(In thousands of tenge)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

Annual improvements 2012-2014 cycle

These improvements are effective on or after 1 January 2016 and are not expected to have a material impact on the Company. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment must be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016. Early application is permitted.

IFRS 7 Financial Instruments: Disclosures – servicing contracts

IFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The Board was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The amendments are effective for annual periods beginning on or after 1 January 2016. Early application is permitted. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

IFRS 7 Financial Instruments: Disclosures – applicability of the offsetting disclosures to condensed interim financial statements

In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment IFRS 7 states that "A Company shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods." However, the interim disclosure standard, IAS 34, does not reflect this requirement. As a result, it is not clear whether the respective information should be disclosed in the condensed interim financial statements or not.

The amendment removes the phrase 'and interim periods within those annual periods', clarifying that these IFRS 7 disclosures are not required in the condensed interim financial statements. These amendment must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

IAS 19 Employee Benefits – regional market discount rate

The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency, in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in the respective currency, government bond rates must be used. The amendment is effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

The amendment clarifies that the required disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and that document, in which they are actually presented within the general interim financial statements (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete. These amendment must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

(In thousands of tenge)

4. Significant accounting judgements and estimates

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

Fair values of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Collateral assessment

The Company's management performs monitoring of collateral on a regular basis. The management of the Company uses experienced judgements or an independent assessment in order to adjust the cost of collateral considering the current market situation.

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 taxes, and others. Implementing regulations are often unclear or nonexistent 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 forfeits. 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:

	2015	*2014*
Cash on hand	82	168
Cash in current bank accounts, tenge	311,443	567,286
Cash on current accounts in banks, USD	3,247	–
Cash and cash equivalents	**314,772**	567,454

6. Amounts due from credit institutions

As at 31 December 2015, amounts due from credit institutions comprise balance of short-term deposit with Kazinvestbank JSC totalling KZT 325,087 thousand maturing in 2016 and an interest rate of 3.5% per annum.

(In thousands of tenge)

7. Net investment in finance leases

Net investment in finance leases includes:

	2015	*2014*
Minimum lease payments receivable	2,198,126	2,649,463
Unearned finance income	(263,674)	(363,935)
Net minimum lease payments receivable	1,934,452	2,285,528
Less: allowance for impairment	(386,778)	(425,603)
Net investment in finance leases	1,547,674	1,859,925
Current portion	1,368,728	1,491,627
Less: allowance for impairment	(378,504)	(411,732)
Current portion, net	990,224	1,079,895
Non-current portion	565,724	793,901
Less: allowance for impairment	(8,274)	(13,871)
Non-current portion, net	557,450	780,030
Net investment in finance leases	1,547,674	1,859,925

In 2015 and 2014, leased equipment transferred to finance lease amounted to KZT 728,244 thousand and KZT 760,563 thousand, respectively.

The interest rates on net investment in finance leases in 2015 range from 8% to 25% (2014: 8% to 25%). The effective interest rates on net investment in finance leases in 2015 was 16.03% p.a. (2014: 15.76% per annum).

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

	2015		*2014*	
Years	*General investments*	*Net investments*	*General investments*	*Net investments*
2014	–	–	1,572,528	1,491,627
2015	1,426,076	1,368,728	688,739	548,203
2016	434,425	348,270	243,768	165,713
2017	208,406	144,037	98,850	57,016
2018	103,164	60,194	45,578	22,969
2019	26,055	13,223	–	–
	2,198,126	1,934,452	2,649,463	2,285,528

At the end of lease term, the ownership to assets in finance lease is transferred to the lessee.

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

	2015	*2014*
At 1 January	425,603	426,926
Reversal / (charge for the year)	(38,825)	3,410
Write-off	–	(4,733)
At 31 December	386,778	425,603
Individual impairment	370,956	403,048
Collective impairment	15,822	22,555
	386,778	425,603
Total amount of investment in finance leases, individually determined to be impaired, before deducting allowance for impairment	852,588	1,004,432

Individually impaired investments in finance leases

Interest income accrued on assets, individually determined as impaired, for the year ended 31 December 2015, amounted to KZT 41,753 thousand (in 2014: KZT 89,576 thousand).

The fair value of collateral on investments in finance leases that as at 31 December 2015 were individually determined as impaired amounts to KZT 296,425 thousand (31 December 2014: KZT 555,777 thousand). Investment in leases, against which 100% provision was made, may only be written off with the approval of the Board of Directors and, in certain cases, with the respective decision of the Court.

