated at the rate which is expected to apply in the period when the temporary differences reverse.

The taxation charge for the year is different from that which would be obtained by applying the statutory income tax rate to the profit before income tax. Below is a reconciliation of theoretical income tax at 30% to the actual expense recorded in the Company's income statement:

	2008	2007
Profit before income tax	26,983	53,391
Income tax at statutory rate of 30%	8,095	16,017
Accrual of income tax for prior years	-	1,281
Tax effect of non-deductible expenses	1,004	743
Reduction of deferred tax asset due to reduction of tax rate	809	-
Income tax expense	9,908	18,041

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at December 31, consisted of the following:

	Rotable spare parts (including leased engine)	Office equipment and furniture	Building, premises and land	Vehicles	Other assets	Equipment to be installed	Total
Cost							
Balance as at 1 January 2007	20,080	2,240	3,719	1,164	1,784	95	29,082
Additions	238	699	2,180	946	533	7,833	12,429
Disposals	(7,588	(81)	-	(131)	(40)	-	(7,840)
Transfers to inventory	-	(6)	(14)	-	(17)	(305)	(342)
Transfers	6,000	650	-	-	977	(7,627)	-
Foreign currency translation difference	1,093	148	247	80	127	4	1,699
Balance as at 1 January 2008	19,823	3,650	6,132	2,059	3,364	-	35,028
Additions	-	763	600	308	370	7,406	9,447
Disposals	-	(190)	-	(9)	(70)	(1,716)	(1,985)
Transfers from intangible assets (Note 10)	-	-	-	-	-	5	5
Transfers to inventory	-	-	-	-	-	(4)	(4)
Transfers	4,443	526	-	20	595	(5,584)	-
Foreign currency translation difference	(95	(19)	(26)	(10)	(16)	1	(165)
Balance as at 31 December 2008	24,171	4,730	6,706	2,368	4,243	108	42,326
Accumulated depreciation							
Balance as at 1 January 2007	7,250	891	2	245	402	-	8,790
Charge for the year	1,646	509	188	263	316	-	2,922
Disposals	(6,076	(70)	-	(62)	(33)	-	(6,241)
Foreign currency translation difference	321	58	4	17	27	-	427
Balance as at 1 January 2008	3,141	1,388	194	463	712	-	5,898
Charge for the year	2,023	744	170	294	399	-	3,630
Disposals	-	(131)	-	(5)	(48)	-	(184)
Foreign currency translation difference	(21	(6)	(2)	(3)	(4)	-	(36)
Balance as at 31 December 2008	5,143	1,995	362	749	1,059	-	9,308
Net book value							
As at 31 December 2008	19,028	2,735	6,344	1,619	3,184	108	33,018
As at 31 December 2007	16,682	2,262	5,938	1,596	2,652	-	29,130

Rotable spare parts include an aircraft engine which was acquired under a finance lease. Title for the leased engine will be transferred to the Company at the end of lease term. The net book value of the engine as at 31 December 2008 is USD 4,856 thousand (2007: USD 5,307 thousand). The leased engine secures the finance lease liabilities.

10. INTANGIBLE ASSETS

	Software
Cost	
At 1 January 2007	1,444
Additions	924
Foreign currency translation	98
At 31 December 2007	2,466
Additions	1,211
Transfer to property, plant and equipment (Note 9)	(5)
Foreign currency translation	(14)
At 31 December 2008	3,658
Amortisation and impairment losses	
At 1 January 2007	489
Amortisation expense for the year	269
Foreign currency translation difference	33
At 1 January 2008	791
Amortisation expense for the year	384
Foreign currency translation	(5)
At 31 December 2008	1,170
Net book value	
At 31 December 2008	2,488
At 31 December 2007	1,675

11. DEPRECIATION AND AMORTISATION

	2008	2007
Depreciation of property, plant and equipment (Note 9)	3,630	2,922
Amortisation of intangible assets (Note 10)	384	269
Total	4,014	3,191

12. GUARANTEE DEPOSITS

	2008	2007
Non- current		
Guarantee deposits for leased aircraft	13,293	14,017
Other	2,264	1,200
	15,557	15,217
Current		
Guarantee deposits for leased aircraft	978	-
	16,535	15,217

Guarantee deposits for leased aircraft comprise security deposits required by the lease agreements (Note 29) as security for future lease payments to the made by the Company. Guarantee deposits are denominated primarily in US dollars.

