Alnair Capital LLP

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report

31 December 2013

INDEPENDENT AUDITOR'S REPORT

To the Owner of Alnair Capital LLP:

We have audited the accompanying consolidated financial statements of Alnair Capital LLP and its subsidiary ("the Group") which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of profit and loss and other comprehensive income, changes in equity, changes in net assets attributable to the limited partners and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Our report has been prepared in Russian and in English. In all matters of interpretation of information, views or opinions, the English version of our report takes precedence over the Russian version.

PricewaterhouseCoopers LLP
34 Al-Farabi Ave., Building A, 4th floor, 050059 Almaty, Kazakhstan
T: +7 (727) 298 0448, Ф: +7 (727) 298 0252, www.pwc.com/kz

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

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

PricewaterhouseCoopers LLP

Almaty, Kazakhstan

18 July 2014

Approved by:

Dana Inkarbekova
Managing Director of PricewaterhouseCoopers LLP
(General State License from the Ministry of Finance of the Republic of Kazakhstan
№ 0000005 dated 21 October 1999)

Signed by:

Svetlana Belokurova
Auditor in Charge
(Qualified Auditor's Certificate
№00000357 dated 21 February 1998)

Alnair Capital LLP
Consolidated Statement of Financial Position

In thousands of Kazakhstani Tenge	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets			
Property and equipment		5,696	7,257
Investments in associate	7	31,031,961	28,725,101
Deferred income tax asset	15	79	473
Total non-current assets		**31,037,736**	**28,732,831**
Current assets			
Other receivables		37,171	4,604
Current income tax prepayment		2,957	2,957
Other current assets		57,342	49,187
Cash and cash equivalents	8	60,866	1,269
Total current assets		**158,336**	**58,017**
TOTAL ASSETS		**31,196,072**	**28,790,848**
LIABILITIES			
Current liabilities			
Borrowings	10	245,528	-
Other payables		12,344	13,811
Total current liabilities		**257,872**	**13,811**
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO THE LIMITED PARTNERS		**257,872**	**13,811**
NET ASSETS ATTRIBUTABLE TO THE LIMITED PARTNERS	**12**	**30,367,700**	**28,364,037**
EQUITY (CHARTER CAPITAL)	**9**	**570,500**	**413,000**

Approved for issue and signed on 18 July 2014.

Nurkeyeva A.N.
General Director

Zhusipova B.K.
Chief Accountant

The accompanying notes on pages 6 to 24 are an integral part of these financial statements.

In thousands of Kazakhstani Tenge	Note	2013	2012 (as restated – Note 3)
Gains less losses from other financial assets at fair value through profit or loss		-	3,242
General and administrative expenses		(59,225)	(65,807)
Other income	13	36,665	52,689
Operating loss		**(22,560)**	**(9,876)**
Finance income		931	1,325
Finance costs	14	(281,174)	(253,138)
Share of profit/(loss) of associate	7	13,126,064	(38,109,875)
Impairment (charge)/reversal against an investment in associate	7	(10,646,847)	21,294,240
Profit/(loss) before income tax		**2,176,414**	**(17,077,324)**
Income tax expense	15	(394)	(289)
Increase/(decrease) in net assets attributable to the partners from operations		**2,176,020**	**(17,077,613)**
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Associate - share of revaluation of available for sale investments	11	(13,485)	150,415
Associate - share of cumulative translation reserve	11	(227,765)	401,202
Associate - share of hedging reserve	11	76,004	54,356
Items that will not be reclassified to profit or loss:			
Associate - share of property and equipment revaluation reserve	11	(7,111)	92,032
Total other comprehensive (loss)/income for the year		**(172,357)**	**698,005**
Total comprehensive income/(loss) for the year		**2,003,663**	**(16,379,608)**

The accompanying notes on pages 6 to 24 are an integral part of these financial statements.

In thousands of Kazakhstani Tenge	Note	Charter capital	Total equity
Balance at 1 January 2012		**265,000**	**265,000**
Contributions to charter capital	9	148,000	148,000
Balance at 31 December 2012		**413,000**	**413,000**
Contributions to charter capital	9	157,500	157,500
Balance at 31 December 2013		**570,500**	**570,500**

The accompanying notes on pages 6 to 24 are an integral part of these financial statements.

