# Annual Report

2012 **2013** 2014 2015 2016

Real Invest group

## Table of Contents

## Address of the management

Dear shareholders!
All of us had the luck to live at very interesting and dynamic time, when fast and pervasive changes occur both in different areas of our life and in thought of people.
New realias, new economic models, new opportunities of cooperation and synergy, new approaches to build a community are visibly evolving. Meanwhile this is just a draft future "stable" model of economy, however even now tomorrow priorities become obvious.
Adoption by the company's shareholders of a new Strategy of development for the years 2014-2019 became a significant event of the year 2013. This is not just one more program document or a business plan of an investment company, in fact this is a step-by-step scenario of its development and growth in the context of those changes, which occur in the world economy and inside the country. The leading economic empires are thinking more and more and taking particular steps to a model of economy, in the context of which exploitation of natural resources, assignment of investments, orientation of scientific and technological development, personality development and institutional changes are consistent to each other and strengthen present and future potential in order to satisfy human wants and ambitions. It is said very much of "green" economy. Particular measures are taken at the level of international community and particular states. Kazakhstan becomes one of active participants at the international scene in forming the economy of the future. The changes themselves are probably not obvious yet, but at the level of international initiatives of the Head of our country, program documents, alleged projects at the State level and laws being prepared the shape of the future economy of Kazakhstan is being formed.
At the level of key shareholders, the Board of Directors and top management of "REAL-INVEST.kz" Financial Company" JSC, the role of the Company in the country economy, its focus and primary products, positioning, business model, social responsibility and many other aspects of activity were fundamentally reviewed in 2013. These changes resulted in development and adoption of a new strategy providing for transition from multi-field investment holding focusing on development of major active retail broker in the securities market to formation of a strong, professional, and stable investment institute focusing hundred-per-cent on direct investments.
This change of business model and priority direction is a critical and thought-out step. During approximately 10 years the Company was one of active participants and leaders of the stock market providing its clients with a wide range of brokerage services. Huge experience both in work with individual clients and in development of collective forms of investment was accumulated. Starting from 2012 the Company operated more actively in the market of direct investments, and in 2013 the shareholders of the Company decided to make the direct investment direction as basic for the next 10 years.
The Strategy of development of the Company set exact, clear, and very ambitious targets. One of the most important factors of success is clear awareness and understanding of uniqueness of our concept of investment business building. The basis is our will to follow own principles and standards of building relationship with partners and clients, orientation to gain from cooperation for both parties.
The Company has provisionally determined for itself the basic principles of "eco-friendly finances". In this event environmental friendliness is not only and not so much our portfolio of "green investments", as "nontoxicity", utility of those financial products, which we offer people. This is a fundamental factor to determine those business directions, which we are engaged in right now and which we are going to engage in the future, as well as to build relations with all partners.
Establishment, with our active financial and organizational participation, of such social organizations as Legal Entity Association "Union «Kazakhstan Green Building Council — KazGBC" and the Federation of Organic Agriculture Movement KazFOAM was an important event of the year closely connected with the Strategy of development of the Company. Active participation in social life and creation, by means of these mechanisms, of good conditions for those business directions, which we consider the most interesting and perspective, is also our contribution into the future ambitious success.
Although in 2013 a share of financial sector in gross product of the country considerably reduced, we are estimating with optimism the prospects of our direction in this area. Our subsidiary – "JAZZ CAPITAL" Brokerage House" JSC – is taking stable leading positions in its sector of financial services. We assume to sell within the next 3 years the controlling interest in that business, having fully focusing on basic direction of development.
Current conditions and results of the Company, as well as potential of a team, allow counting on powerful breakthrough during the next 2-3 years. From 2008 to 2013, inclusive, our total annual average rate of increase in value of assets of the Company was equal to 48.59%, equity capital – 24.10%, retained profit – 53.23%. Today the Company has sufficient free capital to implement long-term investment projects that is also an important factor of success.
The Board of Directors of "REAL-INVEST.kz" Financial Company" JSC thanks the shareholders for understanding, confidence, and support, and it makes everything required to provide strong protection of their interests and increase in value of shares held by them.