(In thousands of tenge)

7. Net investment in finance leases (continued)

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 2015, the Company repossessed specialised equipment and motor vehicles totalling KZT 5,635 thousand (in 2014: KZT 27,646 thousand), which were classified as inventories for further sale *(Note 9)*. 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 2015, the Company had 10 major lessees, which accounted for 48% (as at 31 December 2014: 37%) of the net minimum leases payments receivable or 35% (31 December 2014: 35%) of capital. The aggregate amount of these finance leases receivable was KZT 935,387 thousand (31 December 2014: KZT 835,983 thousand). At 31 December 2015, a provision of KZT 17,682 thousand was recognised for these investments (31 December 2014: KZT 16,521 thousand).

8. Derivative financial instruments

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

	2015			*2014*		
	Notional principal	*Fair values*		*Notional principal*	*Fair values*	
		Asset	*Liability*		*Asset*	*Liability*
Currency option	–	–	–	123,520	55,698	–

At 31 December 2015, the Company had no embedded derivative financial instruments.

As at 31 December 2014, 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.

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.

9. Inventories

Inventories comprise finance lease items taken back from lessees and either held for resale or for leasing out under finance lease. As at 31 December 2015, inventories amounted to KZT 75,211 thousand (31 December 2014: KZT 92,318 thousand) and fully consisted of motor vehicles and specialised equipment.

(In thousands of tenge)

10. Investment property

The movements in investment property were as follows:

	Land	*Buildings*	*Total*
Cost			
31 December 2013	157,241	979,317	1,136,558
Additions	7,429	755,008	762,437
Disposals	–	(571)	(571)
31 December 2014	164,670	1,733,754	1,898,424
Additions	–	35,278	35,278
Disposals	(728)	(14,332)	(15,060)
Transfer from property and equipment *(Note 11)*	–	14,147	14,147
31 December 2015	163,942	1,768,847	1,932,789
Accumulated depreciation			
31 December 2013	–	(200,234)	(200,234)
Charge	–	(26,945)	(26,945)
Disposals	–	128	128
31 December 2014	–	(227,051)	(227,051)
Charge	–	(43,800)	(43,800)
Disposals	–	3,454	3,454
31 December 2015	–	(267,397)	(267,397)
Net book amount			
31 December 2015	163,942	1,501,450	1,665,392
31 December 2014	164,670	1,506,703	1,671,373
31 December 2013	157,241	779,083	936,324

	2015	*2014*
Operating lease income from investment property	374,033	427,673
Direct investment property operating expenses	(64,041)	(47,141)

Investment property consists of buildings and adjacent land lots. The fair value of investment property, which was determined as a result of evaluation of real estate market performed by the internal experts of the Company using the comparative analysis method as at 31 December 2015 amounts to KZT 3,869,630 thousand (31 December 2014: KZT 4,124,121 thousand). This investment property is leased out with termination of agreements on 31 December 2016.

(In thousands of tenge)

11. Property and equipment

The movements in property and equipment were as follows:

	Land, buildings and constructions	*Vehicles*	*Construction in progress*	*Other property and equipment*	*Total*
Cost					
31 December 2013	3,019	4,442	14,147	11,886	33,494
Additions	–	15,989	–	1,173	17,162
Disposals	–	–	–	(5,404)	(5,404)
31 December 2014	3,019	20,431	14,147	7,655	45,252
Disposals	–	(3,921)	–	–	(3,921)
Transfer to investment property *(Note 10)*	–	–	(14,147)	–	(14,147)
31 December 2015	3,019	16,510	–	7,655	27,184
Accumulated depreciation					
31 December 2013	(601)	(666)	–	(7,536)	(8,803)
Charge	–	(2,067)	–	(1,175)	(3,242)
Disposals	–	–	–	4,154	4,154
31 December 2014	(601)	(2,733)	–	(4,557)	(7,891)
Accrual	(74)	(3,143)	–	(883)	(4,100)
Disposals	–	596	–	–	596
31 December 2015	(675)	(5,280)	–	(5,440)	(11,395)
Net book amount					
31 December 2015	2,344	11,230	–	2,215	15,789
31 December 2014	2,418	17,698	14,147	3,098	37,361
31 December 2013	2,418	3,776	14,147	4,350	24,691

Depreciation and amortisation in the statement of comprehensive income also include amortisation of intangible assets for 2015 of KZT 63 thousand (2014: KZT 63 thousand).