In thousands of Kazakhstani Tenge	**Limited Partners**	**Total**
Net assets attributable to the limited partners at 1 January 2012	44,743,645	44,743,645
Decrease in net assets attributable to the limited partners from operations	(16,379,608)	(16,379,608)
Net assets attributable to the limited partners at 31 December 2012	**28,364,037**	**28,364,037**
Increase in net assets attributable to the limited partners from operations	2,003,663	2,003,676
Net assets attributable to the limited partners at 31 December 2013	**30,367,700**	**30,367,713**

The accompanying notes on pages 6 to 24 are an integral part of these financial statements.

In thousands of Kazakhstani Tenge	Note	2013	2012 (as restated – Note 3)
Cash flows from operating activities			
Profit/(loss) before income tax		**2,176,414**	**(17,077,324)**
Adjustments for:			
Depreciation of property and equipment		1,549	1,360
Net profit from financial instruments recognised at fair value through profit or loss		-	(3,242)
Net foreign exchange loss/(gain)		2,656	(354)
Other income		-	(8,579)
Share of (profit)/ loss of associate	7	(13,126,064)	38,109,875
Impairment charge/(reversal) against an investment in associate	7	10,646,847	(21,294,240)
Operating cash flows before working capital changes		**(298,598)**	**(272,504)**
(Increase)/decrease in other receivables		(32,567)	49,561
Increase in other current assets		(8,142)	(522)
(Decrease)/increase in other payables		(1,468)	9,125
Changes in working capital		**(42,177)**	**58,164**
Interest paid		-	-
Net cash used in operating activities		**(340,775)**	**(214,340)**
Cash flows from investing activities			
Proceeds from maturity of financial assets at fair value through profit or loss		-	14,400
Net cash from investing activities		-	**14,400**
Cash flows from financing activities			
Proceeds from borrowing		245,528	-
Increase in charter capital	9	157,500	148,000
Net cash from financing activities		**403,028**	**148,000**
Net increase/(decrease) in cash and cash equivalents		62,253	(51,940)
Effect of exchange rate changes on cash and cash equivalents		(2,656)	343
Cash and cash equivalents at the beginning of the year	8	**1,269**	**52,866**
Cash and cash equivalents at the end of the year	8	**60,866**	**1,269**

The accompanying notes on pages 6 to 24 are an integral part of these financial statements.

1 Alnair Capital Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2013 for Alnair Capital LLP (hereinafter the "Company") and its subsidiary, Alnair Capital Holding JSC (together referred to as the "Group").

The Company was initially registered with the Almaty Justice Department on 28 March 2006 as Allion Limited Liability Partnership. The Company was dormant during 2007. It was acquired by Aigul Nuriyeva, resident of the Republic of Kazakhstan, on 1 July 2008. On 10 July 2008 the Company was reregistered as Alnair Capital LLP. The Company's sole and ultimate owner as at 31 December 2013 is Aigul Nuriyeva. The general information about the organisation and the capital of the Company, which operates as a limited liability partnership, is disclosed in Note 12.

Alnair Capital Holding JSC was initially registered with the Almaty Justice Department on 8 October 1998 as Fund Service Open Joint Stock Company. It was reregistered with the name First Investment JSC on 22 June 2005. Alnair Capital Management LLP acquired First Investment JSC on 22 May 2008 and on 17 July 2008 transferred ownership of this company to Alnair Capital LLP.

As of 31 December 2013 the Group owned 28.76 percent (31 December 2012: 28.76 percent) of the ordinary shares issued by JSC "Kazkommertsbank" (hereinafter "Kazkommertsbank") by holding global depository receipts (hereinafter "GDR's") and ordinary shares, refer to Note 7.

Principal activity. The Group's principal activities are investments in securities, holding activity, providing the representative and intermediary services. Currently the only activity of the Group is holding an investment in shares and GDR's of Kazkommertsbank.

The average number of employees in the Group during 2013 was eight (2012: eight).

