

## Temirleasing JSC

## Financial statements

*Year ended 31 December 2013  
together with independent auditors' report*

## CONTENTS

### INDEPENDENT AUDITORS' REPORT

Statement of financial position .....	1
Statement of comprehensive income .....	2
Statement of changes in equity .....	3
Statement of cash flows .....	4

### NOTES TO FINANCIAL STATEMENTS

1. Principal activities .....	5
2. Basis of preparation .....	5
3. Summary of significant accounting policies .....	5
4. Significant accounting judgements and estimates .....	14
5. Cash and cash equivalents .....	14
6. Net investment in finance leases .....	14
7. Embedded derivative financial instruments .....	16
8. Inventories .....	16
9. Investment property .....	16
10. Property and equipment .....	17
11. Other assets and liabilities .....	17
12. Amounts due to credit institutions .....	18
13. Taxation .....	18
14. Charter capital .....	19
15. Fee and commission income .....	19
16. Personnel and other operating expenses .....	19
17. Earnings per share .....	20
18. Contingencies .....	20
19. Risk management .....	20
20. Fair value of financial instruments .....	24
21. Maturity analysis of financial assets and liabilities .....	26
22. Related party transactions .....	26
23. Subsequent events .....	27

## **Independent auditors' report**

To the Shareholders and Board of Directors of Temirleasing Joint Stock Company

We have audited the accompanying financial statements of Temirleasing Joint Stock Company ("the Company"), which comprise the statement of financial position as at 31 December 2013, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

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

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

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




**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Temirleasing Joint Stock Company as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Ernst & Young LLP*

  
Dmitry Weinstein  
Audit Partner

  
Evgeny Zhemaletdinov  
Auditor / General Director  
Ernst and Young LLP

State Audit License for audit activities on  
the territory of the Republic of Kazakhstan:  
series МФЮ - 2 No. 0000003 issued by the  
Ministry of Finance of the Republic of  
Kazakhstan on 15 July 2005

30 April 2014

Auditor Qualification Certificate  
No. 0000553 dated 24 December 2003



## STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

*(In thousands of tenge)*

	<i>Note</i>	<i>2013</i>	<i>2012</i>
<b>Assets</b>			
Cash and cash equivalents	5	255,233	290,835
Net investment in finance leases	6	2,387,445	2,231,899
Embedded derivative financial instruments	7	16,164	–
Inventories	8	80,527	113,121
Investment property	9	936,324	963,380
Property and equipment	10	24,691	98,587
Current corporate income tax assets	13	3,750	3,750
Other assets	11	358,666	55,636
<b>Total assets</b>		<b>4,062,800</b>	<b>3,757,208</b>
<b>Liabilities</b>			
Amounts due to credit institutions	12	1,584,303	1,572,871
Deferred corporate income tax liabilities	13	44,901	50,503
Other liabilities	11	248,648	137,744
<b>Total liabilities</b>		<b>1,877,852</b>	<b>1,761,118</b>
<b>Equity</b>			
Share capital	14	1,684,113	1,684,113
Retained earnings		500,835	311,977
<b>Total capital</b>		<b>2,184,948</b>	<b>1,996,090</b>
<b>Total equity and liabilities</b>		<b>4,062,800</b>	<b>3,757,208</b>

Signed and authorized for release on behalf of the Management of the Company:

Mendigaliyev A.S.

Chairman of the Management Board

Koloskova I.B.

Chief accountant

30 April 2014

**STATEMENT OF COMPREHENSIVE INCOME****Year ended 31 December 2013***(In thousands of tenge)*

	<i>Note</i>	<i>2013</i>	<i>2012</i>
<b>Interest income</b>			
Net investment in finance leases		387,949	365,642
		<u>387,949</u>	<u>365,642</u>
<b>Interest expenses</b>			
Amounts due to credit institutions		(201,502)	(196,658)
Debt securities issued		—	(14,557)
		<u>(201,502)</u>	<u>(211,215)</u>
<b>Net interest income</b>		<u>186,447</u>	<u>154,427</u>
(Charge)/reversal of allowance for impairment of investments in finance leases	6	(34,629)	16,036
<b>Net interest income after provision for impairment of investments in finance leases</b>		<u>151,818</u>	<u>170,463</u>
Fee and commission income	15	21,706	9,147
Income from operating lease	9	242,209	88,012
Gain from embedded derivative financial instruments		16,147	—
Net (losses)/income from foreign currency exchange		(1,876)	6,004
(Loss)/proceeds from sale of inventory		(1,837)	2,083
Other income		7,862	22,077
<b>Non-interest income</b>		<u>284,211</u>	<u>127,323</u>
Personnel expenses	16	(131,263)	(121,364)
Depreciation and amortisation	9, 10	(31,442)	(31,680)
Other operating expenses	16	(90,068)	(92,621)
<b>Non-interest expense</b>		<u>(252,773)</u>	<u>(245,665)</u>
<b>Profit before corporate income tax benefit/(expenses)</b>		<u>183,256</u>	<u>52,121</u>
Corporate income tax benefit /(expense)	13	5,602	(2,424)
<b>Profit for the year</b>		<u>188,858</u>	<u>49,697</u>
Other comprehensive income		—	—
<b>Total comprehensive income for the year</b>		<u>188,858</u>	<u>49,697</u>
<b>Basic and diluted earnings per share (in tenge)</b>	17	<u>121.06</u>	<u>31.86</u>

## STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

(In thousands of tenge)

	Share capital	Retained earnings	Total capital
At 31 December 2011	1,684,113	262,280	1,946,393
Comprehensive income for the year	—	49,697	49,697
At 31 December 2012	1,684,113	311,977	1,996,090
Comprehensive income for the year	—	188,858	188,858
At 31 December 2013	1,684,113	500,835	2,184,948



## STATEMET OF CASH FLOWS

For the year ended 31 December 2013

(In thousands of tenge)

