

**JSC Kazyna Capital Management**

Separate Financial Statements  
for the year ended 31 December 2014

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«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 Board of Directors of Kazyna Capital Management JSC

We have audited the accompanying separate financial statements of Kazyna Capital Management JSC (the "Company"), which comprise the separate statement of financial position as at 31 December 2014, and the separate 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 Separate Financial Statements*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate 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 separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Ravshan Irmatov  
Certified Auditor  
of the Republic of Kazakhstan,  
Auditor's Qualification Certificate  
No.MΦ-0000053 of 6 January 2012



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

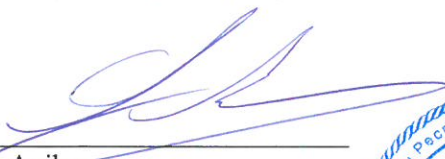
28 February 2015




**Kazyna Capital Management JSC**  
*Separate Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2014*

	Note	2014 KZT'000	2013 KZT'000
Interest income	4	4,396,275	3,823,969
Net gain/(loss) on financial instruments at fair value through profit or loss		1,414,426	(944,108)
Net loss on financial derivatives		(234,705)	(38,653)
Dividend income from financial instruments at fair value through profit or loss		330,963	112,245
Net foreign exchange gain		6,251,507	606,930
Net (loss)/gain on available-for-sale financial assets		(122,200)	76,196
Other operating income/(expense)		547	(554)
<b>Operating income</b>		<b>12,036,813</b>	<b>3,636,025</b>
Personnel expenses	5	(254,471)	(246,100)
Other general administrative expenses	6	(250,864)	(361,616)
<b>Profit before income tax</b>		<b>11,531,478</b>	<b>3,028,309</b>
Income tax expense	7	(1,791,612)	(482,958)
<b>Profit for the year</b>		<b>9,739,866</b>	<b>2,545,351</b>
<b>Other comprehensive loss</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value, net of income tax		(1,616,451)	(658,535)
- Net change in fair value transferred to profit or loss		(204,543)	46,500
<b>Other comprehensive loss for the year, net of income tax</b>		<b>(1,820,994)</b>	<b>(612,035)</b>
<b>Total comprehensive income for the year</b>		<b>7,918,872</b>	<b>1,933,316</b>

The separate financial statements as set out on pages 5 to 43 were approved by management on 28 February 2015 and were signed on its behalf by:

  
**Almas Agibayev**  
*Chairman of the Board*



  
**Raukhan Kutybayeva**  
*Chief Accountant*

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

**Kazyna Capital Management JSC**  
*Separate Statement of Financial Position as at 31 December 2014*

	Note	2014 KZT'000	2013 KZT'000
<b>ASSETS</b>			
Cash and cash equivalents	8	5,843,671	454,448
Amounts due from credit institutions	9	35,370,458	18,670,375
Financial instruments at fair value through profit or loss	10	32,054,131	14,642,502
Available-for-sale financial assets	11	29,181,553	41,531,498
Held-to-maturity investments	12	1,654,996	1,503,901
Current tax asset		67,846	345,333
Property, equipment and intangible assets		22,299	26,467
Deferred tax asset	7	454,289	35,488
Other assets		12,662	15,367
<b>Total assets</b>		<b>104,661,905</b>	<b>77,225,379</b>
<b>LIABILITIES</b>			
Financial instruments at fair value through profit or loss	10	273,956	24,960
Other liabilities		62,282	62,348
<b>Total liabilities</b>		<b>336,238</b>	<b>87,308</b>
<b>EQUITY</b>			
Share capital	13	87,440,000	67,440,000
Revaluation reserve for available-for-sale financial assets		(2,028,767)	(207,773)
Retained earnings		18,914,434	9,905,844
<b>Total equity</b>		<b>104,325,667</b>	<b>77,138,071</b>
<b>Total liabilities and equity</b>		<b>104,661,905</b>	<b>77,225,379</b>

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

**Kazyna Capital Management JSC**  
*Separate Statement of Cash Flows for the year ended 31 December 2014*

	<b>2014</b> <b>KZT'000</b>	<b>2013</b> <b>KZT'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest receipts	4,264,305	3,678,266
Dividends received	344,913	118,014
Other expenses payments	-	2,895
Personnel expenses payments	(234,382)	(276,216)
Other general administrative expenses payments	(253,638)	(310,504)
<b>(Increase)/Decrease in operating assets</b>		
Financial instruments at fair value through profit or loss	(16,011,191)	(6,200,737)
Purchases of available-for-sale financial assets	(19,891,645)	(21,560,956)
Sale and repayment of available-for-sale financial assets	34,654,797	19,989,444
Amounts due from credit institutions	(15,268,272)	9,260,991
<b>Net cash (used in)/ from operating activities before income tax paid</b>	<b>(12,395,113)</b>	<b>4,701,197</b>
Income tax paid	(1,323,876)	(478,940)
<b>Cash flows (used in)/ from operating activities</b>	<b>(13,718,989)</b>	<b>4,222,257</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment and intangible assets	-	(2,803)
<b>Cash flows used in investing activities</b>	<b>-</b>	<b>(2,803)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital	20,000,000	400,000
Dividends paid	(731,276)	(4,416,219)
<b>Cash flows from/(used in) financing activities</b>	<b>19,268,724</b>	<b>(4,016,219)</b>
<b>Net increase in cash and cash equivalents</b>	<b>5,549,735</b>	<b>203,235</b>
Cash and cash equivalents as at 1 January	454,448	228,803
Effect of changes in exchange rates on cash and cash equivalents	(160,512)	22,410
<b>Cash and cash equivalents as at 31 December (Note 8)</b>	<b>5,843,671</b>	<b>454,448</b>