## Basic targets and tasks for the next year

In 2013 the shareholders of the Company adopted a new Strategy of development for the years 2014-2019 basic target of which is to establish a big management investment company focusing one-hundred-per cent on direct investments. By the year 2019 Real Invest group will be the leader in the stock market of direct investments.
The Company is successfully and professionally investing in implementation of impressive, efficient, useful, and profitable projects inside the country and abroad. The Company is consecutively entering the projects and emerging therefrom forming with its participation an added value and earning its profit by means of this.
In addition, the Company intends to sell its non-core business directions and assets, including immovable property.

# Information on listing company

Real Invest group is a private holding investment company emphasizing on securities market.
In 2003 the business and successful people having experience of work in the securities market decided to establish "REAL-INVEST.kz" Financial Company" JSC the targets of which included rendering quality brokerage services and services related with management of portfolios of the unit funds in the Kazakhstan market.
Over the entire period of activity the Company demonstrated its independence of financial and industrial groups that allowed developing flexibly a tariff policy, making promptly necessary decisions, as well as excluding opportunity of occurrence of conflict of interests.
Significant advantage in development of the Company was the fact of its establishment by people having wide practical experience in the area of governmental regulation of the securities market that left quality imprint on organization of infrastructure, systematization of business processes and methods of registration of the Company. Real Invest group has a unique accumulated operating and investment experience.

## History of basic events

### 2003

**August**
• "REAL-INVEST.kz" Financial Company" JSC was established.
**December**
• The Company obtained license to carry out activity related with investment portfolio management.
• The Company obtained license to carry out brokerage and dealer's activity in the securities market with the right to manage accounts of clients as a nominal holder.

### 2004

**February**
• The Company became a member of the KASE in categories "K", "P", and "H" (with the right to participate in trades in government and non-government equity securities).
**March**
• The Company completed the first project for financial consulting – ordinary shares of "Kazakhstan Industrial bank" JSC are officially listed on the KASE in category "B".
**May**
• The Company became a member of the Association of Kazakhstan Financiers and the Association of Asset Managers.
• The Company completed the first bond project having acted as an initiator, financial consultant, and underwriter of the first issue of bonds of "GMK Kazakhaltyn" JSC.
**June**
• The Company became a shareholder of the KASE.
**July**
• The Company got the status of a consultant in the Program of business support of the European Bank for Reconstruction and Development (BAS).
• The Company acted as a financial consultant for officially listing the shares of "Rossa" JSC on the KASE in category "A".
**December**
• The stock turnover of the company over the period of work amounted to 50 billion tenge.

### 2005

**February**
• The Company began to provide its clients with "Internet trading" service.
**June**
• The Company acted as an underwriter of the first issue of bonds within the framework of the first bond program of "ATF Bank" JSC to the amount of 5.5 billion tenge.
**July**
• The Company established a closed unit venture investment fund "Etalon".
• The Company established an interval unit investment fund "Favorit".
**August**
• The Chairman of the Board of Directors of the Company, Mr. Niyazov B.B., was elected to be a member of the Exchange Committee of the KASE.
**November**
• The Company's site was launched in the Internet.
**December**
• A point of sale of units of IUIF "Favorit" was activated.

### 2006

**January**
• Updated version of the Company's site was launched in the Internet.
**March**
• The Company acted as underwriter and financial consultant for listing of bonds of the second issue of "DANABANK" JSC in category "B". Issue amount – 3 billion tenge.
**April**
• The Company acted as underwriter of coupon bonds of the first issue of "Tsesnabank" JSC within the framework of the first bond program, having allocated the same to the amount of 1 billion tenge.
**May**
• The Company acted as financial consultant for listing of bonds of the second issue of "ROSSA" JSC in category "A".
**July**
• Anniversary from commencement of allocation of units of the Interval Unit Investment Fund "Favorit".
**September**
• In order to popularize UIFs in Kazakhstan the Company began to hold free training seminars for new methods of investment.
**October**
• Equity capital of the Company increased up to the amount of 220 million tenge. The Company acted as financial consultant for listing of shares of "Almaty distillery" JSC in category "B". The Company acted as underwriter and financial consultant for listing of bonds of the first issue of "Tort-Kudyk" LLP to the amount of 2 billion tenge in category "B".
**November**
• Value of assets of the Interval Unit Investment Fund "Favorit" increased from beginning more than by 80%. Increase in value of a unit from beginning till November 2006 was equal to 40% per annum.

