Kazyna Capital Management JSC

Consolidated Financial Statements

for the year ended 31 December 2013

Contents

«КПМГ Аудит» жауапкершілігі
шектеулі серіктестік
050051 Алматы, Достық д-лы 180,
Тел./факс 8 (727) 298-08-98, 298-07-08

KPMG Audit LLC
050051 Almaty, 180 Dostyk Avenue,
E-mail: company@kpmg.kz

Independent Auditors' Report

To the Shareholder and Board of Directors of Kazyna Capital Management JSC

We have audited the accompanying consolidated financial statements of Kazyna Capital Management JSC and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to the fact that the corresponding figures presented, excluding the adjustments described in Note 2(d) to the consolidated financial statements, are based on the consolidated financial statements of the Group as at and for the year ended 31 December 2012, which were audited by other auditors whose report dated 15 April 2013 expressed an unmodified opinion on those statements. As part of our audit of the 2013 consolidated financial statements, we have audited the adjustments described in Note 2(d) to the consolidated financial statements that were applied to restate the 2012 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2012 consolidated financial statements of the Group other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2012 consolidated financial statements taken as a whole.

Alla Nigay
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate No.536
of 10 January 2003

Ashley Clarke
Audit Partner

KPMG Audit LLC

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Alla Nigay
General Director of KPMG Audit LLC
acting on the basis of the Charter

15 March 2014

	Note	2013 KZT'000	2012 Restated * KZT'000
Interest income	4	3,829,533	4,007,861
Net loss on financial instruments at fair value through profit or loss		(1,162,336)	(1,022,380)
Dividend income from financial instruments at fair value through profit or loss		229,437	458,465
Net foreign exchange income		606,945	988,348
Net gain on available-for-sale financial assets		76,196	446,455
Other operating (expenses)/income		(2,721)	2,978
Operating income		**3,577,054**	**4,881,727**
Personnel expenses	5	(276,764)	(268,853)
Other general administrative expenses	6	(388,965)	(329,015)
Profit before income tax		**2,911,325**	**4,283,859**
Income tax expense	7	(482,958)	(720,495)
Profit for the year		**2,428,367**	**3,563,364**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value, net of income tax		(658,535)	1,618,927
- Net change in fair value transferred to profit or loss		46,500	(436,837)
Foreign currency translation differences		125,336	122,407
Other comprehensive income for the year, net of income tax		**(486,699)**	**1,304,497**
Total comprehensive income for the year		**1,941,668**	**4,867,861**
Profit attributable to:			
- Equity holders of the Company		2,436,787	3,576,283
- Non-controlling interests		(8,420)	(12,919)
Profit for the year		**2,428,367**	**3,563,364**
Total comprehensive income attributable to:			
- Equity holders of the Company		1,950,088	4,880,780
- Non-controlling interests		(8,420)	(12,919)
Total comprehensive income for the year		**1,941,668**	**4,867,861**

* See prior period adjustments in Note 2(d)

The consolidated financial statements as set out on pages 5 to 48 were approved by management on 15 March 2014 and were signed on its behalf by:

Almas Agibayev
Chairman of the Board

Irina Kim
Chief Accountant

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Note	2013 KZT'000	2012 Restated* KZT'000	2011 Restated* KZT'000
ASSETS				
Cash and cash equivalents	8	457,678	237,941	1,835,103
Amounts due from credit institutions	9	18,795,386	27,625,165	27,985,959
Financial instruments at fair value through profit or loss	10	14,456,090	9,054,657	3,975,745
Available-for-sale financial assets	11	41,531,498	40,477,128	41,166,632
Held-to-maturity investments	12	1,503,901	1,588,222	-
Current tax asset		346,922	42,879	288,620
Property, equipment and intangible assets	13	27,194	42,842	56,112
Deferred tax asset	7	35,488	14,057	5,060
Other assets		15,720	127,881	21,119
Total assets		**77,169,877**	**79,210,772**	**75,334,350**
LIABILITIES				
Financial instruments at fair value through profit or loss		24,960	-	-
Other liabilities		64,360	55,664	58,038
Total liabilities		**89,320**	**55,664**	58,038
EQUITY				
Share capital	14	67,440,000	67,040,000	67,040,000
Revaluation reserve for available-for-sale financial assets		(207,774)	404,261	(777,829)
Cumulative translation reserve		254,277	128,941	6,534
Retained earnings		9,598,034	11,577,466	9,004,589
Total equity attributable to equity holders of the Company		**77,084,537**	**79,150,668**	**75,273,294**
Non-controlling interests		(3,980)	4,440	3,018
Total equity		**77,080,557**	**79,155,108**	**75,276,312**
Total liabilities and equity		**77,169,877**	**79,210,772**	**75,334,350**

* See prior period adjustments in Note 2(d)

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Note	2013 KZT'000	2012 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		3,762,290	4,027,733
Net receipts from foreign exchange		568,655	157,787
Dividends received		229,437	343,842
Other expenses payments		(2,721)	-
Personnel expenses payments		(276,764)	(263,126)
Other general administrative expenses payments		(371,069)	(308,484)
(Increase)/decrease in operating assets			
Financial instruments at fair value through profit or loss		(6,413,473)	(6,106,102)
Purchases of available-for-sale financial assets		(21,560,856)	(15,991,639)
Sale and repayment of available-for-sale financial assets		19,970,646	19,039,575
Purchases of held-to-maturity investments		-	(1,562,618)
Redemption of held-to-maturity investments		151,564	-
Amounts due from credit institutions		8,829,779	340,922
Other assets		120,857	(16,978)
Increase/(decrease) in operating liabilities			
Other liabilities		-	(9,530)
Net cash provided from/(used in) operating activities before income tax paid		**5,008,345**	**(348,618)**
Income tax paid		(808,432)	(475,575)
Cash flows provided from/(used in) operations		**4,199,913**	**(824,193)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and intangible assets		(2,248)	(5,974)
Cash flows (used in)/provided from investing activities		**(2,248)**	**(5,974)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from non-controlling interest		-	15,603
Proceeds from issue of share capital		400,000	-
Dividends paid		(4,416,219)	(1,003,406)
Cash flows used in financing activities		**(4,016,219)**	**(987,803)**
Net increase/(decrease) in cash and cash equivalents		**181,446**	**(1,817,970)**
Effect of changes in exchange rates on cash and cash equivalents		38,291	220,808
Cash and cash equivalents as at the beginning of the period	8	237,941	1,835,103
Cash and cash equivalents as at the end of the period		**457,678**	**237,941**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