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

**Kazyna Capital Management JSC**  
*Separate Statement of Changes in Equity for the year ended 31 December 2014*

	Share capital	Revaluation reserve for available-for-sale financial assets	Retained earnings	Total equity
<b>KZT'000</b>				
Balance as at 1 January 2013	67,040,000	404,262	11,776,712	79,220,974
<b>Total comprehensive income</b>				
Profit for the year	-	-	2,545,351	2,545,351
<b>Other comprehensive loss</b>				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Net change in fair value of available-for-sale financial assets, net of income tax	-	(658,535)	-	(658,535)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	46,500	-	46,500
<b>Total other comprehensive loss</b>	-	(612,035)	-	(612,035)
<b>Total comprehensive income for the year</b>	-	(612,035)	2,545,351	1,933,316
<b>Transactions with owners, recorded directly in equity</b>				
Shares issued	400,000	-	-	400,000
Dividends declared	-	-	(4,416,219)	(4,416,219)
<b>Total transactions with owners</b>	400,000	-	(4,416,219)	(4,016,219)
<b>Balance as at 31 December 2013</b>	<b>67,440,000</b>	<b>(207,773)</b>	<b>9,905,844</b>	<b>77,138,071</b>
Balance as at 1 January 2014	67,440,000	(207,773)	9,905,844	77,138,071
<b>Total comprehensive income</b>				
Profit for the year	-	-	9,739,866	9,739,866
<b>Other comprehensive loss</b>				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Net change in fair value of available-for-sale financial assets, net of income tax	-	(1,616,451)	-	(1,616,451)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	(204,543)	-	(204,543)
<b>Total other comprehensive loss</b>	-	(1,820,994)	-	(1,820,994)
<b>Total comprehensive income for the year</b>	-	(1,820,994)	9,739,866	7,918,872
<b>Transactions with owners, recorded directly in equity</b>				
Shares issued	20,000,000	-	-	20,000,000
Dividends declared	-	-	(731,276)	(731,276)
<b>Total transactions with owners</b>	20,000,000	-	(731,276)	19,268,724
<b>Balance as at 31 December 2014</b>	<b>87,440,000</b>	<b>(2,028,767)</b>	<b>18,914,434</b>	<b>104,325,667</b>

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



# 1 Background

## (a) Organisation and operations

Kazyna Capital Management JSC (“the Company”) 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 Company is the Government of the Republic of Kazakhstan.

The principal activity of the Company is the establishment of and participation in investment funds and investments in financial instruments.

The Company’s registered office is 18, Dostyk Avenue, Astana, Republic of Kazakhstan.

The principal subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Ownership %	
			2014	2013
Nurzhol Energy LLC	Kazakhstan	Investment in Macquarie Renaissance		
		Infrastructure Fund	100.00	100.00
		Investment in Macquarie Renaissance		
MRIF CASP C.V.	Netherlands	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
Baiterek Venture Fund JSC	Kazakhstan	Investment in private equity projects	100.00	0.00

## (b) Kazakhstan and CIS business environment

The Company’s operations are primarily located in Kazakhstan with many of its underlying portfolio investments in other CIS countries, in particular Russia. Consequently, the Company 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 separate financial statements reflect management’s assessment of the impact of the business environment on the operations and the financial position of the Company. The future business environment may differ from management’s assessment.

## **2 Basis of preparation**

### **(a) Statement of compliance**

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

Details of the Company's accounting policies, including changes during the year, are included in Notes 21 and 22.

### **(b) Basis of measurement**

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

### **(c) Functional and presentation currency**

The functional currency of the Company 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 separate financial statements. Financial information presented in KZT is rounded to the nearest thousand.

### **(d) Adoption of amendments to IFRS 10**

As of January 1, 2014, the Company has adopted an amendment to IFRS 10 Consolidated Financial Statements, which has become effective for the reporting period ended December 31, 2014 and is applied in preparing these separate financial statements.

Under IFRS 10 Consolidated Financial Statements, 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. The Company has determined that it meets the criteria of an investment entity under IFRS 10 and has, therefore, changed its Accounting Policy to measure its investments in subsidiaries at fair value, rather than at cost, in its separate financial statements. Under IFRS 10, this change should be applied retrospectively, and the Company has made corresponding adjustments in the information previously presented in respect of the year ended 31 December 2013.

On adoption of IFRS 10, the following adjustments have been made to the comparative information in order to correspond to the current year presentation:

- Financial instruments at fair value through profit or loss increased by KZT 3,674,171 thousand, with a corresponding decrease in investments in subsidiaries.
- Net loss on financial instruments at fair value through profit or loss increased by KZT 656,770 thousand, with a corresponding decrease in impairment expense.



### 3 Use of estimates and judgments

In preparing these separate 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 Company operates. Functional currency of the Company is KZT. 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 2014 is included in Note 20 (b) and relates to the determination of fair value of financial instruments at fair value through profit or loss with significant unobservable inputs.

### 4 Interest income

	2014 KZT'000	2013 KZT'000
Available-for-sale financial assets	2,072,179	2,186,227
Amounts due from credit institutions	2,245,686	1,570,499
Held-to-maturity investments	78,410	67,243
	<b>4,396,275</b>	<b>3,823,969</b>

### 5 Personnel expenses

	2014 KZT'000	2013 KZT'000
Employee compensation	229,537	220,717
Payroll related taxes	24,934	25,383
	<b>254,471</b>	<b>246,100</b>

## 6 Other general administrative expenses

	2014 KZT'000	2013 KZT'000
Professional services	78,649	175,963
Other third party services	53,109	40,642
Operating lease expense	35,541	25,528
Representation expenses	27,774	24,545
Travel and accommodation	26,444	23,686
Depreciation and amortization	10,272	17,382
Sponsorship	-	14,986
Other	19,075	38,884
	<b>250,864</b>	<b>361,616</b>

## 7 Income tax expense

	2014 KZT'000	2013 KZT'000
Current tax expense	1,869,548	465,519
Current tax expense under provided in prior years	-	19,444
Deferred taxation movement due to origination and reversal of temporary differences and movement in valuation allowance	(77,936)	(2,005)
<b>Total income tax expense</b>	<b>1,791,612</b>	<b>482,958</b>

In 2014, the applicable tax rate for current and deferred tax is 20% (2013: 20%).