	Note	2013	2012
<b>Cash flows from operating activities:</b>			
Interest received		347,430	345,378
Interest paid		(155,839)	(175,283)
Fee and commission income received		21,706	9,147
Income from operating lease received		—	87,815
Other income received		7,859	18,281
Losses from transactions with foreign currency		(1,877)	(1,750)
Personnel expenses paid		(131,263)	(121,185)
Other operating expenses paid		(90,068)	(87,083)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>(2,052)</b>	<b>75,320</b>
<i>Net (increase)/decrease in operating assets</i>			
Net investment in finance leases		(117,062)	(33,844)
Amounts due from credit institutions		—	35,000
Inventories		(1,837)	2,083
Other assets		1,680	22,411
<i>Net increase in operating liabilities</i>			
Other liabilities		105,926	20,589
<b>Net cash flows (used in)/from operating activities before corporate income tax</b>		<b>(13,345)</b>	<b>121,559</b>
Corporate income tax paid		—	—
<b>Net cash flows (used in)/from operating activities</b>		<b>(13,345)</b>	<b>121,559</b>
<b>Cash from investing activities:</b>			
Purchase of property and equipment		7,009	(15,427)
<b>Net cash from/(used in) investing activities</b>		<b>7,009</b>	<b>(15,427)</b>
<b>Cash flows from financing activities:</b>			
Repayment of amounts due to credit institutions		(629,739)	(822,021)
Amounts due to credit institutions received		600,473	966,114
Redemption of debt securities issued		—	(500,000)
<b>Net cash used in financing activities</b>		<b>(29,266)</b>	<b>(355,907)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(35,602)</b>	<b>(249,775)</b>
<b>Cash and cash equivalents, beginning</b>	5	<b>290,835</b>	<b>540,610</b>
<b>Cash and cash equivalents, ending</b>	5	<b>255,233</b>	<b>290,835</b>
<b>Non-cash transactions</b>			
Transfer of equipment repossessed from lessees to property and equipment		—	84,782
Equipment repossessed from lessees		130,671	—

The accompanying notes on pages 5 to 27 are an integral part of these financial statements.

(In thousands of Tenge unless otherwise indicated)

## 1. Principal activities

Temirleasing JSC (the "Company") was incorporated in accordance with the law of the Republic of Kazakhstan on 5 March 2001. The Company's principal business activity is carrying out leasing operations in Kazakhstan.

The Company's registered office is located at the following address: 187 Aiteke bi str., Almaty, Kazakhstan.

The number of employees of the Company as at 31 December 2013 was 37 persons (as at 31 December 2012: 28 persons).

As of 31 December, the following shareholders owned more than 2.5% of the outstanding shares.

<i>Shareholders</i>	<i>2013, %</i>	<i>2012, %</i>
BTA Bank JSC	54.53	44.96
Temirbank JSC	18.88	18.88
SMKK LLP	5.87	5.87
FRANCIS ALLIANCE LTD UL	5.64	5.64
Company Premium Invest LLP	5.06	5.06
Corvet LLP	3.35	3.35
INTELLECTUAL CREATIVE SOLUTIONS LTD UL	2.56	2.56
CARTE BLANCH LTD LLP	—	9.56
Other	4.11	4.12
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

As at 31 December 2013, authorised and paid capital of the Company comprised 1,560,000 common shares. The controlling shareholder of the Company as at 31 December 2013 is the Government of the Republic of Kazakhstan through BTA Bank JSC and Temirbank JSC.

On 3 February 2014, Temirbank JSC increased its share in the Company from 18.88% to 75.6% as at 31 December 2012 and became a controlling shareholder of the Company.

## 2. Basis of preparation

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

The financial statements are prepared under the historical cost convention except as mentioned in Summary of significant accounting policies. For example, derivative financial instruments were measured at fair value.

These financial statements are presented in thousands of tenge, unless otherwise indicated.

## 3. Summary of significant accounting policies

### Changes in accounting policies

During the year the Company adopted the following amended IFRS:

#### *IFRS 13 Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. Application of IFRS 13 did not have a significant impact on the fair value measurement determined by the Company.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements. The Company provides these disclosures in Note 20.

#### *Amendment to IAS 1 Changes to the Presentation of Other Comprehensive Income*

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, revaluation of buildings). The amendment affects presentation only and has no impact on the Company's financial position or performance.



(In thousands of Tenge unless otherwise indicated)

### 3. Summary of accounting policies (continued)

#### Changes in accounting policy (continued)

##### *IAS 1 Clarification of the Requirement for Comparative Information (Amendment)*

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position, presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. The amendments affect presentation only and have no impact on the Company's financial position or performance.

##### *IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7*

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they are set off in accordance with IAS 32. These amendments had no impact on the Company's financial position or performance.

#### Determination of fair value

The Company evaluates such financial instruments as embedded derivatives at fair value at each reporting date. Information on fair value of financial instruments measured at amortized cost is disclosed in Note 20.

The fair value is a 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

In the event of assets and liabilities recognized in the financial statements on a regular basis, the Group determines the fact of transfer between levels of hierarchy sources by analysing the classification once again (based on initial data of the lowest level that are significant for fair value evaluation in whole) at the end of each reporting period.

#### Financial assets

##### *Initial recognition*

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. At initial recognition financial assets are measured at fair value. Plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets upon initial recognition and, where appropriate, re-evaluates this designation at each financial year-end.



(In thousands of Tenge unless otherwise indicated)

### 3. Summary of accounting policies (continued)

#### Financial assets (continued)

##### *Date of recognition*

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

##### *'Day 1' profit*

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Company immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit) in the statement of comprehensive income. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the statement of comprehensive income when the inputs become observable, or when the instrument is derecognised.

##### *Finance leases and receivables*

Finance leases and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate resale in the near future and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortised cost using the effective rate method. Gains and losses are recognised in the statement of comprehensive income when the finance leases and receivables are derecognised or impaired, as well as through the amortisation process.

##### *Reclassification of financial assets*

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss previously recognized in the statement of comprehensive income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

#### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

#### Embedded derivative financial instruments

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value, with changes in fair value recognised in the statement of comprehensive income within net gains/(losses) from transactions with derivative financial instruments. Realised income on derivatives embedded in financial lease agreements are recorded in the statement of comprehensive income within interest income.

#### Borrowings

Borrowings are classified as liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments.

Borrowings that comprise amounts due to credit institutions and debt securities issued initially recognized at fair value of consideration received, net of expenses directly related to transaction. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the borrowings are derecognised as well as through the amortisation process. If the Company purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in the statement of comprehensive income.



(In thousands of Tenge unless otherwise indicated)

### 3. Summary of accounting policies (continued)

#### Lease

##### *Finance – Company as lessor*

The Company recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are recorded within the initial amount of lease receivables.

Assets owned by the Company but subject to finance lease are included in the financial statements as “Net investment in finance lease”, which is the gross investment in finance lease less unearned finance income. Unearned finance income is amortized over the lease term, applying the annuity method, so as to produce a systematic return on the net investment in finance lease.

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

Gross investment in a lease is the aggregate of the minimum lease payments under a finance lease from the standpoint of the lessor. Minimum lease payments are the payments over the lease term that the lessee is, or can be required, to make excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor.

Unearned finance income is the difference between the aggregate of the minimum lease payments under a finance lease from the standpoint of the lessor and the present value of those minimum lease payments, at the interest rate implicit in the lease.

The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments to be equal to the fair value of the leased asset.