Registered address and place of business. The legal address of the Group: Al Farabi 77/7, Esentai Tower, 9 floor, Almaty city, the Republic of Kazakhstan.

2 Operating Environment of the Group

Republic of Kazakhstan. The economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country, a low level of liquidity in the public and private debt and equity markets and lack of market conformity and transparency.

The economy of the Republic of Kazakhstan, suffered from the global financial crisis of 2008 and 2009, experienced a moderate recovery in 2013 with a 5.8% increase of GDP (2012: 7%). Inflation in 2013 was 4.8% (2012: 6%).The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates and increased money market liquidity levels.

Additionally, the banking sector in Kazakhstan is particularly impacted by political, legislative, fiscal and regulatory developments in the Republic. The prospects for future economic stability in Kazakhstan in 2014-2015 are largely dependent upon the effectiveness of a range of measures undertaken by the Government. There remains the possibility of unpredictable changes in the financial and economic environment that may have an adverse effect on the Group's operations.

Management is unable to predict all developments which could have an impact on the Kazakhstani economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

3 Basis of Preparation and Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value and by the revaluation of financial instruments categorised as at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Restatement of comparative information. The Group has a significant investment in Kazkommertsbank - its associate. In 2013 management of Kazkommertsbank identified that certain financial assets and liabilities were not recognized at fair value at initial recognition in accordance with IAS 39. As a result, as at 31 December 2012 and 31 December 2011 certain accounts within the consolidated financial statements of Kazkommertsbank were restated to correct the error.

As a result of the above, the prior year balances of the Group relating to their investment have been restated as well. The results of the restatement as at 1 January 2012 and 31 December 2012 and for the year ended 31 December 2012 are presented below:

(a) There is no impact on the balance sheets as at 1 January 2012 and 31 December 2012, since the Group considers the investment's recoverable amount be equal to its fair value which is derived using the market prices, see Note 4. As such, the increase in the losses made by the associate results in an adjustment in the recovery of an impairment charge against the investment in the associate in the same amount.

(b) Effect of restatement on the statement of profit or loss and other comprehensive income items for the year ended 31 December 2012 is as follows:

In thousands of Kazakhstani Tenge	As previously reported	Restatement	Restated
Share of profit/(loss) of associate	(37,489,522)	(620,353)	(38,109,875)
Impairment release against an investment in associate	20,673,887	620,353	21,294,240

(c) Effect of restatement on the statement of cash flows for the year ended 31 December 2012 is as follows:

In thousands of Kazakhstani Tenge	As previously reported	Restatement	Restated
Cash flows from operating activities			
Adjustments for:			
Share of profit/(loss) of associate	37,489,522	620,353	38,109,875
Impairment release against an investment in associate	(20,673,887)	(620,353)	(21,294,240)

IAS 1, Presentation of Financial Statements, requires an entity to present a consolidated statement of financial position as at the beginning of the earliest comparative period when the entity applies an accounting policy retrospectively or makes a retrospective restatement or when it reclassifies items in its consolidated financial statements.

Presentation currency. All amounts in these consolidated financial statements are presented in the national currency of the Republic of Kazakhstan, Tenge ("Kazakhstani Tenge").

3 Basis of Preparation and Significant Accounting Policies (Continued)

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill, bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies..

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Financial instruments – key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same. Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets. Financial assets of the Group have the following measurement categories: (a) loans and receivables; (b) financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are financial assets designated irrevocably, at initial recognition, into this category. Management makes a revaluation of financial assets at the end of the reporting period.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term.

Classification of financial liabilities. The Group classifies its financial liabilities as other financial liabilities. Other financial liabilities are carried at amortised cost.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Initial recognition of financial instruments. Financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Premises and equipment. Premises and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in profit or loss for the year.

Depreciation. Depreciation on premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with Kazakhstani legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Other receivables. Other receivables are carried at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status.