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

	2014 KZT'000	%	2013 KZT'000	%
<b>Profit before income tax</b>	<b>11,531,478</b>	<b>100.0</b>	<b>3,028,309</b>	<b>100</b>
Income tax at the applicable tax rate	2,306,296	20	605,662	20
Income from offshore entities	105,748	1	-	-
Non-taxable income	(622,936)	(5)	(354,156)	(12)
Non-deductible costs	2,504	-	212,008	4
Under provided in prior years	-	-	19,444	1
	<b>1,791,612</b>	<b>16</b>	<b>482,958</b>	<b>16</b>

### (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 2014 and 2013.

## 7 Income tax expense, continued

Movements in temporary differences during the years ended 31 December 2014 and 2013 are presented as follows.

2014	Balance 1 January 2014	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2014
<b>KZT'000</b>				
Financial liabilities at fair value through profit or loss	-	49,799	-	49,799
Available-for-sale financial assets	27,602	23,200	340,865	391,667
Property and equipment and intangible assets	1,953	124	-	2,077
Other liabilities	5,933	4,813	-	10,746
	<b>35,488</b>	<b>77,936</b>	<b>340,865</b>	<b>454,289</b>

2013	Balance 1 January 2013	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2013
<b>KZT'000</b>				
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
	<b>14,057</b>	<b>2,005</b>	<b>19,426</b>	<b>35,488</b>

### Income tax recognised in other comprehensive income

The tax effects relating to components of other comprehensive income for the years ended 31 December 2014 and 2013 comprise the following:

	2014			2013		
<b>KZT'000</b>	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	1,704,325	340,865	1,363,460	97,132	19,426	77,706

## 8 Cash and cash equivalents

	2014 KZT'000	2013 KZT'000
<b>Current accounts in other banks</b>		
- rated A- to A+	675,786	43,472
- rated from BB- to BB+	5,167,880	410,971
- rated below B+	5	5
	<b>5,843,671</b>	<b>454,448</b>

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

## 9 Amounts due from credit institutions

	2014 KZT'000	2013 KZT'000
- rated BBB- to BBB+	10,835,899	-
- rated from BB- to BB+	251,862	9,789,016
- rated below B+	24,282,697	8,881,359
	<b>35,370,458</b>	<b>18,670,375</b>

Disclosed ratings are based on the rating scale of Standard and Poor's or their equivalents. Included in the above is the amount of 701,124 thousand tenge receivable under reverse repurchase agreement (2013 – nil).



## 10 Financial instruments at fair value through profit or loss

	Ownershi p interest, %	2014 KZT'000	2013 KZT'000
<b>ASSETS</b>			
<b>Unquoted shares in investment funds and subsidiaries</b>			
Baiterek Venture Fund JSC	100.00	9,160,324	-
ADM KCRF L.P.	49.50	6,519,239	4,764,957
CITIC-KAZYNA Investment L.P. *	49.50	5,205,079	2,267,324
Kazakhstan Growth Fund L.P.	49.50	2,987,748	1,687,349
MRIF CASP CV	99.00	2,930,197	2,300,174
Kazyna Investment Holding Cooperatief U.A.	100.00	2,224,910	1,187,780
Wolfenson Capital Partners L.P.	9.94	1,813,128	1,672,881
Aureos Central Asia Fund LLC	14.24	694,736	399,944
Islamic Infrastructure Fund Limited Partnership	1.32	347,922	-
Kyrgyz-Kazakhstan Investment Fund JSC	100.00	78,007	80,900
Kazakhstan-Tajikistan fund of direct investments JSC	80.00	32,378	51,957
Kazyna Seriktes B.V.	99.90	28,977	17,260
Nurzhol energy LLC *	100.00	25,465	36,100
Kazakhstan Hong Kong Development Fund*	25.00	6,022	1,898
CITIC Kazyna Manager Ltd*	49.50	-	173,978
		<b>32,054,131</b>	<b>14,642,502</b>
<b>LIABILITIES</b>			
<b>Derivative financial instruments</b>			
Cross currency and interest rate swap		273,956	24,960
		<b>273,956</b>	<b>24,960</b>

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

\*These entities are considered associates as Management believes that the Company has significant influence over them.

## 11 Available-for-sale financial assets

	2014 KZT'000	2013 KZT'000
<b>Debt and other fixed-income instruments</b>		
<b>- Government bonds</b>		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	171,212	9
<b>Total government bonds</b>	<b>171,212</b>	<b>9</b>
<b>- Corporate bonds</b>		
rated from BBB- to BBB+	15,976,715	13,387,098
rated from BB- to BB+	1,459,086	11,676,656
<b>Total corporate bonds</b>	<b>17,435,801</b>	<b>25,063,754</b>
<b>- Corporate bonds of banks</b>		
rated from A- to A+	-	2,111,657
rated from BBB- to BBB+	2,209,196	1,662,241
rated from BB- to BB+	4,948,561	4,518,472
rated below B+	4,160,335	7,926,008
<b>Total corporate bonds of banks</b>	<b>11,318,092</b>	<b>16,218,378</b>
<b>- Corporate bonds of credit institutions other than banks</b>		
rated from BBB- to BBB+	256,448	-
rated from BB- to BB+	-	249,357
<b>Total corporate bonds of credit institutions other than banks</b>	<b>256,448</b>	<b>249,357</b>
	<b>29,181,553</b>	<b>41,531,498</b>

## 12 Held-to-maturity investments

	2014 KZT'000	2013 KZT'000
Corporate bonds rated BBB+	1,654,996	1,503,901

Held to maturity securities are pledged under the currency swap agreement. These securities continue to be recorded in the separate statement of financial position. According to the currency swap agreement, Deutsche Bank accepts bonds payments in Malaysian Ringgits and pays the Company in Kazakhstani Tenge. The fair value of currency swap as at 31 December 2014 was KZT 273,956 thousand (liability) (31 December 2013: KZT 24,960 thousand (liability)).