12. Other assets and liabilities

Other assets comprise:

	2015	*2014*
Operating lease income receivable	33,917	16,856
Advances and prepayments	21,950	12,476
Accounts payable on reimbursable expenses	9,510	4,616
Receivables on sold inventory	6,376	18,636
Taxes recoverable other than corporate income tax	6,013	34,704
Inventories sold on deferred terms	–	22,221
Other	4,646	986
	82,412	110,495
Less: allowance for impairment	(9,383)	(9,383)
Other assets	73,029	101,112

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

	Other assets
31 December 2013	13,078
Charge for the year	(3,695)
31 December 2014	9,383
Charge for the year	–
31 December 2015	9,383

(In thousands of tenge)

12. Other assets and liabilities (continued)

Other liabilities comprise:

	2015	*2014*
Value added tax payable	74,698	57,629
Deferred revenue	39,722	56,200
Payables to suppliers	2,263	97,988
Advances from lessees	–	21,231
Other	3,123	3,752
Other liabilities	119,806	236,800

13. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	2015	*2014*
Loans from Entrepreneurship Development Fund "Damu" JSC	730,661	999,657
Loans from Fortebank JSC	424,296	651,884
Amounts due to credit institutions	1,154,957	1,651,541

As at 31 December 2015 and 2014, the Company had a credit facility provided by Fortebank JSC in the amount of KZT 2,300,000 thousand maturing in 2018. The credit facility is collaterised by investment properties of the Company with carrying value of KZT 1,671,373 thousand at 31 December 2015 (31 December 2014: KZT 1,671,373 thousand). As at 31 December 2015 and 2014, nominal interest rates on loans obtained within this credit facility were 13.5% per annum.

The Company also obtained loans to finance leasing transactions of small and medium businesses from Entrepreneurship Development Fund "Damu" JSC. As at 31 December 2015, such loans amounted to KZT 730,661 thousand (31 December 2014: KZT 999,657 thousand), nominal interest rates vary from 3.5% to 6.5% per annum (31 December 2014: 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 comes into force in case of failure to comply with the terms of investment in finance leases. At 31 December 2015 and 2014, the Company was in compliance with covenants under the credit facility agreement.

14. Taxation

The corporate income tax expense comprises:

	2015	*2014*
Current corporate income tax expense	(8,868)	–
Deferred corporate income tax expense – origination and decrease of temporary differences	(9,907)	(25,174)
Corporate income tax expense	(18,775)	(25,174)

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 corporate income tax. As a result, the Company deducts interest income from finance leases for the purpose of computing net income liable to tax. This computation gives rise to tax losses that are not subject to carry forward to future periods.

(In thousands of tenge)

14. Taxation (continued)

In accordance with tax legislation the applied corporate income tax rate is 20% in 2015 and 2014.

Below is the reconciliation of income tax expenses based on statutory rate with income tax expenses recorded in the financial statements:

	2015	*2014*
Profit before corporate income tax expense	248,535	279,801
Statutory corporate income tax rate	20%	20%
Theoretical corporate income tax expense at the statutory rate	49,691	55,960
Non-taxable income from investment in finance leases	(49,661)	(55,452)
Non-deductible expense / (non-taxable income) from derivative financial instruments	11,140	(7,907)
Reversal of allowance / (reversal) for impairment of investment in finance leases	(7,753)	682
Non-deductible expenses on loans received	4,370	1,286
Non-deductible expenses on impairment of inventories	2,318	3,229
Adjustment of deferred tax liability of previous years	–	30,376
Other non-deductible expenses / (non-taxable income)	8,670	(3,000)
Corporate income tax expense	18,775	25,174

	2013	*Origination and reversal of temporary differences in profit or loss*	*2014*	*Origination and reversal of temporary differences in profit or loss*	*2015*
Tax effect of deductible temporary differences					
Amounts due to credit institutions	–	–	–	382	382
Deferred tax asset	–	–	–	382	382
Tax effects of taxable temporary differences					
Investment property and property and equipment	(44,901)	(25,174)	(70,075)	(10,181)	(80,256)
Other liabilities				(108)	(108)
Deferred tax liabilities	(44,901)	(25,174)	(70,075)	(10,289)	(80,364)
Deferred tax liability, net	(44,901)	(25,174)	(70,075)	(9,907)	(79,982)

As at 31 December 2015, current corporate income tax asset comprised KZT 7,126 thousand (as at 31 December 2014: KZT 12,750 thousand).