Guarantee deposits for leased aircraft are receivable as follows:

	2008	2007
Within one year	978	-
After one year but not more than five years	13,023	8,737
More than five years	1,844	5,280
	15,845	14,017
Adjustment of discount to present value	(1,574)	-
	14,271	14,017

Other guarantee deposits represent guarantee for third party services.

13. INVENTORIES

	2008	2007
Spare parts	8,665	5,665
Goods in transit	4,296	1,140
Fuel	3,996	3,962
Crockery	2,098	1,427
Promotional materials	1,269	338
De-icing liquid	345	118
Blank forms	318	191
Uniforms	107	92
Other	297	335
	21,391	13,268
Less: allowance for obsolete and slow-moving inventories	(10)	(10)
	21,381	13,258

The movements in the allowance for obsolete and slow-moving inventories were as follows for the years ended December 31:

	2008	2007
Allowance for obsolete and slow-moving inventories at the beginning of the year	(10)	-
Accrued for the year	-	(10)
Allowance for obsolete and slow-moving inventories at the end of the year	(10)	(10)

14. PREPAYMENTS

	2008	2007
Prepayments for long-term assets	6,706	-
Advances for goods	9,552	5,128
Advances for services	7,282	9,026
Prepayments on operating leases	2,102	3,204
	25,642	17,358
Less: allowance for doubtful debt	(807)	(6)
	24,835	17,352

The prepayments at December 31 have been classified as:

	2008	2007
Current	18,129	17,352
Non-current	6,706	-
	24,835	17,352

At 31 December 2008, five suppliers comprised 29 % of the Company's prepayments (2008: 36%).
The movements in allowance for doubtful debt for the years ended December 31:

	2008	2007
Allowance for doubtful debt at the beginning of the year	(6)	(31)
Reversal during the year	-	27
Accrued during the year	(810)	-
Written-off against previously created allowance	6	-
Foreign currency translation	3	(2)
Allowance for doubtful debt at the end of the year	(807)	(6)

Provision for doubtful debts includes advance payment to a creditor which is currently subject to legal claim for recovery due to inability to complete the transaction.

As at 31 December 2008 and 2007 prepayments included amounts denominated primarily in tenge and USD.

15. TRADE AND OTHER RECEIVABLES

	2008	2007
Trade receivables	26,048	13,594
Due from employees	280	433
Other	8,258	6,867
	34,586	20,894
Less: allowance for doubtful debts	(255)	(257)
	34,331	20,637

At 31 December 2008, eight debtors including IATA Bank Settlement Plans (BSPs) as collecting agencies from the worldwide travel agencies comprised 74% of the Company's trade and other receivables (2007: eight customers comprised 38%).

The Company's trade and other receivables are denominated in the following currencies as at December 31:

	2008	2007
Tenge	15,465	11,633
US Dollar	9,808	3,025
Euro	3,280	4,625
Russian Rouble	769	770
Other	5,264	841
	34,586	20,894

The movements in allowance for doubtful debts for the years ended December 31:

	2008	2007
Allowance for doubtful debts at the beginning of the year	(257)	(300)
(Accrued)/reversed during the year	(114)	30
Written-off against previously created allowance	114	26
Foreign currency translation	2	(13)
Allowance for doubtful debts at the end of the year	(255)	(257)

16. OTHER TAXES PREPAID

	2008	2007
Prepayment for value added tax (VAT)	11,857	6,559
Prepayment for personal income tax for non-residents	342	854
Prepayment for withholding tax	-	627
Other taxes prepaid	285	387
	12,484	8,427

17. BANK DEPOSITS

	2008	2007
Term deposits with local banks with original maturity more than 3 months	17,796	62,489
Guarantee deposits	32	25
Accrued interest	755	3,236
	18,583	65,750

Term deposits comprise deposits with local banks (with an initial maturity of more than three months and less than one year) earn interest in the range from 7% to 12.5% per annum (2007: 8.5%-9.7%). These amounts include USD 12,000 thousands, which are maintained in US dollar term accounts, while the remaining amounts are in tenge.