## 13 Share capital and reserves

### (a) Issued capital

	Ordinary shares			
	Number of shares		Cost, KZT'000	
	2014	2013	2014	2013
In issue at 1 January	53,050,000	53,040,000	67,440,000	67,040,000
Issued for cash	500,000	10,000	20,000,000	400,000
<b>In issue at 31 December, fully paid</b>	<b>53,550,000</b>	<b>53,050,000</b>	<b>87,440,000</b>	<b>67,440,000</b>

As at 31 December 2014 the authorised for issue share capital comprises 55,000,000 ordinary shares (2013: 55,000,000). The issued and paid share capital comprises 53,550,000 ordinary shares (2013: 53,050,000). Shares have a nominal value in the 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) 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 18,914,434 thousand (2013: KZT 9,905,844 thousand).

In 2014 the Company declared and distributed dividends for 2013 financial year in the amount of KZT 731,276 thousand (2013: KZT 4,416,219 thousand).

During the reporting period the following dividends were declared:

	2014 KZT	2013 KZT
Dividends per ordinary share	14	83



## 14 Financial risk management

Management of risk is fundamental to the business of the Company and is an essential element of the Company's operations. The major risks faced by the Company 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 Company, 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 Company 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 Company 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 2014 and 2013. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2014			2013		
	Average effective interest rate, %			Average effective interest rate, %		
	KZT	USD	Other currencies	KZT	USD	Other currencies
<b>Interest bearing assets</b>						
Amounts due from credit institutions	7.9	4.0	-	8.0	4.0	-
Available-for-sale financial assets	8.0	6.5	-	8.2	5.3	8.9
Held-to-maturity investments	-	-	5.5	-	-	4.6



## 14 Financial risk management, continued

### (b) Market risk, continued

#### (i) Interest rate risk, continued

##### *Average interest rates*

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 2014 and 2013 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves is as follows:

	2014		2013	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
100 bp parallel fall	661,079	661,079	1,101,196	1,101,196
100 bp parallel rise	(661,079)	(661,079)	(1,101,196)	(1,101,196)

#### (ii) Currency risk

The Company 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 Company 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 2014:

	USD KZT'000	MYR KZT'000	KZT KZT'000	Total KZT'000
<b>ASSETS</b>				
Cash and cash equivalents	379,289	-	5,464,382	5,843,671
Amounts due from credit institutions	6,562,927	-	28,807,531	35,370,458
Available-for-sale financial assets	22,051,993	-	7,129,560	29,181,553
Held-to-maturity investments	-	1,654,996	-	1,654,996
<b>Total financial assets</b>	<b>28,994,209</b>	<b>1,654,996</b>	<b>41,401,473</b>	<b>72,050,678</b>
<b>LIABILITIES</b>				
Other financial liabilities	-	-	(25,936)	(25,936)
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>(25,936)</b>	<b>(25,936)</b>
<b>Net position</b>	<b>28,994,209</b>	<b>1,654,996</b>	<b>41,375,537</b>	<b>72,024,742</b>
Derivative financial instruments	-	(1,654,996)	1,381,040	(273,956)
<b>Net position after derivative financial instruments</b>	<b>28,994,209</b>	<b>-</b>	<b>42,756,577</b>	<b>71,750,786</b>

## 14 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 2013:

	USD KZT'000	MYR KZT'000	RUR KZT'000	KZT KZT'000	Total KZT'000
<b>ASSETS</b>					
Cash and cash equivalents	20,805	-	-	433,643	454,448
Amounts due from credit institutions	3,081,200	-	-	15,589,175	18,670,375
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
<b>Total financial assets</b>	<b>36,069,948</b>	<b>1,503,901</b>	<b>2,770,778</b>	<b>21,815,595</b>	<b>62,160,222</b>
<b>LIABILITIES</b>					
Other financial liabilities	-	-	-	20,234	20,234
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,234</b>	<b>20,234</b>
<b>Net position</b>	<b>36,069,948</b>	<b>1,503,901</b>	<b>2,770,778</b>	<b>21,795,361</b>	<b>62,139,988</b>
Derivative financial instruments	-	(1,503,901)	-	1,478,941	(24,960)
<b>Net position after derivative financial instruments</b>	<b>36,069,948</b>	<b>-</b>	<b>2,770,778</b>	<b>23,274,302</b>	<b>62,115,028</b>

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2014 and 2013 would have increased 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 Company 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.

	2014 KZT'000	2013 KZT'000
20% appreciation of USD against KZT	4,639,073	5,771,192
5% appreciation of RUR against KZT	-	110,831

A strengthening of the KZT against the above currencies at 31 December 2014 and 2013 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 Company's investments in private equity funds, whose valuation is based on the valuation of the underlying portfolio companies of those private equity funds. The Company 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.



## 14 Financial risk management, continued

### (c) Other price risk, continued

The Company 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. They also maintain regular contact with the management of the underlying companies. The performance of the management of the private equity funds are reported to the Company on a quarterly basis.

The Company's profit and loss and equity is affected by changes in the fair value of its investments in private equity funds and subsidiaries. For example a 10% increase in the equity prices of the funds, would increase profit or loss and equity by KZT 2,564,330 thousand for the year ended 31 December 2014 (2013: KZT 1,171,400 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 Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company 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 separate 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:

	2014 KZT'000	2013 KZT'000
<b>ASSETS</b>		
Cash and cash equivalents	5,843,671	454,448
Amounts due from credit institutions	35,370,458	18,670,375
Financial instruments at fair value through profit or loss	32,054,131	14,642,502
Available-for-sale debt assets	29,181,553	41,531,498
Held-to-maturity investments	1,654,996	1,503,901
<b>Total maximum exposure</b>	<b>104,104,809</b>	<b>73,128,553</b>

### (e) Liquidity risk

Liquidity risk is the risk that the Company 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 Company 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.