Fair value is the amount for which a leased asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

##### *Operating – Company as lessee*

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

##### *Operating – Company as lessor*

The Company presents assets subject to operating leases in the statement of financial position according to the nature of the asset. Income from operating lease is recognized in the statement of comprehensive income on a straight line basis over the life of a lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

#### Measurement of financial instruments at initial recognition

When financial instruments are recognised initially, they are measured at fair value, adjusted, in the case of instruments not at fair value through profit or loss, for directly attributable fees and costs.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price. If the Company determines that the fair value at initial recognition differs from the transaction price, then:

- if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the Company recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss;
- in all other cases, the initial measurement of the financial instrument is adjusted to defer the difference between the fair value, at initial recognition and the transaction price. After initial recognition, the Company recognises the deferred difference as a gain or loss only when the inputs become observable, or when the instrument is derecognized.

#### Offsetting of financial assets

Financial assets and liabilities are offset and the net amount is reported in the 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 to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.



(In thousands of Tenge unless otherwise indicated)

### 3. Summary of accounting policies (continued)

#### Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Investments in finance leases together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred by the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that considers asset type, industry, geographical location, type of security, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### *Renegotiated investments in finance leases*

Where possible, the Company seeks to restructure investment in finance leases rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new finance leases conditions.

The accounting treatment of such restructuring is as follows:

- If the currency of the investment in finance lease has been changed the old finance lease payables are derecognised and the new finance lease payables are recognized in the statement of financial position;
- If the restructuring is not caused by the financial difficulties of the lessee, the Company uses the same approach as for financial liabilities described below.
- If restructuring is due to the financial difficulties of the lessee and investment in finance leases is impaired after restructuring, the Company recognizes the difference between the present value of future cash flows discounted using the original effective interest rate and the carrying amount before restructuring in the provision charges for the period. In case investment in finance leases is not impaired after restructuring, the Company recalculates the effective interest rate.



(In thousands of Tenge unless otherwise indicated)

### 3. Summary of accounting policies (continued)

#### Impairment of financial assets (continued)

##### *Renegotiated investments in finance leases (continued)*

In the event a financial asset has been renegotiated, it is no longer considered past due. Management continuously reviews renegotiated financial assets to ensure that all criteria are met and that future payments are likely to occur. Such financial assets continue to be subject to an individual or collective impairment assessment, calculated using the financial asset's original effective interest rate.

#### Derecognition of financial assets and liabilities

##### *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and
- the Company either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

##### *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

#### Taxation

The current corporate income tax charge is calculated in accordance with the regulations of the Republic of Kazakhstan.

Deferred corporate income tax assets and liabilities are calculated using the liability method. Deferred corporate income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred income tax assets are recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Republic of Kazakhstan also has various operating taxes that are assessed on the Company's activities. These taxes are recorded within other operating expenses in the statement of comprehensive income.

#### Property and equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.



*(In thousands of Tenge unless otherwise indicated)*

### 3. Summary of accounting policies (continued)

#### Property and equipment (continued)

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	<i>Years</i>
Motor vehicles	7-10
Other fixed assets	10-14
Buildings and constructions	25-40

The assets' residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

#### Investment property

Investment property, including office buildings, is intended to earn rentals or capital appreciation, and which is not used by the Company as fixed assets.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time when such cost are incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost, less accumulated depreciation. Buildings within investment property are depreciated on a straight-line basis over the period of useful life, which is 40 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of comprehensive income in the year of retirement or disposal.

Transfers to and from investment property are made when, and only when, there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the owner becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

#### Impairment of property and equipment and investment property

The carrying amounts of property and equipment and investment property are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. The recoverable amount of property and equipment and investment property is the greater of the net selling price and the value in use. In assessing the 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.

#### Inventories

Inventory represents forfeited collateral or leased object and are stated at the lower of cost and net realizable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction from the proceeds in equity.

#### Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are approved before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

#### Retirement and other employee benefit obligations

The Company does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments. These expenses are charged in the period the related salaries are earned. Besides, the Company has no post-retirement benefits or significant other compensated benefits requiring accrual.



(In thousands of Tenge unless otherwise indicated)

### 3. Summary of accounting policies (continued)

#### Provisions

Provisions are recognized when the Company has present obligation (legal or constructive) as a result of past event and where it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reasonably estimated.

#### Contingencies

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

#### Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### *Finance lease receivables and recognition of rental income*

The Company recognises finance lease receivables in the amount equal to net investment in leases starting from the commencement of the lease term. Net investment in leases is calculated in the statement of financial position as the present value of minimum lease payments. In calculating the present value of the minimum lease payments, the interest rate implicit in the lease is used as the discount factor. Initial direct costs are recorded upon initial recognition of the finance lease receivables.

Origination of finance leases is the signing date of the lease agreement or a date when the parties assume obligations on the main provisions of the lease depending on which is earlier. At this date:

- leases are classified as finance leases; and
- the amount, which must be recognized at the commencement of the lease term, is determined.

The lease term commences on the date on which the lessee receives the right to use the leased asset. This is a date of initial recognition of leases (that is recognition of assets, liabilities, income or expenses incurred as a result of leases).

The lease payments received are proportionally allocated between finance income and decrease in the outstanding lease receivables. The finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

##### *Interest and similar income and expenses*

For all financial instruments measured at amortised cost and interest bearing instruments classified as available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options). The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

##### *Profit from sale of inventory*

Revenue is recognized when the significant risks and rewards of ownership of finance lease items have passed to the buyer and the amount of revenue can be measured reliably. The profit from the sale of inventory comprises of the difference between sales revenue and the cost of the sales. The cost of sale recognized at the commencement of the lease term is the cost, or carrying amount if different, of the leased property less the discounted value of the non-guaranteed residual value.

##### *Fee income earned from services that are provided over a certain period of time*

Fee earned for rendering services over a certain period of time are accrued over this period. These items include commission income from project evaluation and other advisory services.



(In thousands of Tenge unless otherwise indicated)

### 3. Summary of accounting policies (continued)

#### Operating expenses

Expenses are accounted for at the time the actual flow of the related goods or services occur, regardless of when cash or its equivalent is paid, and are reported in the financial statements in the period to which they relate.

#### Foreign currency translation

The financial statements are presented in Kazakh Tenge, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially translated into functional currency at the exchange rate at the date of the transaction established by the Kazakhstan Stock Exchange (the "KASE") and published by the National Bank of the Republic of Kazakhstan (the "NBRK"). Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the income statement as net gains from foreign currencies - translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the official exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the official KASE exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. As at 31 December 2013, the official exchange rate of KASE was KZT 154.06 to USD 1 (as at 31 December 2012: KZT 150.74 to USD 1), respectively.