Guarantee deposits made to meet the requirements of Kazakhstan legislation relating to foreign employees, are denominated in tenge and earn interest in the range of 4.5% per annum (2007: 5.0%-5.5%).

18. CASH AND CASH BALANCES

	2008	2007
Term deposits with local banks with an initial maturity of less than 3 months	30,637	10,356
Current accounts with foreign banks	2,853	1,641
Current accounts with local banks	1,189	2,878
Cash on hand	23	67
	34,702	14,942

At 31 December 2008, current accounts with banks earn interest from range of 0.5% to 4%. Short term deposits (over-night) with banks earn interest of 4% per annum (2007: 2.3%).

Cash and cash balances are denominated in the following currencies as at December 31:

	2008	2007
Tenge	31,471	10,677
Euro	662	2,310
US Dollar	166	55
Chinese Yuan	992	863
Indian Rupee	545	135
Russian Rouble	347	473
GBP	50	229
Other	469	200
	34,702	14,942

19. EQUITY

As at 31 December 2008 and 2007, share capital comprised of 17,000 authorised, issued and fully paid ordinary shares with a par value of USD 1000 per share.

The Company issued 17,000 ordinary shares during the period from 14 September 2001 to 31 December 2002. There shares were fully subscribed and fully paid.

The Company has not declared any dividends for the year ended 31 December 2008. Dividends payable on ordinary shares are restricted to the maximum of retained earnings of the Company, which are determined by the shareholders at the annual meeting.

For the year ended 31 December 2008 the Company had net profit of USD 17,075 thousand (2007: USD 35,350 thousand).

In 2008, the shareholders declared a dividend payment equivalent to 25% of the 2007 net profit after tax. The total amount of the dividend was USD 9,051 thousand which was distributed and paid to each shareholder in accordance with their shareholdings (2007: USD 8,273 thousand).

The calculation of earnings per share is based on the profit for the year and the weighted average number of ordinary shares outstanding during the year of 17,000 shares (2007: 17,000). The Company has no dilutive potential ordinary shares.

20. FINANCE LEASE LIABILITIES

Finance lease liabilities have an effective interest rate of 6% (2007: 6%) per annum and are payable as follows:

	2008		2007	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Finance lease liabilities repayable:				
Within one year	942	904	1,248	1,164
In the second to fifth years inclusive	312	308	1,560	1,507
Less: Future finance charges	(42)	-	(137)	-
Present value of minimum future lease payments	1,212	1,212	2,671	2,671
Long-term portion of finance lease liabilities(repayable after 12 months)		308		1,507
Current portion of finance lease liabilities (repayable within 12 months)		904		1,164
		1,212		2,671

In 2002, the Company acquired rotable spare parts from Air France with a value of USD 4,000,000 under a lease agreement with an obligation to acquire them at the end of the lease term at 65% of the selling price at that date. In accordance with the lease agreement, the Company was required to make monthly lease payments equal to 1.3% of the initial cost of the rotable spare parts. The lease term was five years and it expired in April 2007. In 2007 the company sold these spare parts.

The remaining amount in finance lease liabilities represents a lease agreement entered into with RRPF Engine Leasing Limited on 1 April 2005 to lease a Rolls Royce engine for the Boeing 757-200 aircraft. The finance lease is for five years up to 2010. The Company repays finance liabilities in fixed amounts on a quarterly basis.

Finance lease liabilities are denominated in US dollars.

21. DEFERRED REVENUE

Deferred revenue consisted of the following at December 31:

	2008	2007
Unearned transportation revenue	35,215	38,603
Customer loyalty program	2,504	60
	37,719	38,663

Unearned transportation revenue represents the value of sold but unused passenger tickets, whose validity period has not expired.

Deferred income attributable to the customer loyalty program refers to the Company’s Nomad program.