## 14 Financial risk management, continued

### (e) Liquidity risk, continued

The Company is invested in private equity funds that are not traded in an active market and are therefore considered illiquid. On the basis of the Company's commitments, the private equity funds are able to call on such commitments from the Company 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 Company's financial liabilities as at 31 December 2014 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
<b>Non-derivative liabilities</b>						
Other financial liabilities	(25,936)	-	-	-	(25,936)	(25,936)
<b>Derivative liabilities</b>						
Net settled derivatives	-	-	-	(273,956)	(273,956)	(273,956)
<b>Total liabilities</b>	<b>(25,936)</b>	<b>-</b>	<b>-</b>	<b>(273,956)</b>	<b>(299,892)</b>	<b>(299,892)</b>
<b>Investment related commitments</b>	<b>(62,143,588)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(62,143,588)</b>	<b>(62,143,588)</b>

The following tables show the maturity profile of the Company'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
<b>Non-derivative liabilities</b>						
Other financial liabilities	(20,234)	-	-	-	(20,234)	(20,234)
<b>Derivative liabilities</b>						
Net settled derivatives	-	-	-	(24,960)	(24,960)	(24,960)
<b>Total liabilities</b>	<b>(20,234)</b>	<b>-</b>	<b>-</b>	<b>(24,960)</b>	<b>(45,194)</b>	<b>(45,194)</b>
<b>Investment related commitments</b>	<b>(38,409,118)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(38,409,118)</b>	<b>(38,409,118)</b>

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.

## 14 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 2014:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	1 year- 5 years	More than 5 years	Without maturity	Total inflow (outflow)
<b>Non-derivative assets</b>								
Cash and cash equivalents	5,843,671	-	-	-	-	-	-	5,843,671
Amounts due from credit institutions	701,124	9,940,373	7,546,061	7,048,125	10,134,775	-	-	35,370,458
Financial instruments at fair value through profit or loss	-	-	-	-	-	-	32,054,131	32,054,131
Available-for-sale financial assets	5,339,071	9	3,864,185	4,558,308	8,145,746	7,274,234	-	29,181,553
Held-to-maturity investments	-	-	-	-	1,654,996	-	-	1,654,996
<b>Total assets</b>	<b>11,883,866</b>	<b>9,940,382</b>	<b>11,410,246</b>	<b>11,606,433</b>	<b>19,935,517</b>	<b>7,274,234</b>	<b>32,054,131</b>	<b>104,104,809</b>
<b>Non-derivative liabilities</b>								
Other financial liabilities	(25,936)	-	-	-	-	-	-	(25,936)
<b>Derivative liabilities</b>								
Net settled derivatives	-	-	-	-	(273,956)	-	-	(273,956)
<b>Total liabilities</b>	<b>(25,936)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(273,956)</b>	<b>-</b>	<b>-</b>	<b>(299,892)</b>
<b>Net liquidity gap on recognised financial assets and liabilities</b>	<b>11,857,930</b>	<b>9,940,382</b>	<b>11,410,246</b>	<b>11,606,433</b>	<b>19,661,561</b>	<b>7,274,234</b>	<b>32,054,131</b>	<b>103,804,917</b>
<b>Investment related commitments</b>	<b>(62,143,588)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(62,143,588)</b>



## 14 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)
<b>Non-derivative assets</b>							
Cash and cash equivalents	454,448	-	-	-	-	-	454,448
Amounts due from credit institutions	-	4,422,117	4,501,201	9,747,057	-	-	18,670,375
Financial instruments at fair value through profit or loss	-	-	-	-	-	14,642,502	14,642,502
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
<b>Total assets</b>	<b>454,448</b>	<b>13,380,890</b>	<b>6,612,858</b>	<b>28,853,575</b>	<b>12,858,451</b>	<b>14,642,502</b>	<b>76,802,724</b>
<b>Non-derivative liabilities</b>							
Other financial liabilities	(20,234)	-	-	-	-	-	(20,234)
<b>Derivative liabilities</b>							
Net settled derivatives	-	-	-	(24,960)	-	-	(24,960)
<b>Total liabilities</b>	<b>(20,234)</b>	<b>-</b>	<b>-</b>	<b>(24,960)</b>	<b>-</b>	<b>-</b>	<b>(45,194)</b>
<b>Net liquidity gap on recognised financial assets and liabilities</b>	<b>434,214</b>	<b>13,380,890</b>	<b>6,612,858</b>	<b>28,828,615</b>	<b>12,858,451</b>	<b>10,968,331</b>	<b>76,757,530</b>
<b>Investment related commitments</b>	<b>(38,409,118)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(38,409,118)</b>



## 15 Capital management

The Company is not subject to externally imposed capital requirements.

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

## 16 Investment related commitments

The Company makes commitments to private equity funds in its portfolio. The Company diversifies 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

	2014 KZT'000	2013 KZT'000
<b>Contracted amount</b>		
Kazakhstan Infrastructure Fund C.V.	20,400,000	-
Kazakhstan Hong Kong Development Fund	18,098,113	15,295,482
CITIC-Kazyna Investment Fund LP	10,795,295	11,144,990
Kazakhstan-Tajikistan fund of direct investments JSC	3,674,880	3,660,204
Baiterek Venture Fund JSC	3,617,400	-
Kazakhstan Growth Fund	2,915,509	4,073,873
ADM Kazakhstan Capital Restructuring Fund CV	1,382,932	2,728,465
Wolfenson Capital Partners LP	945,498	1,280,397
Islamic Infrastructure Fund Limited	223,834	-
Aureos Central Asia Fund LLC	90,127	225,707
	<b>62,143,588</b>	<b>38,409,118</b>

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 Company 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 Company's share to co-investors or third parties. As at 31 December 2014 and 2013 the Company had no overdue capital commitments.