#### Future changes in accounting policies

##### *Standards and interpretations issued but not yet effective*

##### *IFRS 9 Financial Instruments*

IFRS 9, as issued, reflects two of the three phases of the IASB project on replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities and hedge accounting. The standard has no mandatory effective date and may be applied voluntarily. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of the Company's financial liabilities. The Company will quantify the effect when the remaining part of the standard containing guidance on impairment of financial assets is issued.

##### *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Company, since none of the entities in the Bank does qualify to be an investment entity under IFRS 10.

##### *Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32*

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments become effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Company.

##### *IFRIC 21 Levies*

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Company does not expect that IFRIC 21 will have a material impact on its financial statements.

##### *IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Company has not novated its derivatives during the current period. However, these amendments would be considered for future novations.



(In thousands of Tenge unless otherwise indicated)

#### 4. Significant accounting judgements and estimates

In the process of applying the Company's accounting policies, management has used its judgment and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

##### *Allowance for impairment of finance leases and receivables*

The Company analyses its leases and receivables to assess impairment on a monthly basis. The Company uses its experienced judgement to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Company estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or local economic conditions that correlate with defaults on assets in the group. The Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of leases and receivables. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

##### *Taxation*

Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementing regulations are often unclear or non-existent and insignificant amount of precedents has been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Company is in compliance with the tax laws of the Republic of Kazakhstan regulating its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

#### 5. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2013	2012
Cash on hand	2,254	580
Current accounts – Temirbank JSC	241,097	290,255
Current accounts – Kazkommertsbank JSC	11,882	–
<b>Cash and cash equivalents</b>	<b>255,233</b>	<b>290,835</b>

#### 6. Net investment in finance leases

Net investment in finance leases includes:

	2013	2012
Minimum lease payments receivable	3,261,355	2,985,690
Unearned finance income	(446,984)	(361,494)
<b>Net minimum lease payments receivable</b>	<b>2,814,371</b>	<b>2,624,196</b>
Less: allowance for impairment	(426,926)	(392,297)
<b>Net investment in finance leases</b>	<b>2,387,445</b>	<b>2,231,899</b>
Current portion	1,724,513	1,579,969
Less: allowance for impairment	(405,075)	(367,483)
<b>Current portion, net</b>	<b>1,319,438</b>	<b>1,212,486</b>
Non-current portion	1,089,858	1,044,227
Less: allowance for impairment	(21,851)	(24,814)
<b>Non-current portion, net</b>	<b>1,068,007</b>	<b>1,019,413</b>
<b>Net investment in finance leases</b>	<b>2,387,445</b>	<b>2,231,899</b>



(In thousands of Tenge unless otherwise indicated)

## 6. Net investment in finance leases (continued)

In 2013 and 2012 leased equipment transferred to finance lease amounted to KZT 1,536,137 thousand and KZT 1,261,348 thousand, respectively.

The interest rates on net investment in finance leases in 2013 vary from 8% to 25% (2012: 8% to 27%). The effective interest rates on net investment in finance leases in 2013 were 16.57% p.a. (2012: 16.63% p.a.).

Remaining maturities of gross and net investment in finance leases at 31 December are as follows:

Years	2013		2012	
	General investments	Net investments	General investments	Net investments
2013	—	—	1,646,718	1,579,969
2014	1,814,099	1,724,513	792,115	656,445
2015	931,383	744,424	404,808	297,410
2016	455,184	311,341	139,208	88,700
2017	46,551	26,963	2,841	1,672
2018	14,138	7,130	—	—
	3,261,355	2,814,371	2,985,690	2,624,196

At the end of the lease term the ownership of the leased assets is transferred to the lessees.

Reconciliation of allowance for impairment of investment in finance leases is as follows:

	2013	2012
As at 1 January	392,297	408,333
Charge/(reversal) for the year	34,629	(16,036)
As at 31 December	426,926	392,297
Individual impairment	384,048	346,311
Collective impairment	42,878	45,986
	426,926	392,297
Gross amount of individually significant impaired finance leases	675,688	688,986

### Individually impaired investments in finance leases

Interest income accrued on assets, individually determined as impaired, for the year ended 31 December 2013, amounted to KZT 25,784 thousand (in 2012: KZT 48,388 thousand).

The fair value of collateral obtained by the Company on investments in finance leases that as at 31 December 2013 were individually determined as impaired amounts to KZT 291,640 thousand (31 December 2012: KZT 342,674 thousand). Investment in leases may only be written off with the approval of the Board of Directors and, in certain cases, with the respective decision of the Court.

### Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment.

During 2013 the Company repossessed specialised equipment and motor vehicles totalling KZT 130,671 thousand (in 2012: KZT 90,046 thousand), of which motor vehicles and equipment were classified as inventory for the purpose of further sale (Note 8). According to the Company's policies, the repossessed property is sold or transferred to secondary finance lease in accordance with the established procedure. The proceeds are used to reduce or repay the current debt.

### Concentration of investments in finance leases

As at 31 December 2013, the Company had 10 major lessees, which accounted for 29% (as at 31 December 2012: 35%) of the net minimum leases payments receivable or 38% (31 December 2012: 48%) of capital. The aggregate amount of these finance leases receivable was KZT 820,060 thousand (31 December 2012: KZT 943,714 thousand). At 31 December 2013 a provision of KZT 18,992 thousand was formed against these investments (31 December 2012: KZT 29,092 thousand).



(In thousands of Tenge unless otherwise indicated)

## 7. Embedded derivative financial instruments

The table below shows the fair values of derivative financial instruments reflected in financial statements together with their notional amounts.

	2013			2012		
	Notional principal	Fair values		Notional principal amount	Fair values	
		Asset	Liability		Asset	Liability
Currency option	80,947	16,164	—	—	—	—

As at 31 December 2013, the Company had certain investment in finance leases that are foreign currency linked debt instruments with a floor feature, i.e. where interest and principal payments are linked to foreign currencies, in such a way, that the Company has an option to demand higher payments if the foreign currency specified in the contract will appreciate above certain floor (the floor is generally set at the spot rate that prevailed during the lease issue date). At the same time if the foreign currency rates will fall below the floor, interest and principal payments will remain at the original level. As at 31 December 2012 the Company had no embedded derivative financial instrument, since it was redeemed in accordance with the indexed loans redemption terms.

The Company believes that the above feature comprising an embedded foreign currency option is an embedded derivative that should be separated from the host contract and recorded as a separate financial instrument measured at fair value through profit or loss in the financial statements.

## 8. Inventories

Inventory comprises finance lease equipment repossessed from lessees and either held for resale or for leasing out under finance lease. As at 31 December 2013, inventories amounted to KZT 80,527 thousand (31 December 2012: KZT 113,121 thousand) and fully consisted of motor vehicles and other specialised equipment.