3 Basis of Preparation and Significant Accounting Policies (Continued)

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Cash and cash equivalents. Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Net assets attributable to the limited partners. The partners' contributions consist of two different classes: contributions from general partner and contributions from limited partners. Contributions from limited partners are classified as a financial liability. Net assets attributable to the partners represent partners' contributions (Note 12), which are initially recognised in the amount of consideration received, in the form of cash or GDRs of Kazkommertsbank transferred to the Group by a limited partner. Subsequently, partners' contributions are carried at the amount that would be payable at the reporting date, had the partnership been liquidated on that date. In determining the amount payable, the carrying amount of the investment in the associate is adjusted to reflect its recoverable amount at the reporting date and it is assumed that other net assets will be liquidated at their carrying amounts. The management believes that recoverable amount of investment in associate approximates the amount of consideration that would be obtained through the sale of associate at the reporting date.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Value added tax. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Borrowings. Borrowings are carried at amortised cost using the effective interest method.

Other payables. Other payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

Foreign currency translation. The functional currency of the Group is the currency of the primary economic environment in which the entity operates. The functional currency of the Group, and the Group's presentation currency, is the national currency of the Republic of Kazakhstan – Kazakhstani Tenge.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Monetary assets and liabilities are translated into the Group's functional currency at the stock exchange rate at the end of the reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into functional currency of the Group at the stock exchange rate as for the year end are recognised as a profit or loss for the year. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of finance costs or finance income

At 31 December 2013 the principal exchange rate used for translating foreign currency balances was USD 1 = Tenge 154.06 (31 December 2012: USD 1 = Tenge 150.74).

Other income. Other income is generally recognised on an accrual basis when the service has been provided. The Group does not generate independent revenue from selling goods and services. Other income is measured at the fair value of the consideration received or receivable. Interest income is recognised on a time-proportion basis using the effective interest method.

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

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment of investment in associate. The Group tests its investment in associate for impairment in accordance with IAS 36. Under IAS 36 the asset's carrying amount cannot be higher than its recoverable amount. The Group considers the investment's recoverable amount to be equal to its fair value which is derived using the market prices at open stock markets.

Deferred income tax asset recognition. The Group's accounting policy is to recognise a deferred tax asset for all deductible temporary differences arising from investments in associates only if it is probable that these differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

A potential deferred tax asset related to the decrease in the carrying amount of the Group's investment in its associate as a result of recognising its share of losses in 2013 and impairment in prior periods was not recognised in these consolidated financial statements as the Group's only activity is holding an investment in Kazkommertsbank and it does not intend to sell this investment. Further, in the event the investment was sold, and a loss crystallised, the Group has no other business activity to utilise the tax loss. The amount of unrecognised deferred tax asset at 31 December 2013 is Tenge 27,373,769 thousand (31 December 2012: Tenge 27,835,159 thousand).

5 Adoption of New or Revised Standards and Interpretations

(i) The following new standards and interpretations became effective for the Group from 1 January 2013:

- *IFRS 13 "Fair Value Measurement" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)* improved consistency and reduced complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Standard did not have any material impact on the Group's consolidated financial statements.

5 Adoption of New or Revised Standards and Interpretations (Continued)

- *Amendments to IAS 1 "Presentation of Financial Statements" (issued in June 2011, effective for annual periods beginning on or after 1 July 2012)* changed the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to "statement of profit or loss and other comprehensive income". The amended standard resulted in changed presentation of consolidated financial statements, but did not have any impact on measurement of transactions and balances.

- *"Disclosures - Offsetting Financial Assets and Financial Liabilities" - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013).* The amendment requires disclosures that enable users of an entity's consolidated financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The Standard did not have any material impact on the Group's consolidated financial statements.

- *Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013).* IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23 "Borrowing costs", retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. The amended standards did not have any material impact on the Group's consolidated financial statements.

- *IFRS 12 "Disclosure of Interests in Other Entities" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)* applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements previously found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

  The Group disclosed requirements of the above standard that are applicable to the Group in Note 1 and Note 7.

- *IAS 28 "Investments in Associates and Joint Ventures" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013).* The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged.

- *"Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12" (issued in June 2012 and effective for annual periods beginning 1 January 2013).* The amendments clarify the transition guidance in IFRS 10 "Consolidated Financial Statements". Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The standard did not have any material impact on the Group's consolidated financial statements.