In addition to the amounts disclosed above, the Company's subsidiaries have investment related commitments amounting to KZT 12,061,080 thousand (2013: KZT 11,327,819 thousand). Management expects these commitments to be funded by the Company in the form of additional contributions to those subsidiaries.

	2014 KZT'000	2013 KZT'000
<b>Contracted amount</b>		
Falah Growth Fund LP	7,286,290	6,307,798
Russian and Kazakh Fund of Nanotechnologies	2,915,943	3,394,838
Macquarie Renaissance Infrastructure Fund	1,858,847	1,625,183
	<b>12,061,080</b>	<b>11,327,819</b>

## 17 Operating leases

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

	2014 KZT'000	2013 KZT'000
Less than 1 year	62,664	14,862

The Company 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.

## 18 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 Company 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 Company 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 separate financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

## 19 Related party transactions

### (a) Control relationships

The Company's parent company is JSC "National Management Holding "Baiterek". The Company 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 2014 and 2013 is as follows:

	2014 KZT'000	2013 KZT'000
Short term employee benefits	96,350	94,759

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

## 19 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 2014 and related profit or loss amounts of transactions for the year ended 31 December 2014 with other related parties are as follows.

	Parent		Other related parties*		
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
Separate statement of financial position					
ASSETS					
Cash and cash equivalents	-	-	10,134,775	5.99	10,134,775
Available-for-sale financial assets	-	-	2,059,618	5.5-6.5	2,059,618
Held-to-maturity investments	-	-	1,654,996	5.5	1,654,996
Other assets	-	-	-	-	-
LIABILITIES					
Other liabilities	-	-	-	-	-
EQUITY					
Increase in share capital	20,000,000	-	-	-	20,000,000
Separate statement of profit or loss and other comprehensive income					
Interest income	-	-	162,170	-	162,170
Other general and administrative expenses	-	-	-	-	-

\*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 2013 and related profit or loss amounts of transactions for the year ended 31 December 2013 as follows.

	Parent		Other related parties*		
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
Separate statement of financial position					
ASSETS					
Cash and cash equivalents	-	-	5	0.1	5
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	-	-	353,573	-	353,573
LIABILITIES					
Other liabilities	-	-	6,955	-	6,955
EQUITY					
Increase in share capital	400,000	-	-	-	400,000
Separate statement of profit or loss and other comprehensive income					
Interest income	-	-	300,025	-	300,025
Other general and administrative expenses	-	-	544,839	-	544,839

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



## **20 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 Company 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 Company 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 Company uses annual audited financial statements and quarterly management reports of underlying investment funds which use proprietary valuation models. For determination of fair values of investments in private equity funds as at 31 December 2013 the Company engaged an independent valuation which also used 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.

## 20 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 2014:

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
<b>31 December 2014</b>							
<b>Financial assets measured at fair value</b>							
Debt securities	-	-	-	29,181,553	-	29,181,553	29,181,553
Equity securities	32,054,131	-	-	-	-	32,054,131	32,054,131
	<b>32,054,131</b>	<b>-</b>	<b>-</b>	<b>29,181,553</b>	<b>-</b>	<b>61,235,684</b>	<b>61,235,684</b>
<b>Financial assets not measured at fair value</b>							
Cash and cash equivalents	-	-	5,843,671	-	-	5,843,671	5,843,671
Amounts due from credit institutions	-	-	35,370,458	-	-	35,370,458	35,370,458
Debt securities	-	1,654,996	-	-	-	1,654,996	1,654,996
	<b>-</b>	<b>1,654,996</b>	<b>41,214,129</b>	<b>-</b>	<b>-</b>	<b>42,869,125</b>	<b>42,869,125</b>
<b>Financial liabilities measured at fair value</b>							
Cross currency and interest rate swap	273,956	-	-	-	-	273,956	273,956
	<b>273,956</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>273,956</b>	<b>273,956</b>
<b>Financial liabilities not measured at fair value</b>							
Other liabilities	-	-	-	-	25,936	25,936	25,936
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,936</b>	<b>25,936</b>	<b>25,936</b>

## 20 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 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
<b>31 December 2013</b>							
<b>Financial assets measured at fair value</b>							
Debt securities	-	-	-	41,531,498	-	41,531,498	41,531,498
Equity securities	14,642,502	-	-	-	-	14,642,502	14,642,502
	<b>14,642,502</b>	-	-	<b>41,531,498</b>	-	<b>56,174,000</b>	<b>56,174,000</b>
<b>Financial assets not measured at fair value</b>							
Cash and cash equivalents	-	-	454,448	-	-	454,448	454,448
Amounts due from credit institutions	-	-	18,670,375	-	-	18,670,375	18,670,375
Debt securities		1,503,901	-	-	-	1,503,901	1,503,901
	-	<b>1,503,901</b>	<b>19,124,823</b>	-	-	<b>20,628,724</b>	<b>20,628,724</b>
<b>Financial liabilities measured at fair value</b>							
Cross currency and interest rate swap	24,960	-	-	-	-	24,960	24,960
	<b>24,960</b>	-	-	-	-	<b>24,960</b>	<b>24,960</b>
<b>Financial liabilities not measured at fair value</b>							
Other liabilities	-	-	-	-	20,234	20,234	20,234
	-	-	-	-	<b>20,234</b>	<b>20,234</b>	<b>20,234</b>



## 20 Fair values of financial instruments, continued

### (b) Fair value hierarchy

The Company 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 Company 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 2014, 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:

<b>KZT'000</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial instruments at fair value through profit or loss				
- Equity investments	-		32,054,131	32,054,131
- Derivative liabilities	-	(273,956)	-	(273,956)
Available-for-sale financial assets				
- Debt instruments	22,052,033	7,129,520	-	29,181,553
	<b>22,052,033</b>	<b>6,855,564</b>	<b>32,054,131</b>	<b>60,961,728</b>

## 20 Fair values of financial instruments, continued

### (b) Fair value hierarchy, continued

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	-	-	14,642,502	14,642,502
- Derivative liabilities	-	(24,960)	-	(24,960)
Available-for-sale financial assets				
- Debt instruments	35,738,721	5,792,777	-	41,531,498
	<b>35,738,721</b>	<b>5,767,817</b>	<b>14,642,502</b>	<b>56,149,040</b>

The following table shows a reconciliation for the year ended 31 December 2014 for fair value measurements in Level 3 of the fair value hierarchy:

KZT'000	Equity investments
Balance at beginning of the year	14,642,502
Net gains or losses in profit or loss	1,414,426
Purchases	15,997,203
<b>Balance at end of the year</b>	<b>32,054,131</b>

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	9,244,203
Net gains or losses in profit or loss	(944,108)
Purchases	6,342,407
<b>Balance at end of the year</b>	<b>14,642,502</b>

The Company'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 Company's holdings in these investment funds, the Company engages an independent appraiser for the year ended 31 December 2013. The approach followed by the appraiser was to estimate the fair value of the underlying portfolio investments (businesses) held by each fund, and then calculate the Company'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.

For the year ended 31 December 2014, the Company estimates the fair value of its investments based on the investment reports and net assets value (NAV) statements which are reported by each of its investment funds on a quarterly basis. The managers of these funds use a number of valuation techniques to value the underlying investments, which are similar to those used by the appraiser.

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.



## 20 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 2014, 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. For the majority of the investments, fair values were based on the unadjusted amounts of net asset value (NAV) reported by fund managers. For certain other companies, valuations were based on 30 September NAV reporting, but making judgemental adjustments based on movements in relevant equity indices and currency fluctuations in the period to 31 December 2014. The total amount of adjustments in respect of the September NAV reporting was a reduction of KZT 320,312 thousand in the total value of financial instruments at fair value through profit or loss.

Industry in which company operates	Fair value of Group's share	Valuation technique	Significant unobservable input	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
Rail car operator	3,803,462	Adjusted NAV	Adjustment to NAV	+/-5%	190,173
Electricity services	2,261,075	Adjusted NAV	Adjustment to NAV	+/-5%	113,054
Financial services	2,086,500	Adjusted NAV	Adjustment to NAV	+/-5%	104,325
Medical diagnostics	1,962,382	Adjusted NAV	Adjustment to NAV	+/-5%	98,119
Packaging materials manufacturing	1,819,860	Adjusted NAV	Adjustment to NAV	+/-5%	90,993
Mining (China)	1,800,267	Adjusted NAV	Adjustment to NAV	+/-5%	90,013
Transportation services	1,723,134	Adjusted NAV	Adjustment to NAV	+/-5%	86,157
Entertainment (cinema)	1,617,497	Adjusted NAV	Adjustment to NAV	+/-5%	80,875
Rolling stock leasing (Russia)	1,559,765	Adjusted NAV	Adjustment to NAV	+/-5%	77,988
Hospitality services (Kazakhstan)	1,362,994	Adjusted NAV	Adjustment to NAV	+/-5%	68,150
Production of construction materials (Kazakhstan)	983,127	Adjusted NAV	Adjustment to NAV	+/-5%	49,156
Light industry	907,500	Adjusted NAV	Adjustment to NAV	+/-5%	45,375
Poultry farm	655,771	Adjusted NAV	Adjustment to NAV	+/-5%	32,789
Telecom services	382,292	Adjusted NAV	Adjustment to NAV	+/-5%	19,115
Fiber-optic monitoring systems	202,857	Adjusted NAV	Adjustment to NAV	+/-5%	10,143
Others	8,925,648	-	-	-	-
<b>Total</b>	<b>32,054,131</b>				



## 20 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 Company 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	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
<i>Mining (China)</i>	1,537,525	Adjusted cost method	Adjustment to cost	+/- 5%	76,876
Transportation services (Kazakhstan)	1,325,581	Comparable trading multiples	EBITDA multiple	+/- 5%	62,970
Production of construction materials (Kazakhstan)	1,015,281	Comparable trading multiples	Discount for lack of marketability	+/- 3%	39,768
Hospitality services (Kazakhstan)	903,719	Adjusted cost method	EBITDA multiple	+/- 5%	50,765
Rolling stock leasing (Russia)	888,974	Comparable trading multiples	Adjustment to cost	+/- 5%	45,186
Electricity services	830,858 468,080	Comparable trading multiples Quoted market price	EBITDA multiple	+/- 5%	89,050
	101,525	Comparable trading multiples	Price	+/- 5%	16,545
	5,281	Adjusted cost method	EBITDA multiple	+/- 5%	23,404
	131	Adjusted NAV	Discount for lack of marketability	+/- 5%	7,387
	1,187,403	Quoted market price	Adjustment to cost	+/- 3%	5,214
Financial services	277,838	Comparable trading multiples	Adjustment to cost	+/- 5%	264
	144,764	Adjusted NAV	Adjustment to NAV	+/- 10%	13
			Price	+/- 5%	59,370
			P/BV	+/- 10%	27,784
			Adjustment to NAV	+/- 10%	14,476