KZT'000	**Share capital**	**Revaluation reserve for available-for-sale financial assets**	**Cumulative translation reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2012, restated (note 2 (d))	67,040,000	(777,829)	6,534	9,004,589	75,273,294	3,018	75,276,312
Total comprehensive income							
Profit/(loss) for the year, restated	-	-	-	3,576,283	3,576,283	(12,919)	3,563,364
Other comprehensive income							
Items that are or may be reclassified subsequently to profit or loss:							
Net change in fair value of available-for-sale financial assets, net of income tax	-	1,618,927	-	-	1,618,927	-	1,618,927
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	(436,837)	-	-	(436,837)	-	(436,837)
Foreign currency translation differences for foreign operations, restated	-	-	122,407	-	122,407	-	122,407
Total other comprehensive income, restated	**-**	**1,182,090**	**122,407**	**-**	**1,304,497**	**-**	**1,304,497**
Total comprehensive income for the year, restated	**-**	**1,182,090**	**122,407**	**3,576,283**	**4,880,780**	**(12,919)**	**4,867,861**
Transactions with owners, recorded directly in equity							
Acquisition of non-controlling interest	-	-	-	-	-	14,341	14,341
Dividends declared	-	-	-	(1,003,406)	(1,003,406)	-	(1,003,406)
Total transactions with owners	**-**	**-**	**-**	**(1,003,406)**	**(1,003,406)**	**14,341**	**(989,065)**
Balance as at 31 December 2012, restated	**67,040,000**	**404,261**	**128,941**	**11,577,466**	**79,150,668**	**4,440**	**79,155,108**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

KZT'000	Share capital	Revaluation reserve for available-for-sale financial assets	Cumulative translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2013, restated	67,040,000	404,261	128,941	11,577,466	79,150,668	4,440	79,155,108
Total comprehensive income							
Profit/(loss) for the year	-	-	-	2,436,787	2,436,787	(8,420)	2,428,367
Other comprehensive income							
Items that are or may be reclassified subsequently to profit or loss:							
Net change in fair value of available-for-sale financial assets, net of income tax	-	(658,535)	-	-	(658,535)	-	(658,535)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	46,500	-	-	46,500	-	46,500
Foreign currency translation differences for foreign operations	-	-	125,336	-	125,336	-	125,336
Total other comprehensive income	-	(612,035)	125,336	-	(486,699)	-	(486,699)
Total comprehensive income for the year	**-**	**(612,035)**	**125,336**	2,436,787	**1,950,088**	**(8,420)**	**1,941,668**
Transactions with owners, recorded directly in equity							
Shares issued	400,000	-	-	-	400,000	-	400,000
Dividends declared	-	-	-	(4,416,219)	(4,416,219)	-	(4,416,219)
Total transactions with owners	**400,000**	**-**	**-**	**(4,416,219)**	**(4,016,219)**	**-**	**(4,016,219)**
Balance as at 31 December 2013	**67,440,000**	**(207,774)**	**254,277**	**9,598,034**	**77,084,537**	**(3,980)**	**77,080,557**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

1 Background

(a) Organisation and operations

Kazyna Capital Management Joint Stock Company ("the Company") and its subsidiaries (together referred to as "the Group") was established by the Government of the Republic of Kazakhstan in accordance with the legislation of the Republic of Kazakhstan as a joint stock company on 7 March 2007. As at 31 December 2012, Sovereign Wealth Fund "Samruk-Kazyna" JSC owned 100% shares of the Company. According to the resolution #516 of the Committee of Government property and the order #630 of the Ministry of Finance dated 25 May 2013 all shares were transferred to JSC National Management Holding "Baiterek". The ultimate principal shareholder of the Group is the Government of the Republic of Kazakhstan.

The principal activities of the Group are the establishment of and participation in investment funds and investments in financial instruments.

The Company's registered office is 291/3a, Dostyk Avenue, Almaty, Republic of Kazakhstan.

The principal subsidiaries are as follows:

			Ownership %	
Name	**Country of incorporation**	**Principal activities**	**2013**	**2012**
TOO «Nurzhol Energy»	Kazakhstan	Investment in Macquarie Renaissance Infrastructure Fund	100.00	100.00
MRIF CASP C.V.	Netherlands	Investment in Macquarie Renaissance Infrastructure Fund	99.00	99.00
Kazyna Investment Holding Cooperatief U.A.	Netherlands	Investment in Falah Growth Fund	100.00	100.00
Kazyna Seriktes B.V.	Netherlands	Investment in Falah Growth Fund	99.90	99.90
Kazakhstan-Tajikistan fund of direct investments JSC	Kazakhstan	Investment in private equity projects	80.00	80.00
Kyrgyz-Kazakhstan Investment Fund JSC	Kazakhstan	Investment in private equity projects	100.00	100.00

(b) Kazakhstan and CIS business environment

The Group's operations are primarily located in Kazakhstan with many of its underlying portfolio investments in other CIS countries, in particular Russia. Consequently, the Group is exposed to the economic and financial markets of Kazakhstan and the CIS which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in these countries. The consolidated financial statements reflect management's assessment of the impact of the business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

Details of the Group's accounting policies, including changes during the year, are included in Notes 23 and 24, respectively.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale financial assets are measured at fair value.

(c) Functional and presentation currency

The functional currency of the Company and some of its subsidiaries is the Kazakhstan tenge (KZT) as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them. The KZT is also the presentation currency for the purposes of these consolidated financial statements. Financial information presented in KZT is rounded to the nearest thousand.

The results and financial position of subsidiaries whose functional currency is different from the presentation currency are translated into presentation currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income presented are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences shall be recognised in other comprehensive income.

(d) Restatement of comparative information

Financial instruments at fair value through profit or loss

As at 31 December 2012 and 2011, the Group estimated the fair value of financial instruments at fair value through profit or loss as being equal to KZT 12,917,499 thousand and KZT 7,026,120 thousand, respectively. In 2013 the Group obtained an independent valuation of these instruments and determined that the previous approach used to estimate fair value was inappropriate. Based on the independent valuation report the Group therefore restated the comparative figures in these financial statements for the year ended 31 December 2013.

Income tax expense

The Group adjusted the reconciliation of the effective tax rate for the year ended 31 December 2012 due to correction of errors in the calculation of non-deductible expenses and profit before tax. Overall there is no impact on income tax expense for the year ended 31 December 2012 as a result of this correction.

2 Basis of preparation, continued

(d) Restatement of comparative information, continued

The effect of the restatement as at 31 December 2012 is summarised below.

'000 KZT	As previously reported	Reclassification	Restatement	As restated at and for the year ended 31 December 2012
Statement of Financial Position				
Financial instruments at fair value through profit or loss	12,917,499	32,280	(3,895,122)	9,054,657
Derivative financial instrument	32,280	(32,280)	-	-
Cumulative translation reserve	133,752	-	(4,811)	128,941
Retained earnings	15,467,777	-	(3,890,311)	11,577,466
Statement of Comprehensive Income				
Net loss on financial instruments at fair value through profit or loss	(214,724)	32,280	(839,936)	(1,022,380)
Other income	35,258	(32,280)	-	2,978
Profit for the year	4,403,300	-	(839,936)	3,563,364
Foreign currency translation differences	127,218	-	(4,811)	122,407
Total comprehensive income for the year	5,712,608	-	(844,747)	4,867,861

The effect of the restatement as at 31 December 2011 is summarised below:

'000 KZT	As previously reported	Restatement	As restated at and for the year ended 31 December 2011
Statement of Financial Position			
Financial instruments at fair value through profit or loss	7,026,120	(3,050,375)	3,975,745
Retained earnings	12,054,964	(3,050,375)	9,004,589

(e) Changes in presentation of comparative figures

Comparative information is reclassified to conform to changes in presentation in the current year as described below in order to give a clearer presentation of the business and its operations:

Net losses from dealing in foreign currency amounting to KZT 12,909 thousand, previously presented as a separate line item, are reclassified to net foreign exchange income.