22. PROVISION FOR AIRCRAFT MAINTENANCE

Provision for aircraft maintenance consisted of the following at December 31:

	2008	2007
Engines	12,908	9,343
C-Check	4,027	3,850
	16,935	13,193

The movements in the provision for aircraft maintenance were as follows for the years ended 31 December 2008 and 2007:

	2008	2007
At January 1	13,193	11,100
Provisions accrued during the year	11,701	4,618
Provisions released during the year	(1,408)	(2,549)
Provisions used during the year	(6,485)	(622)
Foreign currency translation	(66)	646
At December 31	16,935	13,193

Under the terms of its operating leases, the Company is obliged to carry out and pay for standard maintenance procedures based on use of the aircraft and to return aircraft to the lessor in a satisfactory condition at the end of the lease term. Provisions are primarily denominated in US dollars.

The planned utilisation of these provisions is as follows: 2009: USD 7,354 thousands (classified as current liability) and 2010: USD 5,337 thousands 2011: 4,244 thousands (collectively classified as non-current liability).

Significant judgment is involved in determining the provision for aircraft maintenance. Management has engaged an independent specialist to assist in estimating the timing and cost of expected engine maintenance activities. The estimate by the independent specialist is prepared based on the current condition of aircraft, historical flight hours and cycles, expected future utilisation of the aircraft over the remaining life of the operating leases as well as requirements for returnable condition when the lease term is concluded. The estimates are based on the following key assumptions:

- expected utilisation rate for flight hours and cycles is based on historical data;
- market prices are used for services and parts;
- it is assumed that aircraft will be operated within standard norms and conditions; and
- no provisions have been made for unscheduled maintenance.

23. TRADE AND OTHER PAYABLES

	2008	2007
Trade payables	20,073	23,632
Due to employees	2,712	2,395
Operating lease payables	1,252	1,720
Advances received	1,262	601
Vacation reserve	542	3,244
Taxes payable	441	131
Accrued bonuses	-	664
Other	1,258	664
	27,540	33,051

The Company's trade payables are denominated in the following currencies:

	2008	2007
Tenge	10,649	11,850
US dollar	7,612	9,353
Euro	6,223	10,362
Russian roubles	1,014	779
GBP	235	497
Other	1,807	210
	27,540	33,051

24. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risk arises in the normal course of the Company's business. The Company does not hedge its exposure to such risk.

Credit risk

The Company does not require collateral in respect of financial assets. Credit risk, or the risk of counterparties defaulting, is mitigated by the application of credit approvals, limits and monitoring procedures. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

At 31 December 2008 there was no significant concentration of credit risk in respect of prepayments (Note 14) and trade accounts receivable (Note 15)

Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The management does not consider that the company is exposed to significant interest rate risks, due to the absence of financial instruments with floating rates.

Foreign currency risk

The Company is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the tenge. The currencies giving rise to this risk are primarily the USD and Euro. For balance sheet amounts of assets and liabilities denominated in foreign currency refer to Notes 15, 17, 18, 20 and 23.

Foreign currency sensitivity analysis

The Company is mainly exposed to the risk of change of exchange rates of tenge as against of USD and Euro.

The Company is exposed to risk of fuel price change. In 2008 the Company's management adopted a policy for hedge of fuel price changes which was subsequently approved by Board members and currently it is pending the final approval by the Company Shareholder's meeting. At the date of the approval of these financial statements no agreements were signed with any financial institutions regarding this hedge.

		US dollar		Euro	
		2008	**2007**	**2008**	**2007**
Assets					
Trade and other receivables	15	9,808	3,025	3,280	4,625
Bank deposits	17	12,000	-	-	-
Cash and bank balances	18	166	55	662	2,310
Total		21,974	3,080	3,942	6,935
Liabilities					
Finance lease liabilities	20	1,212	2,671	-	-
Trade and other payables	23	7,612	9,353	6,223	10,362
Total		8,824	12,024	6,223	10,362
Net position		13,150	(8,944)	(2,281)	(3,427)