## 20 Fair values of financial instruments, continued

### (b) Fair value hierarchy, continued

Industry in which company operates	Fair value of Group's share	Valuation technique	Significant unobservable input	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
Medical diagnostics		Comparable trading multiples	EBITDA multiple	+/-5%	16,622
	332,444	Comparable trading multiples	Discount for lack of marketability	+/-3%	11,733
	415,615	Adjusted cost method	Adjustment to cost	+/-5%	20,781
Rail car operator	704,074	DCF	WACC	+/-1%	+88,720/-74,587
Entertainment		Comparable trading multiples	EBITDA multiple	+/-5%	32,537
	650,735	Comparable trading multiples	Discount for lack of marketability	+/-3%	22,967
Poultry farm	349,716	Adjusted cost method	Cost	+/-5%	17,486
Telecom services	252,098	Adjusted cost method	Cost	+/-5%	12,605
	57,029	Comparable trading multiples	EBITDA multiple	+/-5%	2,851
Fiber-optic monitoring systems	226,559	Adjusted cost method	Cost	+/-5%	11,328
Others	2,967,272	-	-	-	-
<b>Total</b>	<b>14,642,502</b>				

## 20 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 2014:

KZT'000	Level 2	Total fair values	Total carrying amount
<b>Assets</b>			
Cash and cash equivalents	5,843,671	5,843,671	5,843,671
Amounts due from credit institutions	35,370,458	35,370,458	35,370,458
Held-to-maturity investments	1,654,996	1,654,996	1,654,996
<b>Liabilities</b>			
Other financial liabilities	25,936	25,936	25,936

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
<b>Assets</b>			
Cash and cash equivalents	454,448	454,448	454,448
Amounts due from credit institutions	18,670,375	18,670,375	18,670,375
Held-to-maturity investments	1,503,901	1,503,901	1,503,901
<b>Liabilities</b>			
Other financial liabilities	20,234	20,234	20,234

## 21 Changes in accounting policies

Except for the change below, the Company has consistently applied the accounting policies set out in Note 22 to all periods presented in these separate financial statements.

The Company 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 2014.

- i. Investment Entities (Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements) (see (i))
- ii. Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32 Financial Instruments: Presentation) (see (ii))

The nature and the effect of the changes are explained below.

### (i) Investment entities

The Company has adopted an amendment to IFRS 10 Consolidated Financial Statements with a date of initial application of 1 January 2014. The Company has been qualified as an Investment entity. 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. Under IFRS 10 Consolidated Financial Statements, an investment entity must evaluate its investments on a fair value basis rather than cost. The effects of adoption of these amendments are described in Note 2 (d).



## **21 Changes in accounting policies, continued**

### **(ii) Offsetting Financial Assets and Financial Liabilities**

Amendments to IAS 32 Financial Instruments: Disclosure and 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. Adoption of these amendments had no significant effect on the financial statements.

## **22 Significant accounting policies**

The accounting policies set out below are applied consistently to all periods presented in these separate financial statements, and are applied consistently by Company entities, except as explained in note 21, which addresses changes in accounting policies.

### **(a) Foreign currency**

Transactions in foreign currencies are translated to the respective functional currencies of the Company 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.

### **(b) 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 Company 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,

## 22 Significant accounting policies, continued

### (b) Financial instruments, continued

#### (i) *Classification, continued*

- 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 Company:

- 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.

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

- the Company upon initial recognition designates as at fair value through profit or loss
- the Company 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 separate statement of financial position when the Company 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



## **22 Significant accounting policies, continued**

### **(b) Financial instruments, continued**

#### **(iii) Measurement, continued**

- 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.

#### **(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 Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company 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 Company 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 Company 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



## **22 Significant accounting policies, continued**

### **(b) Financial instruments, continued**

#### **(vi) *Gains and losses on subsequent measurement, continued***

- 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 Company 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 Company 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 Company is recognised as a separate asset or liability in the separate statement of financial position. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company enters into transactions whereby it transfers assets recognised on its separate 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 Company 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 Company 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 Company purchases its own debt, it is removed from the separate 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 Company 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 Company 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 separate 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.

## **22 Significant accounting policies, continued**

### **(c) Interests in associates and joint ventures**

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity. A joint venture is an arrangement in which the Company has joint control, whereby the Company 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 for venture capital or similar organisations in IAS 28 *Investments in Associates*.

### **(d) Investments in subsidiaries**

Subsidiaries are investees controlled by the Company. The Company 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.

All investments in subsidiaries are measured at fair value through profit or loss in these separate financial statements, as management consider that the company meets the definition of an investment entity in accordance with IFRS 10. The company also prepares consolidated financial statements, where certain subsidiaries are consolidated in accordance with the requirements of IFRS 10.

The fair value of controlled subsidiary investments is determined on a consistent basis to all other investments measured at fair value through profit or loss, and as described in Note 20.

### **(e) 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 Company in the management of short-term commitments.

### **(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.

### **(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.



## 22 Significant accounting policies, continued

### (h) Impairment

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or Company of financial assets is impaired. If any such evidence exists, the Company 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 Company 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 Company reviews its loans and receivables to assess impairment on a regular basis.

The Company 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 Company 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.

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 Company 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 Company 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.



## 22 Significant accounting policies, continued

### (h) Impairment, continued

#### (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 Company 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.

#### (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 Company 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.

## **22 Significant accounting policies, continued**

### **(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 Company 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.

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.



## 22 Significant accounting policies, continued

### (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 2014, and are not applied in preparing these separate financial statements. The Company plans to adopt these pronouncements when they become effective and has not yet fully analysed their likely impact.

- IFRS 9 *Financial Instruments* 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 the classification and measurement of financial liabilities was published in October 2010. The third phase of IFRS 9 was issued in November 2013 and relates to general hedge accounting. The standard was finalized and published in July 2014. The final phase relates to a new expected credit loss model for calculating impairment. The Company recognises that the new standard introduces many changes to accounting for financial instruments and is likely to have a significant impact on the consolidated financial statements. The Company has not analysed the impact of these changes yet. The Company does not intend to adopt this standard early. The standard will be effective for annual periods beginning on or after 1 January 2018 and will be applied retrospectively with some exemptions.
- 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 2015. The Company has not yet analysed the likely impact of the improvements on its financial position or performance.