Depreciation of property and equipment and amortization of intangible assets amounting to KZT 19,103 thousand previously presented as a separate line item, is presented within other general administrative expenses.

Deferred corporate income tax benefit amounting to KZT 8,176 thousand previously presented as a separate line item, is presented within net change in fair value of revaluation reserve for available-for-sale financial assets.

2 Basis of preparation, continued

(e) Changes in presentation of comparative figures (continued)

Intangible assets amounting to KZT 10,962 thousand previously presented as a separate line item, are presented within property, equipment and intangible assets (31 December 2011: KZT 12,952 thousand).

Trade accounts receivables amounting to KZT 117,741 thousand previously presented as a separate line item, is presented within other assets (31 December 2011: KZT 9,018 thousand).

Derivative financial instrument amounting to KZT 32,280 thousand, previously presented as a separate line item, is reclassified to financial instruments at fair value through profit or loss.

Net gain on derivative financial instrument amounting to KZT 32,280 thousand, previously presented in other income was reclassified to net loss on financial instruments at fair value through profit or loss.

The Group also changed presentation of certain items in the consolidated statement of cash flows for the year ended 31 December 2012. The Group now presents purchases, sales and repayments of available-for-sale financial assets and held-to-maturity investments as part of operating activities. This change resulted in the following changes of reported net cash flows from operating and investing activities:

- Net cash flows from operating activities have changed from net outflow of KZT 2,309,511 thousand to net outflow of KZT 824,193 thousand for the year ended 31 December 2012.

- Net cash flows from investing activities have changed from net inflow of KZT 1,479,344 thousand to net outflow of KZT 5,974 thousand for the year ended 31 December 2012.

3 Use of estimates and judgments

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Judgments in determination of functional currency

'Functional currency' is the currency of the primary economic environment in which the Group operates. If indicators of the primary economic environment are mixed, then management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. A significant portion of the Company's investments and transactions are denominated in KZT. Investor subscriptions and redemptions are also received and paid in KZT. Accordingly, management has determined that the functional currency of the Company is KZT.

(b) Assumptions and estimation uncertainties in measurement of fair values

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2013 is included in Note 21 (b) and relates to the determination of fair value of financial instruments with significant unobservable inputs.

4 Interest income

	2013 KZT'000	2012 KZT'000
Available-for-sale financial assets	2,186,227	2,562,393
Amounts due from credit institutions	1,576,063	1,414,475
Held-to-maturity investments	67,243	30,993
	3,829,533	**4,007,861**

5 Personnel expenses

	2013 KZT'000	2012 KZT'000
Employee compensation	249,326	241,643
Payroll related taxes	27,438	27,210
	276,764	**268,853**

6 Other general administrative expenses

	2013 KZT'000	2012 KZT'000
Professional services	189,203	118,257
Other third party services	42,305	29,534
Operating lease expense	29,129	43,955
Representation expenses	27,117	14,468
Travel and accommodation	25,258	38,286
Depreciation and amortization	17,896	19,104
Sponsorship	14,986	8,942
Other	43,071	56,469
	388,965	**329,015**

7 Income tax expense

	2013 KZT'000	2012 KZT'000
Current year tax expense	465,519	694,033
Current tax expense under provided in prior years	19,444	27,283
Deferred taxation movement due to origination and reversal of temporary differences and movement in valuation allowance	(2,005)	(821)
Total income tax expense	**482,958**	**720,495**

7 Income tax expense, continued

In 2013, the applicable tax rate for current and deferred tax is 20% (2012: 20%).

Reconciliation of effective tax rate for the year ended 31 December:

	2013 KZT'000	%	2012 Restated KZT'000	%
Profit before income tax	**2,911,325**	**100**	**4,283,859**	**100**
Income tax at the applicable tax rate	582,265	20	856,772	20
Non-taxable income	(354,156)	(12)	(354,485)	(8)
Non-deductible costs	80,654	3	175,297	4
Change in unrecognised deferred tax assets	154,751	5	15,628	-
Under provided in prior years	19,444	1	27,283	1
	482,958	**17**	**720,495**	**17**

(a) Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2013 and 2012.

Movements in temporary differences during the years ended 31 December 2013 and 2012 are presented as follows.

2013 **KZT'000**	Balance 1 January 2013	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2013
Available-for-sale financial assets	8,176	-	19,426	27,602
Property and equipment and intangible assets	409	1,544	-	1,953
Other liabilities	5,472	461	-	5,933
	14,057	**2,005**	**19,426**	**35,488**

2012 **KZT'000**	Balance 1 January 2012	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2012
Available-for-sale financial assets	-	-	8,176	8,176
Property and equipment and intangible assets	(1,063)	1,472	-	409
Other liabilities	6,123	(651)	-	5,472
	5,060	**821**	**8,176**	**14,057**

7 Income tax expense, continued

(b) Income tax recognised in other comprehensive income

The tax effects relating to components of other comprehensive income for the years ended 31 December 2013 and 2012 comprise the following:

	2013			2012		
KZT'000	**Amount before tax**	**Tax expense**	**Amount net-of-tax**	**Amount before tax**	**Tax expense**	**Amount net-of-tax**
Net change in fair value of available-for-sale financial assets	97,132	19,426	77,706	40,880	8,176	32,704

(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

'000 KZT	**2013**	**2012**
Tax losses	237,311	82,560

These deferred tax assets are not recognised in these consolidated financial statements. The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Group's ability to claim the deductions in future periods. These future tax benefits are not recognised due to uncertainties concerning their realization due to the fact that they arise in certain of the Group's subsidiary companies and management do not consider it probable that taxable income will be available against which to utilize them.

The deductible temporary differences do not expire under current tax legislation. The tax loss carry-forwards expire in 2022-2024.

8 Cash and cash equivalents

	2013 KZT'000	**2012 KZT'000**
Current accounts in other banks		
- rated A- to A+	44,811	228,255
- rated from BB- to BB+	410,971	749
- rated below B+	1,896	8,937
	457,678	**237,941**

Disclosed ratings are based on the rating scale of Standard and Poor's or their equivalents.

9 Amounts due from credit institutions

	2013 KZT'000	**2012 KZT'000**
- rated BBB- to BBB+	-	13,159,943
- rated from BB- to BB+	9,865,065	10,452,572
- rated below B+	8,930,321	4,012,650
	18,795,386	**27,625,165**

Disclosed ratings are based on the rating scale of Standard and Poor's or their equivalents.