- *IFRS 10 "Consolidated Financial Statements" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)* replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The standard did not have any material impact on the Group's consolidated financial statements.

5 Adoption of New or Revised Standards and Interpretations (Continued)

(ii) *The following new standards and interpretations became effective from 1 January 2013, but are not related to the Group's operations:*

- *Amended IAS 19 "Employee Benefits" (issued in June 2011, effective for periods beginning on or after 1 January 2013)* makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The standard did not have any material impact on the Group's consolidated financial statements.

- *IFRS 11 "Joint Arrangements" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)* replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Venturers". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.

- *IAS 27 "Separate Financial Statements" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013)* was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10 "Consolidated Financial Statements".

- *Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013).* IAS 16 was amended to clarify that spare parts, stand-by and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The requirement to account for spare parts and servicing equipment as property, plant and equipment only if they were used in connection with an item of property, plant and equipment was removed because this requirement was too restrictive when compared with the definition of property, plant and equipment. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 now requires disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements.

(iii) *Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2014 or later and which the Group has not early adopted:*

- *IFRS 9 "Financial Instruments: Classification and Measurement".* Key features of the standard issued in November 2009 and amended in October 2010, December 2011 and November 2013 are:

  - Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  - An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

  - All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

5 Adoption of New or Revised Standards and Interpretations (Continued)

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. The Group does not intend to adopt the existing version of IFRS 9.

- *Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014).* The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Group does not expect the amendment to have any impact on its consolidated financial statements.

- *Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014).* The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The Group does not expect the amendment to have any impact on its consolidated financial statements.

- *IFRIC 21 – "Levies" (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014).* The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its consolidated financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Group does not expect the amendment to have any impact on its consolidated financial statements.

- *Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets" (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period).* The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The Group is currently assessing the impact of the amendments on the disclosures in its consolidated financial statements.

- *Amendments to IAS 39 – "Novation of Derivatives and Continuation of Hedge Accounting" (issued in June 2013 and effective for annual periods beginning 1 January 2014).* The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The Group does not expect the amendment to have any impact on its consolidated financial statements.

- *Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014).* The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The amendment is not expected to have any material impact on the Group's consolidated financial statements.

5 Adoption of New or Revised Standards and Interpretations (Continued)

- *Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below).* The improvements consist of changes to seven standards.

  IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

  IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.

  IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.

  The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.

  IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

  IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

- *Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).* The improvements consist of changes to four standards.

  The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.

  IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

  The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.

  IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

- *IFRS 14, Regulatory deferral accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).* IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS consolidated financial statements is not eligible to apply the standard.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

6 Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2013 and 31 December 2012 the outstanding balances with related parties were as follows:

		31 December 2013		31 December 2012	
In thousands of Kazakhstani Tenge	Note	Entities under common control	Associate	Entities under common control	Associate
Investments in associate	7	-	31,031,961	-	28,725,101
Other receivables		37,171	-	33	-
Cash and cash equivalents	8	-	60,866	-	688
Borrowings	10	245,528	-	-	-

The income and expense items with related parties for the year ended 31 December 2013 and 2012 were as follows:

		31 December 2013		31 December 2012	
In thousands of Kazakhstani Tenge	Note	Entities under common control	Associate	Entities under common control	Associate
Reimbursement of expenses under partnership agreement	13	36,232	-	44,091	-
Interest income		-	931	-	431
Commission expense		-	615	-	
Rental expense		2,054	-	2,316	-
Other services		-	427	-	504
Share of profit/(loss) of associate	7	-	13,126,064	-	(38,109,875)
Share of other comprehensive (loss)/income of associate	7	-	(172,357)	-	698,005

Key management compensation is presented below:

In thousands of Kazakhstani Tenge	2013	2012
Salaries	33,629	32,885
Social tax	3,061	2,944
Social security costs	294	314
Total management compensation	**36,984**	**36,143**

7 Investments in Associate

The table below summarises the movements in the carrying amount of the Group's investment in associate, i.e. Kazkommertsbank, in 2013 and 2012:

In thousands of Kazakhstani Tenge	2013	2012 (restated)
Carrying amount at 1 January	**28,725,101**	**44,842,731**
Share of profit/(loss) of associate	13,126,064	(38,109,875)
Impairment (charge)/ release against an investment in associate	(10,646,847)	21,294,240
Share of results of associate	**2,479,217**	**(16,815,635)**
Share of other comprehensive (loss)/ income of associate	**(172,357)**	**698,005**
Carrying amount at 31 December	**31,031,961**	**28,725,101**

The Group has an investment in an associate, Kazkommertsbank. Kazkommertsbank's primary business consists of commercial banking activities, operations with securities, foreign currencies and derivative instruments, originating loans and guarantees. The Group's accounting policy is to recognise its share of the associate's profits or losses in profit or loss for the year as "share of profit/(loss) of associate". Kazkommertsbank reported substantial losses in 2012 and this policy resulted in the investment's carrying value as at 31 December 2012 being lower than the recoverable amount based on market prices as at that date. An adjustment to the carrying value was therefore made, termed an 'impairment release' such that the investment's carrying value at 31 December 2012 is equal to market value.

At 31 December 2013 and 31 December 2012 interest held by the Group in Kazkommertsbank was 28.76%. The country of incorporation of Kazkommertsbank is Kazakhstan

At 31 December 2013 the Group's interests in its associate Kazkommertsbank and its summarised financial information is as follows:

In thousands of Kazakhstani Tenge				Ordinary shareholders		
Date	Total assets	Total liabilities	Revenue	Profit	Other comprehensive loss	Total comprehensive income
2013						
Kazkommertsbank	2,586,292,000	2,214,085,000	252,092,000	45,640,000	(447,000)	45,193,000

At 31 December 2012 the Group's interests in its associate Kazkommertsbank and its summarised financial information is as follows:

In thousands of Kazakhstani Tenge				Ordinary shareholders		
Date	Total assets (restated)	Total liabilities (restated)	Revenue (restated)	Profit (restated)	Other comprehensive income	Total comprehensive loss (reastated)
2012						
Kazkommertsbank	2,425,415,000	2,105,146,000	233,357,000	(132,510,000)	486,000	(132,024,000)

The fair value of the Group's investment in Kazkommertsbank, which is listed on Kazakhstan Stock Exchange (KASE) and London Stock Exchange (LSE), is Tenge 31,031,961 thousand of as at 31 December 2013 (31 December 2012: Tenge 28,725,101 thousand).

8 Cash and Cash equivalents

In thousands of Kazakhstani Tenge	**31 December 2013**	**31 December 2012**
Bank balances payable on demand	60,866	1,269
Total cash and cash equivalents	**60,866**	**1,269**

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's ratings as of 31 December was as follows:

	31 December 2013	**31 December 2012**
	Bank balances payable on demand	**Bank balances payable on demand**
Neither past due nor impaired		
A/Stable	-	581
B/Stable	60,866	688
Total	**60,866**	**1,269**

9 Charter Capital

The charter capital was increased during 2013 by Tenge 157,500 thousand (2012: increased by Tenge 148,000 thousand). Charter capital as of 31 December 2013 and 31 December 2012 was fully owned by Aigul Nuriyeva.

10 Borrowings

In 2013 the Group obtained borrowing from its related party. As at 31 December 2013 the amount of borrowing was Tenge 245,528 thousand (31 December 2012: nil). The borrowing is denominated in US dollars.

11 Other Reserves

An analysis of changes in the associate's other comprehensive income in 2013 and 2012 is as follows:

In thousands of Kazakhstani Tenge	**2013**	**2012**
Revaluation of available for sale investments	(13,485)	150,415
Translation reserve	(227,765)	401,202
Hedging reserve	76,004	54,356
Property and equipment revaluation reserve	(7,111)	92,032
Total other comprehensive (loss)/income	**(172,357)**	**698,005**

12 Net Assets Attributable to the Limited Partners

No contributions were received from limited partners in 2013 and 2012. All changes in net assets, which mostly relate to the recognition of the share of gains/losses of associate and impairment of this investment, are attributable to the limited partners.