The following table details the Company's sensitivity to a 25% decrease in the tenge against the relevant foreign currencies in 2008 and 10% in 2007. 25% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. Management of the Company believes that given the current economic conditions in Kazakhstan that a 25% decrease is a realistic movement in the tenge exchange rates against foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 25% change in foreign currency rates. The sensitivity analysis includes trade and other receivables, cash and cash equivalents, bank term deposits, financial lease liability and trade account payable. A positive number below indicates an increase in profit and other equity where the tenge strengthens 25% against the relevant currency. For a 25% weakening of the tenge against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Currency USD Impact		Currency Euro Impact	
	2008	**2007**	**2008**	**2007**
Profit or (loss)	3,288	(894)	(569)	(342)

The Company limits the currency risk by monitoring changes in exchange rates of foreign currencies in which cash and cash equivalents, bank term deposits, accounts receivable and accounts payable are denominated.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Up to 3 months	3 months to 1 year	1-5 years	Total
2008					
Financial liabilities					
Interest free					
Trade and other accounts payable		-	25,295	-	25,295
Fixed rate					
Finance lease liability	6.0%	-	942	312	1,254
2007					
Financial liabilities					
Interest free					
Trade and other accounts payable		-	29,075	-	29,075
Fixed rate					
Finance lease liability	6.0%	-	1,248	1,560	2,808

The following table details the Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate %	Up to 3 months	3 months to 1 year	1-5 years	Total
2008					
Financial assets					
Interest free					
Accounts receivable		-	34,331	-	34,331
Cash and bank balances		34,702	-	-	34,702
Fixed rate					
Bank deposits	6.3%	293	19,461	-	19,754
2007					
Financial assets					
Interest free					
Accounts receivable		-	20,637	-	20,637
Cash and bank balances		14,942	-	-	14,942
Fixed rate					
Bank deposits	8.6%	1,414	69,990	-	71,404

Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;

The following methods and assumptions are used by the Group to estimate the fair value of these financial instruments:

Cash and bank balances

The carrying value of cash and cash balances approximates their fair value due to the short-term maturity of these financial instruments.

Trade and other receivables and payables and originated loans

For assets and liabilities maturing within twelve months, the carrying value approximates fair value due to the relatively short-term maturity of these financial instruments.

For financial assets and liabilities maturing in over twelve months, the fair value represents the present value of estimated future cash flows discounted at year-end market rates. Average year-end market borrowing rates were as follows as at December 31:

	2008 (% per year)	**2007 (% per year)**
Tenge		
For 1 to 5 years	6.7%-10.3%	8%-13%
Foreign currency		
For 1 to 5 years	5.6% - 7.9%	5.6% - 5.8%

Finance lease liabilities

The Company's finance lease agreements are provided by international lease institutions. As a result, the interest rates attributable to these loans although lower than those obtainable from private commercial institutions in Kazakhstan are considered to be the market interest rates for this category of lenders.

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

	2008		2007	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Trade and other receivables	34,331	34,331	20,637	20,637
Bank deposits	18,583	18,583	65,750	65,750
Cash and bank balances	34,702	34,702	14,942	14,942
Financial liabilities				
Finance lease liabilities	1,212	1,212	2,671	2,671
Trade and other payables	25,295	25,295	29,075	29,075

Assumptions used in determining fair value of financial assets and liabilities

Finance lease liabilities

Finance lease payments were discounted at 6%. This rate is not materially different from rates implicit to lease agreements.

Trade and other receivables and payables

For receivables and payables with a maturity of less than six months fair value is not materially different from the carrying amount because the effect of the time value of money is not material.

Provisions

For provisions which meet the definition of financial liabilities the fair value is not materially different from the carrying amount because the effect of the time value of money is not material.

25. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

Aircraft operating leases are for terms of between 5 to 6 years. All operating lease contracts contain market review clauses in the event that the Company exercises its option to renew. The Company does not have an option to purchase the leased aircraft at the expiry of the lease period.

Non-cancellable operating lease commitments are payable as follows:

	2008	2007
Within one year	100,738	80,808
After one year but not more than five years	260,596	285,540
More than five years	47,903	33,430
	409,237	399,778

Operating lease commitments include fixed rental payments, the fixed portion of maintenance payments and contingent rental payments which vary according to flying hours and cycles.