10 Financial instruments at fair value through profit or loss

	2013 KZT'000	2012 Restated KZT'000	2011 Restated KZT'000
ASSETS			
Unquoted shares in investment funds			
ADM KCRF L.P.	4,764,957	2,219,062	1,267,701
CITIC-KAZYNA Investment L.P.	2,267,324	770,592	5,061
Macquarie Renaissance Infrastructure Fund L.P	2,079,680	2,450,757	782,613
Kazakhstan Growth Fund L.P.	1,687,349	187,539	447,575
Wolfenson Capital Partners L.P.	1,672,881	1,940,215	1,143,956
Falah Growth Fund L.P.	1,187,996	1,197,573	45,187
Aureos Central Asia Fund LLC	399,945	256,639	255,284
Russian and Kazakh Fund of Nanotechnologies	220,082	-	-
CITIC Kazyna Manager Ltd	173,978	-	-
Kazakhstan Hong Kong Development Fund	1,898	-	28,368
CITIC Kazyna G.P.	-	-	-
Kazakhstan Hong Kong General Partner B.V.	-	-	-
	14,456,090	**9,022,377**	**3,975,745**
Derivative financial instruments			
Cross currency and interest rate swap	-	32,280	-
	14,456,090	**9,054,657**	**3,975,745**
LIABILITIES			
Derivative financial instruments			
Cross currency and interest rate swap	24,960	-	-
	24,960	**-**	**-**

Financial instruments at fair value through profit or loss comprise financial instruments designated on initial recognition in this category.

11 Available-for-sale financial assets

	2013 KZT'000	2012 KZT'000
Debt and other fixed-income instruments		
- Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	9	10
Total government bonds	**9**	**10**
- Corporate bonds		
rated from BBB- to BBB+	13,387,098	4,621,601
rated from BB- to BB+	11,676,656	10,270,298
Total corporate bonds	**25,063,754**	**14,891,899**
- Corporate bonds of banks		
rated from BBB- to BBB+	1,662,241	1,944,050
rated from BB- to BB+	4,518,472	10,113,388
rated below B+	7,926,008	8,575,619
Total corporate bonds of banks	**14,106,721**	**20,633,057**
- Corporate bonds of credit institutions other than banks		
rated from BB- to BB+	249,357	928,493
Total corporate bonds of credit institutions other than banks	**249,357**	**928,493**
- Corporate bonds of banks in OECD		
rated from A- to A+	2,111,657	4,023,669
Total net corporate bonds of banks in OECD	**2,111,657**	**4,023,669**
	41,531,498	**40,477,128**

12 Held-to-maturity investments

	2013 KZT'000	2012 KZT'000
Corporate bonds rated BBB+	1,503,901	1,588,222

Held to maturity securities are pledged under the currency swap agreement. These securities continue to be recorded in the consolidated statement of financial position. According to the currency swap agreement, Deutche Bank accepts bonds payments in Malaysian Ringgits and pays the Company in Kazakhstani Tenge. The fair value of currency swap as at 31 December 2013 was KZT 24,960 thousand (liability) (31 December 2012: KZT 32,280 thousand (asset).

13 Property, equipment and intangible assets

KZT'000	Fixtures and fittings	Motor vehicles	Computer software	Total
Cost				
Balance at 1 January 2013	54,132	22,170	22,088	98,390
Additions	578	2,225	-	2,803
Disposals	(331)	(525)	(1,454)	(2,310)
Balance at 31 December 2013	**54,379**	**23,870**	**20,634**	**98,883**
Depreciation				
Balance at 1 January 2013	(38,982)	(5,440)	(11,126)	(55,548)
Depreciation for the year	(9,996)	(2,808)	(3,337)	(16,141)
Balance at 31 December 2013	**(48,978)**	**(8,248)**	**(14,463)**	**(71,689)**
Carrying amount				
At 31 December 2013	**5,401**	**15,622**	**6,171**	**27,194**
Cost				
Balance at 1 January 2012	55,924	22,170	21,563	99,657
Additions	3,174	-	2,800	5,974
Disposals	(4,966)	-	(2,275)	(7,241)
At 31 December 2012	**54,132**	**22,170**	**22,088**	**98,390**
Depreciation				
Balance at 1 January 2012	(31,565)	(3,369)	(8,611)	(43,545)
Depreciation for the year	(11,542)	(2,771)	(4,790)	(19,103)
Disposals	4,125	700	2,275	7,100
Balance at 31 December 2012	**(38,982)**	**(5,440)**	**(11,126)**	**(55,548)**
Carrying amounts				
At 31 December 2012	**15,150**	**16,730**	**10,962**	**42,842**
At 1 January 2012	24,359	18,801	12,952	56,112

14 Share capital and reserves

(a) Issued capital

	Ordinary shares			
	Number of shares		Cost, KZT'000	
	2013	2012	2013	2012
In issue at 1 January	53,040,000	53,040,000	67,040,000	67,040,000
Issued for cash	10,000	-	400,000	-
In issue at 31 December, fully paid	**53,050,000**	**53,040,000**	**67,440,000**	**67,040,000**

As at 31 December 2013 the authorised for issue share capital comprises 55,000,000 ordinary shares (2012: 53,040,000). The issued and paid share capital comprises 53,050,000 ordinary shares (2012: 53,040,000). Shares have a nominal value in range of KZT 1,000 - 40,000.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Company.

(b) Nature and purpose of reserves

Cumulative translation reserve

The cumulative transition reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Revaluation reserve for available-for-sale financial assets

The revaluation reserve for available-for-sale financial assets comprises the cumulative net change in the fair value, until the assets are derecognised or impaired.

(c) Dividends

In accordance with Kazakhstan legislation an entity's distributable reserves are limited to the balance of retained earnings as recorded in the entity's statutory financial statements prepared in accordance with IFRS or profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the entity's insolvency. In accordance with the legislation of the Republic of Kazakhstan, as at the reporting date, reserves available for distribution amounted to KZT 9,598,034 thousand (2012: KZT 11,577,466 thousand).

In 2013 the Group declared and distributed dividends for 2012 financial year in the amount of KZT 4,416,219 thousand (2012: KZT 1,003,406 thousand).

At the reporting date the following dividends were declared:

	2013 KZT	2012 KZT
Dividends per ordinary share	83	19

15 Financial risk management

Management of risk is fundamental to the business of the Group and is an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, credit risk and liquidity risk.

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and emerging best practice.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing risk management policies and procedures as well as approving significantly large exposures.

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within established risk parameters. The Head of the Risk Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the President and indirectly to the Board of Directors.

Both external and internal risk factors are identified and managed throughout the organisation.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2013 and 2012. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2013 Average effective interest rate, %			2012 Average effective interest rate, %		
	KZT	**USD**	**Other currencies**	**KZT**	**USD**	**Other currencies**
Interest bearing assets						
Amounts due from credit institutions	8.0	4.0	-	6.7	4.3	-
Available-for-sale financial assets	8.2	5.3	8. 9	7.7	3.8	6.6
Held-to-maturity investments	-	-	4.6	-	-	4.6

15 Financial risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2013 and 2012 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves is as follows:

	2013		2012	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
100 bp parallel fall	1,101,196	1,101,196	1,407,746	1,407,746
100 bp parallel rise	(1,101,196)	(1,101,196)	(1,407,746)	(1,407,746)

(ii) Currency risk

The Group has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Although the Group hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

The following table shows the foreign currency exposure structure of monetary financial assets and liabilities as at 31 December 2013:

	USD KZT'000	MYR KZT'000	RUR KZT'000	KZT KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS						
Cash and cash equivalents	21,272	-	628	434,906	872	457,678
Amounts due from credit institutions	3,081,200	-	-	15,714,186	-	18,795,386
Available-for-sale financial assets	32,967,943	-	2,770,778	5,792,777	-	41,531,498
Held-to-maturity investments	-	1,503,901	-	-	-	1,503,901
Total financial assets	**36,070,415**	**1,503,901**	**2,771,406**	**21,941,869**	**872**	**62,288,463**
LIABILITIES						
Other financial liabilities	-	-	-	21,480	-	21,480
Total financial liabilities	**-**	**-**	**-**	**21,480**	**-**	**21,480**
Net position	**36,070,415**	**1,503,901**	**2,771,406**	**21,920,389**	**872**	**62,266,983**
Derivative financial instruments	**-**	**(1,503,901)**	**-**	**1,478,941**	**-**	**(24,960)**
Net position after derivative financial instruments	**36,070,415**	**-**	**2,771,406**	**23,399,330**	**872**	**62,242,023**

15 Financial risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

The following table shows the currency structure of monetary financial assets and liabilities as at 31 December 2012:

	USD KZT'000	MYR KZT'000	RUR KZT'000	KZT KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS						
Cash and cash equivalents	153,527	-	1,021	78,362	5,031	237,941
Amounts due from credit institutions	12,738,597	-	-	14,886,568	-	27,625,165
Available-for-sale financial assets	28,693,273	-	2,754,114	9,029,741	-	40,477,128
Held-to-maturity investments	-	1,588,222	-	-	-	1,588,222
Total assets	**41,585,397**	**1,588,222**	**2,755,135**	**23,994,671**	**5,031**	**69,928,456**
LIABILITIES						
Other financial liabilities	-	-	-	9,175	-	9,175
Total liabilities	**-**	**-**	**-**	**9,175**	**-**	**9,175**
Net position	**41,585,397**	**1,588,222**	**2,755,135**	**23,985,496**	**5,031**	**69,919,281**
Derivative financial instruments	-	(1,588,222)	-	1,620,502	-	32,280
Net position after derivative financial instruments	**41,585,397**	**-**	**2,755,135**	**25,605,998**	**5,031**	**69,951,561**

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2013 and 2012 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2013 KZT'000	2012 KZT'000
20% appreciation of USD against KZT	5,771,272	6,653,664
5% appreciation of RUR against KZT	110,856	137,756

A strengthening of the KZT against the above currencies at 31 December 2013 and 2012 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Other price risk arises from the Group's investments in private equity funds, whose valuation is based on the valuation of the underlying companies of those private equity funds. The Group invests in such financial assets in order to take advantage of their long-term growth. All investments present a risk of loss of capital. All of the private equity funds and their underlying investments are subject to the risks inherent in their industries. Moreover, established markets do not exist for these holdings, and they are therefore considered illiquid.

15 Financial risk management, continued

(c) Other price risk, continued

The Group mainly relies on the management of the private equity funds in mitigation of the price risk. The management of the private equity funds moderates this risk through careful selection and review of the business and operational matters before the investment decision are implemented and regular contact with the management of the underlying companies. The performance of the management of the private equity funds are reported to the Group on a quarterly basis.

The Group's profit and loss and equity is affected by changes in the fair value of its investments in private equity funds. For example a 10% increase in the equity prices of the funds, would increase profit or loss and equity by KZT 1,156,487 thousand for the year ended 31 December 2013 (2012: KZT 724,372 thousand). A 10% decrease in these prices would have an equal and opposite effect.

(d) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Management Board.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the consolidated statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	2013 KZT'000	2012 KZT'000
ASSETS		
Cash and cash equivalents	457,678	237,941
Amounts due from credit institutions	18,795,386	27,625,165
Financial instruments at fair value through profit or loss	14,456,090	9,054,657
Available-for-sale debt assets	41,531,498	40,477,128
Held-to-maturity investments	1,503,901	1,588,222
Total maximum exposure	**76,744,553**	**78,983,113**

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Management Board.

15 Financial risk management, continued

(e) Liquidity risk, continued

The Group is committed and invested in private equity funds that are not traded in an active market and are therefore considered illiquid. On the basis of the Group's commitments, the private equity funds are able to call on such commitments from the Group with a notice period on average being 10 days. The amount of these calls may exceed the available cash and cash equivalents at any point in time.

The following tables show the maturity profile of the Group's financial liabilities as at 31 December 2013 based on contractual undiscounted payments:

KZT'000	Demand and less than 1 month	From 3 to 6 months	From 6 to 12 months	1 year- 5 years	Total gross amount (outflow)	Carrying amount
Non-derivative liabilities						
Other financial liabilities	(21,480)	-	-	-	(21,480)	(21,480)
Derivative liabilities						
Net settled derivatives	-	-	-	(24,960)	(24,960)	(24,960)
Total liabilities	**(21,480)**	**-**	**-**	**(24,960)**	**(46,440)**	**(46,440)**
Investment related commitments	**(49,736,937)**	**-**	**-**	**-**	**(49,736,937)**	**(49,736,937)**

The following tables show the maturity profile of the Group's financial liabilities as at 31 December 2012 based on contractual undiscounted payments:

KZT'000	Demand and less than 1 month	From 3 to 6 months	From 6 to 12 months	1 year- 5 years	Total gross amount (outflow)	Carrying amount
Non-derivative liabilities						
Other financial liabilities	(9,175)	-	-	-	(9,175)	(9,175)
Investment related commitments	**(59,255,322)**	**-**	**-**	**-**	**(59,255,322)**	**(59,255,322)**

For investment related commitments in the above tables the maximum amount of the commitment is allocated to the earliest period in which the commitment can be called.

15 Financial risk management, continued

(e) Liquidity risk, continued

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled as at 31 December 2013:

KZT'000	**Demand and less than 1 month**	**From 3 to 6 months**	**From 6 to 12 months**	**1 year- 5 years**	**More than 5 years**	**Without maturity**	**Total inflow (outflow)**
Non-derivative assets							
Cash and cash equivalents	457,678	-	-	-	-	-	457,678
Amounts due from credit institutions	-	4,471,080	4,577,249	9,747,057	-	-	18,795,386
Financial instruments at fair value through profit or loss	-	-	-	-	-	14,456,090	14,456,090
Available-for-sale financial assets	-	8,958,773	2,111,657	17,602,617	12,858,451	-	41,531,498
Held-to-maturity investments	-	-	-	1,503,901	-	-	1,503,901
Total assets	**457,678**	**13,429,852**	**6,688,906**	**28,853,575**	**12,858,451**	**14,456,090**	**76,744,553**
Non-derivative liabilities							
Other financial liabilities	(21,480)	-	-	-	-	-	(21,480)
Derivative liabilities							
Net settled derivatives	-	-	-	(24,960)	-	-	(24,960)
Total liabilities	**(21,480)**	**-**	**-**	**(24,960)**	**-**	**-**	**(46,440)**
Net liquidity gap on recognised financial assets and liabilities	**436,198**	**13,429,852**	**6,688,906**	**28,828,615**	**12,858,451**	**14,456,090**	**76,698,113**
Investment related commitments	**(49,736,937)**	**-**	**-**	**-**	**-**	**-**	**(49,736,937)**

15 Financial risk management, continued

(e) Liquidity risk, continued

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled as at 31 December 2012:

KZT'000	Demand and less than 1 month	From 3 to 6 months	From 6 to 12 months	1 year- 5 years	More than 5 years	Without maturity	Total inflow (outflow)
Non-derivative assets							
Cash and cash equivalents	237,941	-	-	-	-	-	237,941
Amounts due from credit institutions	-	-	23,565,373	4,059,792	-	-	27,625,165
Financial instruments at fair value through profit or loss	32,280	-	-	-	-	9,022,377	9,054,657
Available-for-sale financial assets	-	2,439,995	11,908,194	23,421,884	2,707,055	-	40,477,128
Held-to-maturity investments	-	-	-	1,588,222	-	-	1,588,222
Total assets	**270,221**	**2,439,995**	**35,473,567**	**29,069,898**	**2,707,055**	**9,022,377**	**78,983,113**
Non-derivative liabilities							
Other financial liabilities	(9,175)	-	-	-	-	-	(9,175)
Derivative liabilities							
Net settled derivatives	-	-	-	-	-	-	-
Total liabilities	**(9,175)**	**-**	**-**	**-**	**-**	**-**	**(9,175)**
Net liquidity gap on recognised financial assets and liabilities	**261,046**	**2,439,995**	**35,473,567**	**29,069,898**	**2,707,055**	**9,022,377**	**78,973,938**
Investment related commitments	**(59,255,322)**	**-**	**-**	**-**	**-**	**-**	**(59,255,322)**

16 Capital management

The Group is not subject to externally imposed capital requirements.

The Group defines capital as total equity. The Group’s objective of capital management is to safeguard the ability of the Group to continue as a going concern in order to provide a return to shareholders and to provide a strong capital base to support the investment activities of the Group.

17 Investment related commitments

The Group makes commitments to private equity funds in its portfolio. The Group diversifies it its portfolio of investments across managers, underlying industries, countries and investment stages.

The contractual amounts of investment related commitments are set out in the following table

	2013 KZT’000	2012 KZT’000
Contracted amount		
Kazakhstan Hong Kong Development Fund	15,295,482	14,963,482
CITIC-Kazyna Investment Fund LP	11,144,990	12,675,797
Falah Growth Fund LP	6,307,798	6,027,487
Kazakhstan Growth Fund	4,073,873	5,127,203
JSC Kazakhstan-Tajikistan fund of direct investments	3,660,204	9,538,240
Russian and Kazakh Fund of Nanotechnologies	3,394,838	3,608,416
ADM Kazakhstan Capital Restructuring Fund CV	2,728,465	4,764,579
Macquarie Renaissance Infrastructure Fund	1,625,183	1,807,865
Wolfenson Capital Partners LP	1,280,397	549,185
Aureos Central Asia Fund LLC	225,707	193,068
	49,736,937	**59,255,322**

In accordance with the foundation agreements of the private equity funds, in case of failure to pay the amount of capital commitments after the manager issues a request for payment, certain sanctions may be applied against the Group including delaying the payment of interest, suspension of income distributions, suspension of rights to participate in the corporate management of funds and forced sale of the Group’s share to co-investors or third parties. As at 31 December 2013 and 2012 the Group had no overdue capital commitments.

18 Operating leases

Non-cancelable operating lease rentals as at 31 December are payable as follows:

	2013 KZT’000	2012 KZT’000
Less than 1 year	22,292	31,529

The Group leases a number of premises and equipment under operating leases. The leases typically run for one year, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

19 Contingencies

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

(b) Taxation contingencies

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. 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 the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in the Republic of Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

20 Related party transactions

(a) Control relationships

The Group's parent company is JSC "National Management Holding "Baiterek". The Group is ultimately controlled by the Government of the Republic of Kazakhstan.

(b) Transactions with the members of the Board of Directors and the Management Board

Total remuneration included in personnel expenses for the years ended 31 December 2013 and 2012 is as follows:

	2013 KZT'000	2012 KZT'000
Short term employee benefits	94,759	58,819

These amounts include cash and non-cash benefits in respect of the members of the Board of Directors and the Management Board.

20 Related party transactions, continued

(c) Transactions with other related parties

Other related parties include state controlled companies, national companies and subsidiaries of national companies. The outstanding balances and the related average interest rates as at 31 December 2013 and related profit or loss amounts of transactions for the year ended 31 December 2013 with other related parties are as follows.

	Parent		Other related parties*		
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
Consolidated statement of financial position					
ASSETS					
Cash and cash equivalents	-	-	731	0.1	731
Available-for-sale financial assets	-	-	5,188,471	6.3-13.0	5,188,471
Held-to-maturity investments	-	-	1,503,901	5.5	1,503,901
Other assets	-	-	355,223	-	355,223
LIABILITIES					
Other liabilities	-	-	7,127	-	7,127
EQUITY					
Share capital	400,000	-	-	-	400,000
Consolidated statement of profit or loss and other comprehensive income					
Interest income	-	-	300,025	-	300,025
Other general and administrative expenses	-	-	554,553	-	554,553

*Other related parties include companies under common control of the Parent and other related parties.

The outstanding balances and the related average interest rates as at 31 December 2012 and related profit or loss amounts of transactions for the year ended 31 December 2012 with other related parties are as follows.

	Parent		Other related parties*		
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
Consolidated statement of financial position					
ASSETS					
Cash and cash equivalents	-	-	7,844	-	7,844
Available-for-sale financial assets	-	-	4,934,356	6.3-13.0	4,934,356
Held-to-maturity investments	-	-	1,588,222	5.5	1,588,222
Other assets	-	-	46,427	-	46,427
LIABILITIES					
Other liabilities	-	-	3,519	-	3,519
Consolidated statement of profit or loss and other comprehensive income					
Interest income	-	-	273,559	-	273,559
Other general and administrative expenses	-	-	812,160	-	812,160

The majority of balances resulting from transactions with related parties mature within one year. Transactions with related parties are not secured.

21 Fair values of financial instruments

Estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

For more complex instruments, such as investments in private equity funds, the Group engages an independent valuation which uses proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include equity securities for which there is no active market.

21 Fair values of financial instruments, continued

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2013:

KZT'000	Financial instruments at fair value through profit or loss	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 December 2013							
Financial assets measured at fair value							
Debt securities	-	-	-	41,531,498	-	41,531,498	41,531,498
Equity securities	14,456,090	-	-	-	-	14,456,090	14,456,090
	14,456,090	**-**	**-**	**41,531,498**	**-**	**55,987,588**	**55,987,588**
Financial assets not measured at fair value							
Cash and cash equivalents	-	-	457,678	-	-	457,678	457,678
Amounts due from credit institutions	-	-	18,795,386	-	-	18,795,386	18,795,386
Debt securities		1,503,901	-	-	-	1,503,901	1,503,901
	-	**1,503,901**	**19,253,064**	**-**	**-**	**20,756,965**	**20,756,965**
Financial liabilities measured at fair value							
Cross currency and interest rate swap	24,960	-	-	-	-	24,960	24,960
	24,960	**-**	**-**	**-**	**-**	**24,960**	**24,960**
Financial liabilities not measured at fair value							
Other liabilities	-	-	-	-	21,480	21,480	21,480
	-	**-**	**-**	**-**	**21,480**	**21,480**	**21,480**

21 Fair values of financial instruments, continued

(a) Accounting classifications and fair values, continued

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2012:

KZT'000	**Financial instruments at fair value through profit or loss**	**Held-to-maturity**	**Loans and receivables**	**Available-for-sale**	**Other amortised cost**	**Total carrying amount**	**Fair value**
31 December 2012							
Financial assets measured at fair value							
Debt securities	-	-	-	40,477,128	-	40,477,128	40,477,128
Cross currency and interest rate swap	32,280	-	-	-		32,280	32,280
Equity securities	9,022,377	-	-	-	-	9,022,377	9,022,377
	9,054,657	**-**	**-**	**40,477,128**	**-**	**49,531,785**	**49,531,785**
Financial assets not measured at fair value							
Cash and cash equivalents	-	-	237,941	-	-	237,941	237,941
Amounts due from credit institutions	-	-	27,625,165	-	-	27,625,165	27,625,165
Debt securities	-	1,588,222	-	-	-	1,588,222	1,588,222
	-	**1,588,222**	**27,863,106**	**-**	**-**	**29,451,328**	**29,451,328**
Financial liabilities not measured at fair value							
Other liabilities	-	-	-	-	49,175	49,175	49,175
	-	**-**	**-**	**-**	**49,175**	**49,175**	**49,175**

21 Fair values of financial instruments, continued

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e, as prices) or indirectly (i.e, derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Group has a control framework with respect to the measurement of fair values. This framework includes engagement of independent valuation by qualified appraisal which reports to the Chief Financial Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing
- a review and approval process for new models and changes to models
- quarterly calibration and back testing of models against observed market transactions
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous period.

The table below analyses financial instruments measured at fair value at 31 December 2013, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

KZT'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial instruments at fair value through profit or loss				
- Equity investments	-	-	14,456,090	14,456,090
- Derivative liabilities	-	(24,960)	-	(24,960)
Available-for-sale financial assets				
- Debt instruments	35,738,721	5,792,777	-	41,531,498
	35,738,721	**5,767,817**	**14,456,090**	**55,962,628**

21 Fair values of financial instruments, continued

(b) Fair value hierarchy, continued

The table below analyses financial instruments measured at fair value at 31 December 2012, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

KZT '000	Level 1	Level 2	Level 3	Total
Financial instruments at fair value through profit or loss				
- Equity investments	-	-	9,022,377	9,022,377
- Derivative assets	-	32,280	-	32,280
Available-for-sale financial assets				
- Debt instruments	40,477,128	-	-	40,477,128
	40,477,128	**32,280**	**9,022,377**	**49,531,785**

The following table shows a reconciliation for the year ended 31 December 2013 for fair value measurements in Level 3 of the fair value hierarchy:

KZT '000	Equity investments
Balance at beginning of the year	9,022,378
Net gains or losses in profit or loss	(1,123,683)
Purchases	6,557,395
Balance at end of the year	**14,456,090**

The following table shows a reconciliation for the year ended 31 December 2012 for fair value measurements in Level 3 of the fair value hierarchy:

KZT '000	Equity investments
Balance at beginning of the year	3,975,745
Net gains or losses in profit or loss	(1,054,660)
Purchases	6,101,292
Balance at end of the year	**9,022,377**

The Group's investments in equity investments categorised as level 3 comprise holdings in investment funds. These funds invest primarily in private equity, through purchasing unlisted ordinary shares of businesses in emerging markets (predominantly Kazakhstan and Russia). To determine the fair value of the Group's holdings in these investment funds, the Group engages an independent appraiser. The approach followed by the appraiser is to estimate the fair value of the underlying portfolio investments (businesses) held by each fund, and then calculate the Group's share of this business value. As a cross check, the appraiser also reviews fair values of investments as reported by each of the funds, and assesses the basis for material differences between the appraised fair value and fair values reported by the managers.

A number of valuation techniques are used by the appraiser to value the underlying portfolio investments, depending on the nature of the business concerned, the availability of market comparables, and the stage in the business's life cycle.

The following table shows the most significant portfolio investments held by the investment funds, the valuation approach used to value these portfolio investments, and the sensitivity of the appraisers' fair value estimate to changes in key assumptions.

21 Fair values of financial instruments, continued

(b) Fair value hierarchy, continued

The table below sets out information about significant unobservable inputs used at year end in the measuring of the most significant underlying portfolio companies of private equity funds categorised as Level 3 in the fair value hierarchy as at 31 December 2013, together with a sensitivity analysis for shifts in these inputs which the Group considers were reasonably possible at the reporting date, assuming all other variables remain unchanged.

Industry in which company operates	Fair value of Group's share	Valuation technique	Significant unobservable input	Weighted average for unobservable input	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
Mining (China)	1,537,525	Adjusted cost method	Adjustment to cost	-	+/- 5%	76,876
Transportation services (Kazakhstan)	1,325,581	Comparable trading multiples	EBITDA multiple	4.97	+/- 5%	62,970
			Discount for lack of marketability	5%	+/- 3%	39,768
Production of construction materials (Kazakhstan)	1,015,281	Comparable trading multiples	EBITDA multiple	11.20	+/- 5%	50,765
Hospitality services (Kazakhstan)	903,719	Adjusted cost method	Adjustment to cost	-	+/- 5%	45,186
Rolling stock leasing company (Russia)	888,974	Comparable trading multiples	EBITDA multiple	7.51	+/- 5%	89,050
Electricity services (Kazakhstan)	830,858	Comparable trading multiples	EBITDA multiple	5.76	+/- 5%	16,545
Other companies		Comparable trading multiples	Sales multiple	0.49	+/-10%	3,990
			P/BV	1.33	+/-10%	27,780
			EBITDA multiple	6.3	+/- 5%	87,140
	1,787,972		Discount for lack of marketability	10%	+/- 3%	39,915
	1,655,483	Quoted market price	Price	3.26	+/- 5%	82,770
	1,328,233	Adjusted cost method	Cost	-	+/- 5%	55,210
	853,264	DCF	WACC	16.05%	+/- 1%	+97,663/-77,832
	194,764	Adjusted NAV	Adjustment to NAV	-	+/-10%	17,734
	2,134,436	Other	-	-	-	-
Total	**14,456,090**					

21 Fair values of financial instruments, continued

(b) Fair value hierarchy, continued

The table below sets out information about significant unobservable inputs used at year end in the measuring of the most significant underlying portfolio companies of private equity funds categorised as Level 3 in the fair value hierarchy as at 31 December 2012, together with a sensitivity analysis for shifts in these inputs which the Group considers were reasonably possible at the reporting date, assuming all other variables remain unchanged.