15. Authorised capital

As at 31 December 2015 and 2014, authorised and paid capital of the Company comprised 1,560,000 common shares.

16. Fee and commission income

Fee and commission income comprises the following:

	2015	*2014*
Income from expertise services, change in the agreement terms and indirect advertising	4,922	7,241
Fee and commission income	4,922	7,241

(In thousands of tenge)

17. Personnel and other operating expenses

Personnel and other operating expenses comprise the following:

	2015	2014
Salaries and bonuses	(173,110)	(178,908)
Social security contributions	(18,320)	(18,529)
Personnel expenses	(191,430)	(197,437)
Rent	(72,725)	(7,438)
Utilities	(35,286)	(25,507)
Taxes other than corporate income tax	(31,160)	(41,679)
Security	(24,116)	(7,681)
Professional services	(15,796)	(18,133)
Property insurance	(13,909)	(3,145)
Write-off of inventory	(11,591)	(16,143)
Repair works	(6,113)	–
Bank charges	(3,467)	(7,503)
Communication	(1,732)	(1,577)
Repair of vehicles	(1,409)	(2,621)
Business trips	(1,172)	(2,219)
Advertising expenses	(902)	(270)
Expenses on events	–	(10,530)
Other provisions	–	(3,695)
Membership fee	–	(1,871)
Other expenses	(9,857)	(8,759)
Other operating expenses	(229,235)	(158,771)

18. 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 instruments.

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

	2015	2014
Net profit attributable to common shareholders for calculation of basic earnings per share representing net profit less dividends declared on irredeemable convertible preferred shares	229,760	254,627
Weighted average number of common shares	1,560,000	1,560,000
Basic and diluted earnings per share (in tenge)	147.28	163.22

As at 31 December 2015 and 2014, the Company did not have any financial instruments diluting earnings per share.

19. Contingent liabilities

Legal actions and claims

In the ordinary course of business, the Company is subject to legal actions and complaints. The Company believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial position or results of 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 outflow of resources embodying economic benefits will be required to settle the liabilities and the amount of the liability can be reasonably estimated.

The Company did not generate any provisions in these financial statements for any legal liabilities related to legal proceedings.

(In thousands of tenge)

19. Contingent liabilities (continued)

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 Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

In 2015, significant decline in crude oil prices and a significant KZT devaluation had a negative impact on Kazakhstan economy. Combination of these factors resulted in a reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Company's future financial position, results of operations and business prospects.

20. Risk management

Introduction

Risk is inherent in the Company's activities. 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. Risk management is carried out 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 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.

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.

(In thousands of tenge)

20. Risk management (continued)

Credit risk (continued)

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.

	2015			
	Standard grade			
	Total	*Including past due but not impaired*	*Impaired*	*Total*
Financial assets				
Cash and cash equivalents (excluding cash on hand)	314,690	–	–	314,690
Amounts due from credit institutions	325,087	–	–	325,087
Net investment in finance leases	1,081,864	201,475	852,588	1,934,452
Other financial assets	40,420	–	–	40,420
Total	1,762,061	201,475	852,588	2,614,649

	2014			
	Standard grade			
	Total	*Including past due but not impaired*	*Impaired*	*Total*
Financial assets				
Cash and cash equivalents (excluding cash on hand)	567,286	–	–	567,286
Amounts due from credit institutions	–	–	–	–
Net investment in finance leases	1,281,096	289,582	1,004,432	2,285,528
Other financial assets	52,946	–	9,383	62,329
Total	1,901,328	289,582	1,013,815	2,915,143

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

	Less than 30 days	*Total*
31 December 2015		
Net investment in finance leases	201,475	201,475
Total	201,475	201,475
31 December 2014		
Net investment in finance leases	289,582	289,582
Total	289,582	289,582

Leases overdue by less than 90 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 90 days. The Company addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

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.

(In thousands of tenge)

20. Risk management (continued)

Credit risk (continued)

Collectively assessed allowances (continued)

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no 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 incured 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 2015, was KZT 171,605 thousand (31 December 2014: KZT 216,554 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 7*.