## 9. Investment property

The movements in investment property were as follows:

	Land	Buildings	Total
<b>Cost:</b>			
At 31 December 2011	157,353	982,224	1,139,577
Additions	—	—	—
At 31 December 2012	157,353	982,224	1,139,577
Additions	—	—	—
Transfer to property and equipment (Note 10)	(112)	(2,907)	(3,019)
At 31 December 2013	157,241	979,317	1,136,558
<b>Accumulated depreciation:</b>			
At 31 December 2011	—	(151,558)	(151,558)
Charge	—	(24,639)	(24,639)
At 31 December 2012	—	(176,197)	(176,197)
Charge	—	(24,638)	(24,638)
Disposal	—	601	601
At 31 December 2013	—	(200,234)	(200,234)
<b>Net book value:</b>			
At 31 December 2013	157,241	779,083	936,324
At 31 December 2012	157,353	806,027	963,380
At 31 December 2011	157,353	830,666	988,019

	2013	2012
Income from operating lease	242,209	88,012
Investment property operating expenses	(23,728)	(16,429)

Investment property consists of buildings and adjacent land lots. The fair value of investment property, which was determined by a licensed appraiser using comparative market prices as at 31 December 2013 amounts to KZT 2,807,497 thousand (31 December 2012: KZT 2,789,585 thousand). This investment property is leased out under operating lease agreements expiring on 31 December 2013.



(In thousands of Tenge unless otherwise indicated)

**10. Property and equipment**

The movements in property and equipment were as follows:

	<i>Land, buildings, constructions</i>	<i>Vehicles</i>	<i>Construction- in-progress</i>	<i>Other fixed assets</i>	<i>Total</i>
<b>Cost:</b>					
<b>At 31 December 2011</b>	—	—	—	12,573	12,573
Additions	—	84,782	14,147	1,319	100,248
Disposal	—	—	—	(1,642)	(1,642)
<b>At 31 December 2012</b>	—	84,782	14,147	12,250	111,179
Additions	—	4,442	—	897	5,339
Disposal	—	(84,782)	—	(1,261)	(86,043)
Transfer from investment property (Note 9)	3,019	—	—	—	3,019
<b>At 31 December 2013</b>	3,019	4,442	14,147	11,886	33,494
<b>Accumulated depreciation:</b>					
<b>At 31 December 2011</b>	—	—	—	(7,830)	(7,830)
Charge	—	(5,299)	—	(1,064)	(6,363)
Disposal	—	—	—	1,601	1,601
<b>At 31 December 2012</b>	—	(5,299)	—	(7,293)	(12,592)
Charge	—	(4,905)	—	(1,351)	(6,256)
Disposal	—	9,538	—	1,108	10,646
Transfer from investment property	(601)	—	—	—	(601)
<b>At 31 December 2013</b>	(601)	(666)	—	(7,536)	(8,803)
<b>Net book value:</b>					
<b>At 31 December 2013</b>	2,418	3,776	14,147	4,350	24,691
<b>At 31 December 2012</b>	—	79,483	14,147	4,957	98,587
<b>At 31 December 2011</b>	—	—	—	4,743	4,743

Depreciation and amortisation in the statement of comprehensive income also include amortisation of intangible assets for 2013 of KZT 548 thousand (2012: KZT 678 thousand).

**11. Other assets and liabilities**

Other assets comprise the following:

	<i>2013</i>	<i>2012</i>
Operating lease receivables	250,277	5,740
Inventory sold by instalments	63,048	—
Receivables on sold inventory	28,207	31,005
Advances and prepayments	11,738	7,492
Taxes recoverable, other than corporate income tax	4,522	7,099
Accounts payable on reimbursable expenses	5,718	10,714
Other	8,234	2,726
	371,744	64,776
Less: allowance for impairment	(13,078)	(9,140)
<b>Other assets</b>	<b>358,666</b>	<b>55,636</b>

The movements in allowance for impairment of other assets are as follows:

	<i>Other assets</i>
<b>At 31 December 2011</b>	9,140
Charge for the year	—
<b>At 31 December 2012</b>	9,140
Charge for the year	3,938
<b>At 31 December 2013</b>	<b>13,078</b>

(In thousands of Tenge unless otherwise indicated)

## 11. Other assets and liabilities (continued)

Other liabilities comprise:

	2013	2012
Value added tax payable	106,298	68,954
Advances from lessees	26,365	25,432
Deferred income	24,776	19,810
Payables to suppliers	85,433	17,552
Professional services payable	500	1,820
Other	5,276	4,176
<b>Other liabilities</b>	<b>248,648</b>	<b>137,744</b>

## 12. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	2013	2012
Loans received from DAMU Entrepreneurship Development Fund JSC	873,665	964,525
Loans from Temirbank JSC	710,638	608,346
<b>Amounts due to credit institutions</b>	<b>1,584,303</b>	<b>1,572,871</b>

As at 31 December 2013 and 2012, the Company had a credit facility provided by Temirbank JSC in the amount of KZT 1,835,485 thousand. The credit facility expires on 25 December 2017. The credit facility is collateralised by investment properties owned by the Company with carrying value of KZT 936,324 thousand as at 31 December 2013 (31 December 2012: KZT 963,380 thousand). As at 31 December 2013 and 2012, nominal interest rates on loans obtained within this credit facility comprised 13.5% per annum.

In addition the Company receives loans to finance leasing transactions of small and medium businesses from Entrepreneurship Development Fund DAMU JSC. As at 31 December 2013, such loans amounted to KZT 873,665 thousand (31 December 2012: KZT 964,525 thousand), nominal interest rates vary from 3.5% to 6.5% per annum (31 December 2012: 3.5% to 6.5%). Terms of this credit line comprise certain financial and non-financial covenants. In particular, the financial position of a borrower should not be defined as "Unstable" in accordance with the Resolution of the Government of the Republic of Kazakhstan, Clause 3, No. 2275 dated 30 December 2009. The default event also occurs in case of failure to comply with the terms of investment in finance leases. At 31 December 2013 and 2012, the Company was in compliance with covenants under the agreement.

## 13. Taxation

The corporate income tax ("CIT") expense comprises:

	2013	2012
Current CIT expenses	-	-
Deferred CIT (charge)/benefit – origination and reversal of temporary differences	5,602	(2,424)
<b>CIT (expense)/benefit</b>	<b>5,602</b>	<b>(2,424)</b>

In accordance with Kazakhstan legislation, income derived from financial leasing for a period of more than three years, with subsequent transfer of the title of equipment to a lessee, is exempt from CIT. As a result, the Company deducts interest income from finance leases for the purpose of calculation of net taxable income. The resulting tax losses that are not subject to carry forward to future periods.

In accordance with the tax legislation the applied corporate income tax rate is 20% in 2013 and 2012.