Industry in which company operates	Fair value of Group's share	Valuation technique	Significant unobservable input	Weighted average for unobservable input	Reasonable shift	Fair value measurement sensitivity to unobservable inputs
Transportation services (Kazakhstan)	1,408,258	Comparable trading multiples	EBITDA multiple	4.97	+/-5%	70,415
			Discount for lack of marketability	5%	+/-3%	44,472
Rolling stock leasing company (Russia)	1,259,433	Comparable trading multiples	EBITDA multiple	7.51	+/-3%	116,079
Logistic services (Kazakhstan)	769,811	DCF	WACC	12.21%	+/-1%	+44,247/-84,727
Energy (Kazakhstan)	764,523	Quoted market price	Price	1.62	+/-5%	73,005
Electricity services (Kazakhstan)	753,700	Adjusted cost method	Adjustment to cost	-	+/-5%	37,685
Hospitality services (Kazakhstan)	727,509	Adjusted cost method	Adjustment to cost	-	+/-5%	36,375
Other	2,086,670	Comparable trading multiples	EV/Sales multiple	0.49	+/-10%	6,530
			P/BV	1.25	+/-5%	65,020
			EV/EBITDA	8.7	+/-10%	73,560
			Discount for lack of marketability	10%	+/-10%	36,180
	611,402	Adjusted cost method	Adjustment to cost	-	+/-5%	42,811
	194,577	Adjusted NAV	Adjustment to NAV	-	+/-10%	19,460
	152,561	DCF	WACC	17.94%	+/-1%	+9,845/-8,718
	293,600	Other	-	-	-	-
Total	**9,022,044**					

21 Fair values of financial instruments, continued

(b) Fair value hierarchy, continued

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2013:

KZT'000	Level 2	Total fair values	Total carrying amount
Assets			
Cash and cash equivalents	457,678	457,678	457,678
Amounts due from credit institutions	18,795,386	18,795,386	18,795,386
Held-to-maturity investments	1,503,901	1,503,901	1,503,901
Liabilities			
Other liabilities	64,360	64,360	64,360

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2012:

KZT'000	Level 2	Total fair values	Total carrying amount
Assets			
Cash and cash equivalents	237,941	237,941	237,941
Amounts due from credit institutions	27,625,165	27,625,165	27,625,165
Held-to-maturity investments	1,588,222	1,588,222	1,588,222
Liabilities			
Other liabilities	55,664	55,664	55,664

22 Events after the reporting period

On 11 February 2014, the National Bank of the Republic of Kazakhstan ("the NBRK") announced that it was changing the trading range of the KZT. The NBRK announced in its statement that the currency will now trade at KZT 185 per USD, with a range of 3 KZT on either side. The KZT closed at 184.55 per USD after the announcement, decreasing by approximately 19% from the previous day's close of KZT 155.63 per USD. As the change occurred after the reporting date, the financial statements have not been adjusted for the rate change.

Management estimates that the financial effect from gains and losses on monetary items on the date the rate change was announced is approximately KZT 7,474,223 thousand, being foreign exchange gain.

23 Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 24 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

a. IFRS 10 Consolidated Financial Statements (2011)

b. IFRS 13 Fair Value Measurement

c. Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

23 Changes in accounting policies, continued

The nature and effects of the changes are explained below.

(a) Subsidiaries

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10 (2011), the Group reassessed the control conclusion for its investees at 1 January 2013. Notwithstanding the above, the change had no significant impact on its control conclusion in respect of its investment in subsidiaries.

(b) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Group has included additional disclosures in this regard (see note 21).

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

(c) Presentation of items of OCI

As a result of the amendments to IAS 1, the Group has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

24 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these consolidated financial statements, and are applied consistently by Group entities, except as explained in note 23, which addresses changes in accounting policies.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular the Group consolidates investees that it controls on the basis of de facto circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

24 Significant accounting policies, continued

(a) Basis of consolidation, continued

(ii) Interests in associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted as financial instruments at fair value through profit or loss in accordance with the scope exemption in IFRS 28 *Investments in Associates* and IFRS 31 *Interest in Joint Ventures*, respectively.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(b) Non-controlling interests

Non-controlling interests are the equity in a subsidiary not attributable, directly or indirectly, to the Company.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the Company. Non-controlling interests in profit or loss and total comprehensive income are separately disclosed in the consolidated statement of profit or loss and other comprehensive income.

(c) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss; a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or qualifying cash flow hedges to the extent that the hedge is effective, which are recognised in other comprehensive income.

24 Significant accounting policies, continued

(d) Cash and cash equivalents

Cash and cash equivalents include unrestricted balances (nostro accounts) held with other banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of short-term commitments.

(e) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term

- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking

- derivative financial instruments (except for derivative that is a financial guarantee contract or a designated and effective hedging instruments) or,

- upon initial recognition, designated as at fair value through profit or loss.

The Group may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,

- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value) are reported as assets. All trading derivatives in a net payable position (negative fair value) are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold them for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group:

- intends to sell immediately or in the near term

- upon initial recognition designates as at fair value through profit or loss

- upon initial recognition designates as available-for-sale or,

- may not recover substantially all of its initial investment, other than because of credit deterioration.

24 Significant accounting policies, continued

(e) Financial instruments, continued

(i) Classification, continued

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than those that:

- the Group upon initial recognition designates as at fair value through profit or loss
- the Group designates as available-for-sale or,
- meet the definition of loans and receivables.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

(ii) Recognition

Financial assets and liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method
- held-to-maturity investments that are measured at amortised cost using the effective interest method
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost.

(iv) Amortised cost

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

24 Significant accounting policies, continued

(e) Financial instruments

(v) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

(vi) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss

- a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

24 Significant accounting policies, continued

(vii) Derecognition, continued

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Group writes off assets deemed to be uncollectible.

(viii) Derivative financial instruments

Derivative financial instruments include cross currency and interest rate swaps.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

Although the Group trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

(ix) Offsetting

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

(f) Property and equipment

(i) Recognition

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

- motor vehicles 4 to 7 years
- computer software 3 to 6 years
- other 2 to 10 years

24 Significant accounting policies, continued

(g) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives of intangible assets are 5 years.

(h) Impairment

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Group determines the amount of any impairment loss.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that event (or events) has had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of financial asset or group of financial assets that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security available-for-sale a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(i) Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans and other receivables (loans and receivables). The Group reviews its loans and receivables to assess impairment on a regular basis.

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

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable’s original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

24 Significant accounting policies, continued

(h) Impairment, continued

(i) Financial assets carried at amortised cost

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Group writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

(ii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(iii) Non financial assets

Non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of goodwill is estimated at each reporting date. The recoverable amount of non financial assets is the greater of their 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 an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

(i) Investment related commitments

In the normal course of business, the Group enters into investment related commitments, comprising undrawn investment commitments. Provisions for losses under investment related commitments are recognised when losses are considered probable and can be measured reliably.

24 Significant accounting policies, continued

(j) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(ii) Dividends

The ability of the Group to declare and pay dividends is subject to the rules and regulations of Kazakhstan legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(k) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest method.

24 Significant accounting policies, continued

(l) Income and expense recognition, continued

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided. Dividend income is recognised in profit or loss on the date that the dividend is declared. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(m) New standards and interpretations not yet adopted

The following new standards, amendments to standards and interpretations are not yet effective as at 31 December 2013, and are not applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective and has not yet fully analysed their likely impact.

- Amendment *Investment entities* to IFRS 10, IFRS 12 and IAS 27 apply to a particular class of business that qualify as investment entities. The term "investment entity" refers to an entity whose business purpose is to invest funds solely for the returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Under IFRS 10 *Consolidated Financial Statements*, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). *Investments entities* amendments provide an exception to the consolidation requirements of in IFRS 10 and require investments entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments are effective from 1 January 2014 with early adoption permitted. The Group does not intend to adopt these amendments early.
- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.
- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively.
- Various *Improvements to IFRS* are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2014. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.