13 Other Income

In thousands of Kazakhstani Tenge	2013	2012
Reimbursement of expenses under partnership agreement	36,232	44,091
Other income	433	8,598
Total other income	**36,665**	**52,689**

14 Finance Costs

In thousands of Kazakhstani Tenge	2013	2012
Custody fees	277,947	253,138
Other finance costs	3,227	-
Total finance costs	**281,174**	**253,138**

15 Income Taxes

Income tax expense recorded in profit or loss comprises the following:

In thousands of Kazakhstani Tenge	2013	2012
Deferred tax expense	394	289
Income tax expense for the year	**394**	**289**

The income tax rate applicable to the Group's income is 20 percent (2012: 20 percent). Reconciliation between the theoretical and the actual taxation charge is provided below.

In thousands of Kazakhstani Tenge	2013	2012
Profit/(loss) before tax	**2,176,414**	**(17,077,324)**
Theoretical tax charge/(credit) at statutory rate	435,283	(3,415,465)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Unrecognised impairment (charge)/reversal against an investment in associate and other movements in investment in associate	(495,843)	3,363,127
- Other non-taxable income	1,211	289
Unrecognised tax loss carry forwards for the year	59,743	52,338
Income tax expense for the year	**394**	**289**

15 Income Taxes (Continued)

In thousands of Kazakhstani Tenge	1 January 2012	Credited/ (charged) to profit or loss	31 December 2012	Credited/ (charged) to profit or loss	31 December 2013
Tax effect of deductible/(taxable) temporary differences					
Other accruals	123	350	473	(394)	79
Other financial assets at fair value through profit or loss	639	(639)	-	-	-
Net deferred tax asset	**762**	**(289)**	**473**	**(394)**	**79**

16 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, the Group may receive claims from the Committee of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (the "Committee"). On the basis of its own estimates the management is of the opinion that no material losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Tax legislation. Kazakhstani tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

The Kazakhstani tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years proceeding the year of review.

Kazakhstani tax legislation does not provide definitive guidance in certain areas. From time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices; the impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

Regulatory requirements. The Group and its Parent have the status of banking holdings and a participant of the banking conglomerates. Regulatory requirements set forth by the Kazakhstani legislation with respect to activities of banking holdings and banking conglomerates are applied to the companies.

17 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises credit risk, market risk, interest rate risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's transactions with counterparties giving rise to financial assets.

17 Financial Risk Management (Continued)

The Group's maximum exposure to credit risk is as follows:

In thousands of Kazakhstani Tenge	2013	2012
Financial assets	98,037	5,873
Total maximum exposure to credit risk	**98,037**	**5,873**

The Group does not set any limits on the amount of risk accepted in relation to counterparties or groups of counterparties, since financial assets on the statement of consolidated financial position are considered by the management as insignificant.

Credit risks concentration. The Group is exposed to concentrations of credit risk. The Group's accounts are held only with two banks at 31 December 2013 (31 December 2012: two banks), thus exposing the Group to the risk of high credit concentration (Note 8).

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and (c) equity investments i.e. investment in associate, all of which are exposed to general and specific market movements.

At present there are no limits on the value of the risk that may be accepted. The management believes that the current exposure to market risk from the day-to-day operations is not significant due to limited scope of the Group's activity. Market risk associated with an investment in associate is substantial as its value is a market-based measurement.

Investments in associate are not a financial asset. The below analysis is done because the Group uses USD rates and market prices in impairment test. Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated.

At 31 December 2013, if GDRs and share prices at that date had been 6% lower with all other variables held constant, the loss would increase by Tenge 1,861,918 thousand (2012: there would be no effect on loss for the year, mainly as a result of significant losses of associate recognised in 2012). Fair value of the investment as of date of the issuance of these consolidated financial statements is disclosed in Note 20.

In 2013, if USD rate had been 20% lower with all other variables held constant, the loss would increase by Tenge 6,151,373 thousand (2012: there would be no effect on loss for the year, mainly as a result of significant losses of associate recognised in 2012).