The reconciliation between the CIT expense in these financial statements and profit before CIT multiplied by the statutory tax rate for the years ended 31 December is as follows:

	2013	2012
<b>Profit before CIT expense</b>	<b>183,256</b>	<b>52,121</b>
Statutory CIT rate	20%	20%
<b>Theoretical CIT expense at the statutory rate</b>	<b>36,651</b>	<b>10,424</b>
Non-taxable income from finance leases	(48,301)	(11,396)
Expenses on derivative financial instruments	(1,679)	-
Allowance for impairment of assets	8,404	3,208
Other	(677)	188
<b>CIT expense/(benefit)</b>	<b>(5,602)</b>	<b>2,424</b>



(In thousands of Tenge unless otherwise indicated)

**13. Taxation (continued)**

	<i>Origination and decrease of temporary differences in the statements of comprehen- sive income</i>		<i>Origination and decrease of temporary differences in the statements of comprehen- sive income</i>		
	2011		2012		2013
<b>Tax effect of deductible temporary differences</b>					
Advances paid	641	(277)	364	(364)	—
Deferred tax asset	641	(277)	364	(364)	—
<b>Tax effect of taxable temporary differences</b>					
Investment property and property and equipment	(48,720)	(2,147)	(50,867)	5,966	(44,901)
Deferred tax liability	(48,720)	(2,147)	(50,867)	5,966	(44,901)
Net deferred tax liability	(48,079)	(2,424)	(50,503)	5,602	(44,901)

As at 31 December 2013 and 2012, current CIT assets are KZT 3,750 thousand.

**14. Share capital**

As at 31 December 2013 and 2012, authorised and paid capital of the Company comprised 1,560,000 common shares. The placement value was KZT 1,000 per share. In 2013 and 2012 the Company did not declare and pay any dividends.

**15. Fee and commission income**

Commission income comprises the following:

	2013	2012
Income from expertise of potential lessee's projects	17,808	4,569
Income from agent agreements	3,492	4,432
Other	406	146
<b>Fee and commission income</b>	<b>21,706</b>	<b>9,147</b>

**16. Personnel and other operating expenses**

Personnel and other operating expenses comprise the following:

	2013	2012
Salaries and bonuses	(119,588)	(110,657)
Social security costs	(11,675)	(10,707)
<b>Personnel expenses</b>	<b>(131,263)</b>	<b>(121,364)</b>
Utilities	(24,340)	(16,292)
Taxes other than corporate income tax	(14,411)	(16,390)
Professional fees	(13,787)	(17,719)
Rent expenses	(12,615)	(16,711)
Other provisions	(9,682)	—
Travel expenses	(3,373)	(3,353)
Bank charges	(2,949)	(3,842)
Communication	(1,617)	(1,544)
Advertising expenses	(1,403)	(1,755)
Repair of vehicles	(1,213)	(13,071)
Other expenses	(4,678)	(1,944)
<b>Other operating expenses</b>	<b>(90,068)</b>	<b>(92,621)</b>

(In thousands of Tenge unless otherwise indicated)

## 17. Earnings per share

Basic and diluted earnings per share is calculated by dividing the net income for the year attributable to common shareholders by the weighted average number of shares outstanding during the year. The Company does not have any options or convertible debt or equity instruments.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2013	2012
Net income attributable to common shareholders	188,858	49,697
Weighted average number of common shares	1,560,000	1,560,000
Basic and diluted earnings per share (in tenge)	121.06	31.86

As at 31 December 2013 and 2012, the Company did not have any financial instruments diluting earnings per share.

## 18. Contingencies

### Legal actions and claims

In the ordinary course of business, the Company is subject to legal actions and complaints.

Management believes, that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the current financial position or the results of future financial and economic operations of the Company.

The Company assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated. No provision has been made in these financial statements for any of the above described contingent liabilities.

### Political and economic environment

Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

The world financial crisis affected Kazakhstan economy. Despite some indications of recovery there continues to be uncertainty regarding further economic growth, access to capital and cost of capital, which could negatively affect the Company's future financial position, results of operations and business prospects.

## 19. Risk management

### Introduction

Risk is inherent to the activities of the Company. The Company manages these risks through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Company is mainly exposed to credit risk, liquidity risk, currency risk and operating risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Company's strategic planning process. The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles. The Company's internal risk management technique focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The risks are managed by Finance function.

### Credit risk

Credit risk is the risk that the Company will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations, arising primarily from the Company's net investments in finance leases. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept by individual counterparty, industry concentration and type of asset, and by monitoring exposures in relation to such limits.



(In thousands of Tenge unless otherwise indicated)

**19. Risk management (continued)****Credit risk (continued)**

Exposure to credit risk is managed through regular analysis of the ability of lessees and potential lessees to meet financial obligations and by changing those limits where appropriate. Exposure to credit risk is also managed by insuring the leased assets. The Company has also established authorization structure and limits of credit approval. Adherence to credit policies formulated and approved by the Board of Directors is monitored by a separate Credit department, which is responsible for overseeing the Company's credit risk.

The carrying amount of components of the statement of financial position, including derivatives, without the influence of risk mitigation through the use of master netting agreements and collateral agreements, most accurately reflects the maximum credit exposure on these components.

Where financial instruments are recorded at fair value, their carrying amounts represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Credit risk on gross amounts due in relation to investment in finance leases is further mitigated by the retention of title on leased assets and obtaining additional collateral, if necessary.

The table below shows the credit quality by class of asset for loan-related statement of financial position lines, based on the Company's credit rating system.

<i>Financial assets</i>	<i>2013</i>			
	<i>Standard grade</i>		<i>Impaired</i>	<i>Total</i>
	<i>Total</i>	<i>Including overdue but not impaired</i>		
Cash and cash equivalents (excluding cash on hand)	252,978	—	—	252,978
Net investment in finance leases	2,138,683	16,953	675,688	2,814,371
Other financial assets	342,700	—	13,078	355,778
<b>Total</b>	<b>2,734,361</b>	<b>16,953</b>	<b>688,766</b>	<b>3,423,127</b>

<i>Financial assets</i>	<i>2012</i>			
	<i>Standard grade</i>		<i>Impaired</i>	<i>Total</i>
	<i>Total</i>	<i>Including overdue but not impaired</i>		
Cash and cash equivalents (excluding cash on hand)	290,255	—	—	290,255
Net investment in finance leases	1,935,210	8,604	688,986	2,624,196
Other financial assets	38,319	18,900	9,140	47,459
<b>Total</b>	<b>2,263,784</b>	<b>27,504</b>	<b>698,126</b>	<b>2,961,910</b>

Aging analysis of past due but not impaired assets is as follows:

	<i>Less than 30 days</i>	<i>From 30 to 90 days</i>	<i>Total</i>
<b>31 December 2013</b>			
Net investment in finance leases	16,953	—	16,953
<b>Total</b>	<b>16,953</b>	<b>—</b>	<b>16,953</b>
<b>31 December 2012</b>			
Net investment in finance leases	8,604	—	8,604
Other financial assets	—	18,900	18,900
<b>Total</b>	<b>8,604</b>	<b>18,900</b>	<b>27,504</b>

Leases overdue by over 30 days, but by less than 91 days are considered past due but not impaired, unless other objective information is available to classify the investment in finance leases as impaired. Impaired financial assets are those for which the Company determines that it is probable it will be unable to collect all principal and lease income due according to contractual terms of the finance lease agreements. Financial assets are considered impaired when they are past due by 91 days or more. The Company addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.