The fixed and variable rental payments are denominated and settled in US dollars. This currency is routinely used in international commerce for aircraft operating leases.

Insurance

The Company has the following insurance coverage provided and underwritten to international standards:

- aviation all risks hull, spares and equipment, and airline legal liability insurance, which includes passenger liabilities;
- aviation hull deductible insurance;
- aviation hull war risks (including spares) and allied perils insurance;
- aviation excess war, hi-jacking and other perils liability insurance;
- computer and communications equipment insurance;
- employer's legal liability for all employees of the company.

The Company has not yet obtained coverage for business interruption.

Capital commitments

During 2008 the company signed an agreement with Airbus to purchase six Airbus narrow body aircraft. The Company is paying a pre-delivery payment in accordance with an agreed payment schedule. The payment commenced in 2008 and the last payment is due in 2013. The terms of the company's contract precludes it from disclosing information on the purchase cost.

Taxation contingencies

The taxation system in Kazakhstan is relatively new and is characterised by numerous taxes and frequent changes in legislation, official pronouncements and court decisions. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Description of environment

General

The Kazakhstan economy, while deemed to be of market status beginning in 2002, continues to display certain characteristics consistent with that of an economy in transition. These characteristics have in the past included higher than normal historical inflation, lack of liquidity in the capital markets, and the existence of currency controls, which cause the national currency to be not fully convertible outside of Kazakhstan. The continued success and stability of the Kazakhstan economy will be significantly impacted by the Government's continued actions with regard to supervisory, legal, and economic reforms.

Recent volatility in global and Kazakhstani financial markets

In recent months a number of major economies around the world have experienced volatile capital and credit markets. A number of major global financial institutions have either been placed into bankruptcy, taken over by other financial institutions and/or supported by government funding. As a consequence of the recent market turmoil in capital and credit markets both globally and in Kazakhstan, notwithstanding any potential economic stabilisation measures that may be put into place by the Kazakhstani Government, there exists as at the date these financial statements are authorised for issue economic uncertainties surrounding the continual availability, and cost, of credit both for the entity and its counterparties, the potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets may not be fully recovered during the period of economic uncertainties at their carrying amount in the ordinary course of business, and a corresponding impact on the entity's profitability. Management consider that the Company's position in the market, its lack of borrowings, and its accumulated profits and resultant cash reserves will mitigate the effects of the current period of economic uncertainties.

Government programs

The Kazakh government has exercised, and continues to exercise, significant influence over the Kazakh economy. In response to the economic crisis, the government of Kazakhstan implemented broad economic reform programs which are aimed to improve economic conditions. As part of those reform programs, the government acquired ownership in major banks in Kazakhstan by contributing capital to improve liquidity of the banking sector. Also, on February 4, the National Bank of Kazakhstan announced a new target for the exchange rate at "150 Tenge per US Dollar, plus or minus 3%", which represent approximately 25% devaluation of the local currency against US Dollar. Kazakhstan is a resource-rich country and the country's tax revenue is highly dependent on the world prices of commodities, such as oil, grain, gold, zinc, copper and uranium. The sufficiency of tax revenues and accumulated reserves to is critical to support the programs initiated by the government.

Increase in country credit risk

In February 2009 Kazakhstan sovereign 5-year credit default swaps were trading at above 1300 basis points. The yields on Kazakhstan corporate bonds also significantly increased which presents significant difficulties in attracting foreign capital into the country.

Inflation

In recent years, Kazakhstan has experienced high levels of inflation. The annual rate of inflation, as measures by changes in the Consumer Price Index, was 18% for 2007, 11% for 2008 and is projected at the rate of approximately 9% for 2009. If inflation is not maintained within the government's projections, the economy of Kazakhstan and, consequently, the Company's financial condition and result of operations may be adversely affected.