Currency risk. The foreign currency positions are monitored monthly by the Group's management. The table below summarises the Group's exposure to foreign currency exchange rate risk at the reporting date:

	At 31 December 2013			At 31 December 2012		
In thousands of Kazakhstani Tenge	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
US Dollars	36,990	245,528	(208,538)	2	-	2
Kazakhstani Tenge	61,047	919	60,128	5,871	13,191	(7,320)
Total	**98,037**	**246,447**	**(148,410)**	**5,873**	**13,191**	**(7,318)**

The above analysis includes only monetary assets and liabilities.

17 Financial Risk Management (Continued)

The following table presents sensitivities of profit and loss to reasonably possible changes in exchange rates applied at the reporting date and relative to the functional currency of the respective Group entities, with all other variables held constant:

In thousands of Kazakhstani Tenge	31 December 2013 Impact on profit or loss	31 December 2012 Impact on profit or loss
US Dollar strengthening by 20%	(41,708)	0.20
US Dollar weakening by 20%	41,708	(0.20)

Interest rate risk. All interest bearing financial assets are disclosed in Note 8. All interest bearing financial liabilities are disclosed in Note 10.

The Group does not monitor interest rates for its financial instruments since they have immaterial impact on profit and loss.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is managed by the management of the Group.

The table below shows financial liabilities at 31 December 2013 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows which approximate discounted cash flows (i.e. amounts in statement of consolidated financial position). Net assets attributable to the limited partners have an indefinite term.

In thousands of Kazakhstani Tenge	On demand and for less than 1 month	Less than six months
Liabilities		
Borrowing	-	245,528
Other payables	919	-
Total future payments including future principal and interest payments	**919**	**245,528**

The maturity analysis of financial liabilities at 31 December 2012 is as follows:

In thousands of Kazakhstani Tenge	On demand and for less than 1 month
Liabilities	
Other payables	13,191
Total future payments including future principal and interest payments	**13,191**

18 Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities and (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

18 Fair Value of Financial Instruments (Continued)

Recurring fair value measurements. Financial assets at fair value through profit or loss are carried on the statement of financial position at their fair value. Fair values were determined based on quoted market prices and thus represent level 1 of fair value hierarchy.

Assets and liabilities not measured at fair value but for which fair value is disclosed. Financial assets carried at amortised cost include cash and cash equivalents and other receivables, whose carrying amount approximates their current fair value, as they are all of short term nature. Financial liabilities carried at amortised cost include borrowing and other payables carried at amortised cost whose carrying amount approximates their current fair value as they are all of short term nature.

Net assets attributable to the limited partners. Fair value of net assets attributable to the limited partners approximates their carrying value as at 31 December 2013 and 31 December 2012, as carrying value of investment in associate approximates its recoverable amount based on the management's assessment, refer to the Notes 4 and 12.

19 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39, *Financial Instruments: Recognition and Measurement*, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2013 and 31 December 2012:

In thousands of Kazakhstani Tenge	Note	2013 Loans and receivables	2012 Loans and receivables
ASSETS			
Cash and cash equivalents			
- Bank balances payable on demand	8	60,866	1,269
Other receivables			
- Other financial receivables		37,171	4,604
TOTAL FINANCIAL ASSETS		**98,037**	**5,873**

All of the Group's financial liabilities are carried at amortised cost.

20 Events after the Reporting Date

On 11 February 2014 National Bank of Republic of Kazakhstan stopped supporting the Tenge exchange rate and decreased currency interventions. As a result, the exchange rate depreciated to Tenge 185 for 1 USD or approximately 19%. This situation has not caused any material effect on the Group's financial position, except investments in associate. GDRs are traded at LSE and denominated in USD, thus devaluation increases Tenge value of the GDRs by Tenge 6,151,373 thousand. The long term impact of the devaluation on Kazkommertsbank is being assessed.

Based on the decision of the sole shareholder of the Company dated as of 11 June 2014 255 ordinary shares of JSC Alnair Capital Holding were issued for the total amount of Tenge 255,000 thousand.

The fair value of the Group's investment in Kazkommertsbank at 18 July 2014 was Tenge 73,157,175 thousand.