(In thousands of Tenge unless otherwise indicated)

## 19. Risk management (continued)

### Credit risk (continued)

#### *Individually assessed allowances*

The Company determines the allowances appropriate for each individually significant lessee on an individual basis. Items considered when determining allowance amounts include: the sustainability of the counterparty's business plan; its ability to improve performance once a financial difficulty has arisen; projected receipts should bankruptcy ensue; the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

#### *Collectively assessed allowances*

Allowances are assessed collectively for impairment of investments in finance lease that are not individually significant and provisions for individually significant investments, where there is not yet objective evidence of individual impairment. Allowances are evaluated at each reporting date with each portfolio of finance leases receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the appropriate delay between the time a loss is likely to have been uncured and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Credit department management is responsible for deciding the length of this period which can extend for as long as one year.

Financial assets with restructuring terms are those which have been restructured due to deterioration in the customer's financial position and where the Company has made concessions that it would not otherwise consider.

The carrying amount of net investments in finance leases renegotiated as at 31 December 2013 was KZT 7,827 thousand (31 December 2012: KZT 7,960 thousand).

### Concentration of credit risk

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

#### *By counterparties*

The Company focuses on small and medium sized business and its credit risk is diversified over a large number of clients. The concentration of risk by counterparties is disclosed in Note 6.

#### *By economic sectors*

Economic sector risk concentrations for financial assets exposed to credit risk are as follows:

	2013	%	2012	%
Transport	668,252	23.74	728,567	27.76
Construction	563,350	20.02	555,745	21.18
Services	563,987	20.04	447,024	17.03
Manufacturing	314,080	11.16	260,127	9.91
Road construction	274,995	9.77	195,929	7.47
Printing industry	135,074	4.80	183,043	6.98
Agriculture	123,902	4.40	116,842	4.45
Retail trading	96,879	3.44	24,884	0.95
Food industry	73,852	2.63	112,035	4.27
	2,814,371	100.00	2,624,196	100.00

#### *By geographic concentration*

At 31 December 2013 and 2012, all monetary assets and liabilities of the Company are concentrated in Kazakhstan.



(In thousands of Tenge unless otherwise indicated)

## 19. Risk management (continued)

### Liquidity risk and funding management

Liquidity risk is the risk that the Company will be unable to meet its obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required. Fund management is carried out by Finance function. It includes managing and monitoring day to day cash flows and funding needs.

The liquidity position is assessed and managed by the Company based on the ratios of net liquid assets and liabilities. As at 31 December, these ratios were as follows:

	2013	2012
Current Liquidity Ratio (assets receivable or realizable within one year/liabilities repayable within one year)	3.60	2.47
Long-Term Liquidity Ratio (assets receivable or realisable in more than one year/liabilities repayable in more than one year)	1.19	1.95

### Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2013 and 2012, based on contractual undiscounted payment obligations.

	2013			Total
	Less than 3 months	From 3 to 12 months	From 1 to 5 years	
Financial liabilities				
Amounts due to credit institutions	177,331	466,677	1,177,647	1,821,655
Other liabilities	15,644	45,916	23,873	85,433
<b>Total undiscounted financial liabilities</b>	<b>192,975</b>	<b>512,593</b>	<b>1,201,520</b>	<b>1,907,088</b>

	2012			Total
	Less than 3 months	From 3 to 12 months	From 1 to 5 years	
Financial liabilities				
Amounts due to credit institutions	100,060	478,259	1,408,835	1,987,154
Other liabilities	19,396	—	—	19,396
<b>Total undiscounted financial liabilities</b>	<b>119,456</b>	<b>478,259</b>	<b>1,408,835</b>	<b>2,006,550</b>

The Company's capability to meet its liabilities depends upon its ability to realise an equivalent amount of assets within the certain period of time.

Management believes that this level of funding will remain with the Company for the foreseeable future and that in the event of withdrawal of funds, the Company would be given sufficient notice so as to realise its liquid assets to enable repayment.

### Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices. Except for the concentrations within foreign currency, the Company has no significant concentration of market risk.

### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Company's statement of comprehensive income.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2012. The effect on the equity does not differ from the effect on the income statement. At 31 December 2012, the Company had no financial assets and financial liabilities with floating rate.

### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company limits its exposure to currency risk by indexing the minimum lease payments receivable under finance leases to either USD or euro.



(In thousands of Tenge unless otherwise indicated)

## 19. Risk management (continued)

### Market risk (continued)

#### Currency risk (continued)

The tables below indicate the currencies to which the Company had significant exposure at 31 December on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Tenge, with all other variables held constant on the statement of comprehensive income. The effect on equity does not differ from the effect on the statement of comprehensive income. The negative amount in the table reflects a potential net reduction in statement of comprehensive income or equity, while a positive amount reflects a net potential increase.

Currency	2013			
	Increase in currency rate, in %	Effect on profit before tax	Decrease in currency rate, in %	Effect on profit before tax
Dollar	30	(16,220)	(30)	16,220

Currency	2012			
	Increase in currency rate in %	Effect on profit before tax	Decrease in currency rate in %	Effect on profit before tax
Dollar	1.57	(208)	(1.57)	208

### Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorization, reconciliation procedures, and staff education.

### Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not the subject to externally imposed capital requirements.

## 20. Fair value of financial instruments

### Fair value sources hierarchy

For the purpose of disclosing the fair values, the Bank determined classes of assets and liabilities based on the assets and liabilities nature, characteristics and risks as well as the hierarchy of fair value sources.