26. RELATED PARTY TRANSACTIONS

Control relationships

The shareholders of the Company are the JSC "Samruk - Kazyna" which holds the investment on the behalf of the Government of the Republic of Kazakhstan and BAE Systems Kazakhstan Limited. JSC "Samruk-Kazyna" and BAE Systems Kazakhstan Limited own 51% and 49% of the Company, respectively. The Ministry of Transport and Communications of the Republic of Kazakhstan transferred its 51% ownership interest in the Company to JSC "Samruk" on 24 October 2006. Currently, according to the Decree by the President of Kazakhstan, this 51% interest owned by Kazakhstan Government is under the management of Samruk-Kazyna National Welfare Fund, following JSC "Samruk" joining with other JSC "Kazyna" to form the "SamrukKazyna" National Welfare Fund

In 2007 the shareholders have appointed two independent directors, one is from JSC "Samruk", and another from BAE System Kazakhstan Ltd.

An agreement with the independent directors was signed in 2007 and the total amount paid in 2008 to independent directors was USD 62 thousand (2007: USD 38 thousand).

Dividends were declared and paid during the year to the shareholders of USD 9,051 thousand (2007: USD 8,273 thousand).

Management remuneration

Key management received the following remuneration during the year, which is included in personnel costs (see Note 6):

	2008	2007
Salaries and bonuses	2,755	2,798
Termination benefits	10	4
	2,765	2,802

Transactions with related parties

Related parties comprise the shareholders of the Company and all other companies in which those shareholders, either individually or together, have a controlling interest.

The Company provides air transportation services to Government departments, Government agencies and State-controlled enterprises. These transactions are conducted in the ordinary course of the Company's business on terms comparable to those with other entities that are not state-controlled.

The Company has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled entities or not.

In accordance with the resolution of the Government of the Republic of Kazakhstan # 915 dated 17 August 2002, the Government provides subsidies to companies rendering passenger and air cargo services on unprofitable routes. The Government subsidies for 2008 amounted to USD 4,862 thousand (2007: USD 4,638 thousand) (see Note 5). As at 31 December 2008 the outstanding amount due to the company for subsidies was USD 426 thousand (2007: advance received USD 52 thousand).

Having considered the potential for transactions to be impacted by related party relationships, the entity's pricing strategy, buying and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, management is of the opinion that the following transactions require disclosure as related party transactions:

	2008		2007	
Services received	**Transaction value**	**Outstanding balance**	**Transaction value**	**Outstanding balance**
JSC International Airport Astana	10,935	(649)	11,717	(509)
JSC International Airport Aktobe	1,249	(71)	1,294	32
JSC Kazaeronavigation	9,332	(415)	7,604	(414)
JSC Kazaviaservice	1,604	(79)	1,420	(84)
JSC Pavlodar Airport	1,012	(29)	736	(23)
JSC Kazakhtelecom	497	(46)	579	(53)
JSC National Company Kazakhstan Temir Zholy	151	52	38	13
	24,780	(1,237)	23,388	(1,038)

Services from related parties are represented by airport, navigation and meteorological forecasting services.

Services, provided by the Company	2008 Transaction value	2008 Outstanding balance	2007 Transaction value	2007 Outstanding balance
JSC Kazpost	409	57	405	48

All outstanding balances with related parties are to be settled in cash within six months of the balance sheet date. None of the balances are secured.

27. SEGMENT REPORTING

The Company's operations are highly integrated and constitute a single industry segment for the purposes of IAS 14 *Segment Reporting*. The Company's airline operations are scheduled within, to or from Kazakhstan. An analysis of passenger and cargo revenue by route area is provided below. The principal assets of the Company are located in Kazakhstan.

	2008	2007
Domestic	257,110	216,966
Europe	271,703	222,000
Asia	118,014	100,025
Total passenger and cargo revenue	646,827	538,991

28. SUBSEQUENT EVENTS

A subsidy agreement was signed with Aktobe Akimat which became effective from 1 March 2009 for Airbus flights between Aktobe and Astana.

In 2008 the Company's management adopted a policy for hedge of fuel price changes which was subsequently approved by Board members and currently it is pending the final approval by the Company Shareholder's meeting. At the date of the approval of these financial statements no agreements were signed with any financial institutions regarding this hedge.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the management and authorised for issue on 20 April 2009.