By economic sectors

Economic sector risk concentrations for net finance lease investments are as follows:

	2015	*%*	*2014*	*%*
Services to entities	**539,109**	**27.87**	608,120	26.61
Vehicles	**507,919**	**26.26**	470,671	20.59
Construction	**266,028**	**13.75**	445,177	19.48
Retail trading	**248,908**	**12.87**	111,328	4.87
Manufacturing	**173,033**	**8.94**	279,135	12.21
Road construction	**116,989**	**6.05**	159,019	6.96
Printing industry	**40,080**	**2.07**	79,186	3.46
Food industry	**28,687**	**1.48**	52,417	2.29
Agriculture	**13,699**	**0.71**	80,475	3.52
	1,934,452	**100%**	2,285,528	100%

By geographic concentration

At 31 December 2015 and 2014, all monetary assets and liabilities of the Company are concentrated in Kazakhstan.

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:

	2015	*2014*
Current liquidity ratio (assets receivable or realizable within one year / liabilities repayable within one year)	3.04	2.52
Long-term liquidity ratio (assets receivable or realisable in more than one year / liabilities repayable in more than one year)	2.92	2.08

(In thousands of tenge)

20. Risk management (continued)

Liquidity risk and funding management (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2015 and 2014, based on contractual undiscounted payments:

	2015			
	Less than 3 months	*From 3 to 12 months*	*From 1 to 5 years*	*Total*
Financial liabilities				
Amounts due to credit institutions	125,396	427,508	756,827	1,309,731
Other financial liabilities	–	2,263	–	2,263
Total undiscounted financial liabilities	125,396	429,771	756,827	1,311,994

	2014			
	Less than 3 months	*From 3 to 12 months*	*From 1 to 5 years*	*Total*
Financial liabilities				
Amounts due to credit institutions	118,237	485,226	1,345,040	1,948,503
Other financial liabilities	42,302	29,726	25,960	97,988
Total undiscounted financial liabilities	160,539	514,952	1,371,000	2,046,491

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 profit or loss 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 2015. The effect on equity does not differ from the effect on profit or loss. At 31 December 2015, 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)

20. 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 profit or loss. The effect on equity does not differ from the effect on profit or loss. 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.

	2015			
Currency	*Increase in currency rate in %*	*Effect on profit before tax*	*Decrease in currency rate in %*	*Effect on profit before tax*
USD	60	197,639	(20)	(65,880)

	2014			
Currency	*Increase in currency rate in %*	*Effect on profit before tax*	*Decrease in currency rate in %*	*Effect on profit before tax*
USD	17.37	(41,569)	(17.37)	41,569

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 can 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, authorisation and 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.

21. Fair value measurement

Fair value hierarchy

For the purpose of disclosing the fair values, the Company 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.

		Fair value measurement using			
	Date of valuation	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant non-observable inputs (Level 3)*	*Total*
Assets with disclosed fair value					
Cash and cash equivalents	31 December 2015	314,772	–	–	314,772
Amounts due from credit institutions	31 December 2015	325,087	–	–	325,087
Net investment in finance leases	31 December 2015	–	–	1,554,615	1,554,615
Investment property	31 December 2015	–	1,665,392	–	1,665,392
Other financial assets	31 December 2015	–	–	40,420	40,420
Liabilities whose fair value is disclosed					
Amounts due to credit institutions	31 December 2015	–	–	1,124,593	1,124,593

(In thousands of tenge)

21. Fair value measurement (continued)

Fair value hierarchy (continued)

	Date of valuation	*Fair value measurement using*			
		Quoted prices in active markets (Level 1)	*Significant observable inputs (Level 2)*	*Significant non-observable inputs (Level 3)*	*Total*
Assets measured at fair value					
Derivative financial instruments	31 December 2014	–	55,698	–	55,698
Assets fair value of which is disclosed					
Cash and cash equivalents	31 December 2014	567,454	–	–	567,454
Net investment in finance leases	31 December 2014	–	–	1,851,121	1,851,121
Investment property	31 December 2014	–	4,124,121	–	4,124,121
Other financial assets	31 December 2014	–	–	52,946	52,946
	31 December 2014				
Liabilities whose fair value is disclosed					
Amounts due to credit institutions	31 December 2014	–	–	1,674,695	1,647,695

The following tables show a reconciliation of 2015 opening and closing amount of Level 3 assets and liabilities which are recorded at fair value:

	Derivative financial assets
As at 1 January 2015	**55,698**
Net losses from derivative financial instruments at fair value through profit or loss	**(55,698)**
As at 31 December 2015	**–**

The following tables show a reconciliation of 2014 opening and closing amount of Level 3 assets and liabilities which are recorded at fair value:

	Derivative financial assets
As at 1 January 2014	16,163
Net gains from derivative financial instruments at fair value through profit or loss for the period	39,535
As at 31 December 2014	55,698

Total income and expenses on financial instruments of level 3 for the years ended 31 December 2015 and 31 December 2014, shown in the above tables are presented in the statement of comprehensive income as follows:

	2015		*2014*	
	Realised loss	***Unrealised gains***	***Realised gain***	***Unrealised gains***
Losses recognised in profit or loss	**(55,698)**	**–**	16,146	39,552

Derivatives

Derivative instruments valued using a valuation technique with market significant observable inputs are currency options. The most often used valuation techniques comprise option price determination models using present value estimations. The techniques combine various inputs, including credit quality of counterparties, currencies forward and spot rates and interest rates curves.

(In thousands of tenge)

21. Fair value measurement (continued)

Fair value hierarchy (continued)

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.

	2015			*2014*		
	Carrying amount	*Fair value*	*Unrecognised gain/ (loss)*	*Carrying amount*	*Fair value*	*Unrecognised gain/ (loss)*
Financial assets						
Cash and cash equivalents	314,772	314,772	–	567,454	567,454	–
Amounts due from credit institutions	325,087	325,087	–	–	–	–
Net investment in finance leases	1,547,674	1,554,615	6,941	1,859,925	1,851,121	(8,804)
Other financial assets	40,420	40,420	–	52,946	52,946	–
Financial liabilities						
Amounts due to credit institutions	1,154,957	1,124,593	30,364	1,651,541	1,674,695	(23,154)
Other financial liabilities	2,263	2,263	–	97,988	97,988	–
Total unrecognised change in unrealized fair value			37,305			(31,958)

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

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 their fair value approximates to the carrying amount. 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.

(In thousands of tenge)

22. 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:

	2015			*2014*		
	Within one year	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Financial assets						
Cash and cash equivalents	314,772	–	314,772	567,454	–	567,454
Amounts due from credit institutions	325,087	–	325,087	–	–	–
Net investment in finance leases	990,224	557,450	1,547,674	1,079,895	780,030	1,859,925
Derivative financial instruments	–	–	–		55,698	55,698
Inventories	75,211	–	75,211	92,318	–	92,318
Investment property	–	1,665,392	1,665,392	–	1,671,373	1,671,373
Property and equipment	–	15,789	15,789	–	37,361	37,361
Current corporate income tax asset	7,126	–	7,126	12,750	–	12,750
Other assets	73,029	–	73,029	101,112	–	101,112
Total	1,785,449	2,238,631	4,024,080	1,853,529	2,544,462	4,397,991
Financial liabilities						
Amounts due to credit institutions	467,900	687,057	1,154,957	525,822	1,125,719	1,651,541
Deferred corporate income tax liabilities	–	79,982	79,982	–	70,075	70,075
Other liabilities	119,806	–	119,806	210,840	25,960	236,800
Total	587,706	767,039	1,354,745	736,662	1,221,754	1,958,416
Net	1,197,743	1,471,592	2,669,335	1,116,867	1,322,708	2,439,575

23. 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.

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 2015 and 31 December 2014 as well as the respective amounts of income and expenses for the years ended 31 December 2015 and 2014 are as follows:

	2015		*2014*	
	Parent	*Entities under common control*	*Parent*	*Entities under common control*
Current accounts at 1 January	550,685	–	241,097	–
Additions	2,699,902	–	3,393,836	–
Disposal	(2,995,840)	–	(3,084,248)	–
Current accounts at 31 December	254,747	–	550,685	–
Amounts due to credit institutions at 1 January	651,884	–	710,638	873,665
Loans obtained	–	–	571,989	335,870
Loans repaid	(227,588)	–	(630,743)	(209,878)
Disposals due to change of the shareholder	–	–	–	(999,657)
Amounts due to credit institutions at 31 December	424,296	–	651,884	–
Interest expense	(84,098)	–	(50,206)	(21,007)
Operating lease income	257,319	–	384,813	–
Other operating expenses	(67,056)	–	(7,503)	–

(In thousands of tenge)

23. Related party transactions (continued)

In 2015, compensation to 8 members of key management personnel (2014: 7) comprised of the following:

	2015	*2014*
Salaries and other short-term benefits	75,869	66,955
Social security contributions	7,467	6,430
Total key management personnel compensation	83,336	73,385