Date of valuation 31 December 2013	Fair value measurement with the use of			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant non-observable inputs (Level 3)	
<b>Assets measured at fair value</b>				
Derivative financial assets	—	—	16,164	16,164
<b>Assets whose fair value is disclosed</b>				
Cash and cash equivalents	255,233	—	—	255,233
Net investment in finance leases	—	—	2,424,668	2,424,668
Investment property	—	—	2,807,497	2,807,497
<b>Liabilities for which fair values are disclosed</b>				
Amounts due to credit institutions	—	—	1,456,469	1,456,469



(In thousands of Tenge unless otherwise indicated)

**20. Fair value of financial instruments (continued)****Fair value sources hierarchy (continued)**

	<i>Fair value measurement with the use of</i>				<i>Total</i>
	<i>Date of valuation</i> <i>31 December</i> <i>2012</i>	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant non-observable inputs (Level 3)</i>	
<b>Assets measured at fair value</b>					
Derivative financial assets		—	—	—	—
<b>Assets whose fair value is disclosed</b>					
Cash and cash equivalents		290,835	—	—	290,835
Net investment in finance leases		—	—	2,216,956	2,216,956
Investment property				2,789,585	2,789,585
<b>Liabilities for which fair values are disclosed</b>					
Amounts due to credit institutions		—	—	1,447,886	1,447,886

*Financial instruments reflected at fair value*

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 31 December 2012, the Company had no financial instruments presented in financial statements at fair value. As at 31 December 2013, financial instruments presented in the financial statements at fair value included derivative financial instruments classified to Level 3 according to hierarchy of fair value sources.

Derivative instruments valued using a valuation technique with market observable inputs are currency options. These derivatives are valued using models that incorporate various inputs including foreign exchange forward rates.

*Financial instruments not carried at fair value in the statement of financial position*

Set out below is a comparison of the carrying amounts and fair values of the Company's financial instruments that are not recorded at fair value in the statement of comprehensive income. The table does not include the fair values of non-financial assets and non-financial liabilities.

	<i>2013</i>			<i>2012</i>		
	<i>Carrying value</i>	<i>Fair value</i>	<i>Unrecognised gain/(loss)</i>	<i>Carrying value</i>	<i>Fair value</i>	<i>Unrecognised gain/(loss)</i>
<b>Financial assets</b>						
Cash and cash equivalents	255,233	255,233	—	290,835	290,835	—
Net investment in finance leases	2,387,445	2,424,668	37,223	2,231,899	2,216,956	(14,943)
Other financial assets	342,700	342,700	—	38,319	38,319	—
<b>Financial liabilities</b>						
Amounts due to credit institutions	1,584,303	1,456,469	127,834	1,572,871	1,447,886	124,985
Other financial liabilities	85,433	85,433	—	19,396	19,396	—
<b>Total unrecognised change in unrealized fair value</b>			<b>165,057</b>			<b>110,042</b>

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

(In thousands of Tenge unless otherwise indicated)

## 20. Fair value of financial instruments (continued)

### Fair value sources hierarchy (continued)

#### Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

#### Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

## 21. Maturity analysis of financial assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled:

	2013			2012		
	Within one year	More than one year	Total	Within one year	More than one year	Total
<b>Financial assets</b>						
Cash and cash equivalents	255,233	—	255,233	290,835	—	290,835
Net investment in finance leases	1,089,999	1,297,446	2,387,445	1,212,486	1,019,413	2,231,899
Derivative financial instruments	—	16,164	16,164	—	—	—
Inventories	80,527	—	80,527	113,121	—	113,121
Investment property	—	936,324	936,324	—	963,380	963,380
Property and equipment	24,691	—	24,691	—	98,587	98,587
Current corporate income tax assets	3,750	—	3,750	3,750	—	3,750
Other assets	335,913	22,753	358,666	54,829	807	55,636
<b>Total</b>	<b>1,790,113</b>	<b>2,272,687</b>	<b>4,062,800</b>	<b>1,675,021</b>	<b>2,082,187</b>	<b>3,757,208</b>
<b>Financial liabilities</b>						
Amounts due to credit institutions	532,207	1,052,096	1,584,303	464,659	1,108,212	1,572,871
Deferred corporate income tax liabilities	—	44,901	44,901	—	50,503	50,503
Other liabilities	224,763	23,885	248,648	137,744	—	137,744
<b>Total</b>	<b>756,970</b>	<b>1,120,882</b>	<b>1,877,852</b>	<b>602,403</b>	<b>1,158,715</b>	<b>1,761,118</b>
<b>Net</b>	<b>1,033,143</b>	<b>1,151,805</b>	<b>2,184,948</b>	<b>1,072,618</b>	<b>923,472</b>	<b>1,996,090</b>

## 22. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

#### Transactions with government-related entities

The Republic of Kazakhstan through its state agencies and other institutions directly and indirectly controls and has significant influence over a significant number of entities (together referred to as "entities under common control"). The Republic of Kazakhstan does not provide to the general public or entities under its ownership/control a complete list of the entities, which are owned or controlled directly or indirectly by the government.



(In thousands of Tenge unless otherwise indicated)

## 22. Related party transactions (continued)

### Transactions with government-related entities (continued)

Under these circumstances, the management of the Company disclosed only information that its current internal management system allows to present in relation to operations with government-controlled entities and where the management believes such entities could be considered as government-controlled based on its best knowledge.

Related parties include Company's shareholders, key management personnel and organization in which shareholders or key management personnel of the Company directly or indirectly have the significant influence. Transactions between related parties are effected on the same terms, conditions and amounts as transactions between unrelated parties.

The amount of related party transactions and balances as of 31 December 2013 and 2012 as well as the respective amounts of income and expenses for the years ended 31 December 2013 and 2012 are as follows:

	2013		2012	
	Entities under common control		Entities under common control	
	Shareholders		Shareholders	
Current accounts, beginning of the year	290,255	—	540,557	—
Additions	2,588,160	—	3,243,241	—
Disposal	(2,637,318)	—	(3,493,543)	—
Current accounts, end of the year	241,097	—	290,255	—
Amounts due to credit institutions at the beginning of the period	608,346	964,525	497,151	907,647
Loans received	500,473	100,000	811,603	327,023
Loans repaid	(398,181)	(190,860)	(700,408)	(270,145)
Amounts due to credit institutions at the end of the period	710,638	873,665	608,346	964,525
Interest expenses	106,778	94,724	(90,518)	(106,140)
Income from operating lease	218,480	—	59,085	—
Other operating expenses	(2,949)	—	(3,842)	—

As described in Note 12, during 2013 the Company received a loan from the Fund for Development of Entrepreneurship "DAMU" JSC in the amount of KZT 100,000 thousand (2012: KZT 245,800 thousand). 4 investment property objects owned by the Company serve as security under this loan.

In 2013 compensation to 5 members of key management personnel (2012: 4 members of key management personnel) comprised of the following:

	2013	2012
Salary and other short-term benefits	29,111	22,116
Social security costs	2,882	2,184
Total compensation to key management personnel	31,993	24,300

## 23. Subsequent events

On 7 February 2014, Temirbank JSC increased its share in the Company from 18.88% to 75.6% as at 31 December 2012.

On 11 February 2014, exchange rate of Kazakh Tenge was devalued against US dollar and other main currencies by approximately 20%.