### 2007

**January**
• Equity capital of the Company exceeded the amount of 1 billion tenge.
• The Agency of the Republic of Kazakhstan for regulation of activity of the Regional financial centre of Almaty City registered "REAL-INVEST RFCA" JSC as a participant of the Regional financial centre of Almaty City (Certificate of Registration No.18-1910-RFCA-AO).
**February**
• The Company registered the first in Kazakhstan Fund of funds "Favorit Collection" and two closed unit investment venture investment funds – "Granit" and "Bestseller".
**March**
• The Company obtained license from the FSA of RK to make particular types of banking transactions.

### 2008

**January**
• The Company was admitted as a member of the KASE in category "A".

**June**
• The Company introduced for listing the ordinary shares and bonds, which, under condition 3, are officially listed on STP of RFCA (category "C").
**July**
• The Company was admitted as a member of the KASE in category "B".
**September**
• The Company successfully passed through certification audit of the quality management system for conformance to requirements of IS ISO 9001:2000 and obtained certificate.

## 2009

**January**
• The Company established a subsidiary - "REAL-CREDIT.kz" Micro-Credit Organization" LLP.
**April**
• A new Closed Unit Investment Venture Investment Fund "Favorit BRIK" was registered.
**December**
• IUIF "Favorit" took the first place nominated as "The Biggest Retail Unit Investment Fund".
• With the support of subsidiary - "REAL Art production.kz" LLP - work on shooting a film of V. Butussov "Iz raya v rai (From paradise to paradise)" was performed.
• IUIF "Favorit" took the third place nominated as "The Best Revenue Performance".

## 2010

**January**
• A new Strategy of development of the Group for the years 2010-2012 was adopted.
**April**
• With the support of subsidiary - "REAL Art production.kz" LLP - the film of V. Butussov "Iz raya v rai (From paradise to paradise)" was released on DVD discs.
• A subsidiary producing company - "REAL Art production.kz" LLP - was established. The recital was organized and DVD disc of V. Butussov "Iz raya v rai (From paradise to paradise)" was released, these events became the first joint project of "REAL Art production.kz" LLP and V. Butussov.
**May**
• A new brand of group was created: "Real Invest group".
• In the context of a new Strategy of development the Board of Directors and the Management Board of the Company were changed.
• IUIF "Favorit" was rebranded; a line of unit funds "Favorit" was formed.
• "REAL–INVEST.kz" Financial Company" JSC concluded agreement for cooperation with SAXO Bank (Denmark).
• The ongoing exhibition of the Kazakhstan artists Andrey Nod and Nataliya Litvinova was opened.
**June**
• Analytical centre was formed in subsidiary - "REAL ASSET MANAGEMENT" JSC.
**July**
• A new Closed Unit Investment Venture Investment Fund "Favorit Russia – Kazakhstan" was registered.
• "REAL–INVEST.kz" Financial Company" JSC became a leader in trade volume among members of the KASE.
**September**
• Presentation was held and the film "Igla. Remix", producer of which was subsidiary - "REAL Art production.kz" LLP - was shown.
• Subsidiary - "REAL-GOLD" Jewellery Company" LLP - was established.
• The Marketing and PR Department was formed in subsidiary - "REAL ASSET MANAGEMENT" JSC.
**October**
• The Sales Department was formed in subsidiary - "REAL ASSET MANAGEMENT" JSC.
**November**
• With the support of subsidiary - "REAL Art production.kz" LLP - the album of V. Butussov "Tsvety i ternii (Flowers and thorns)" was presented.
• With the support of subsidiary – "REAL Art production.kz" LLP – presentation concerts in the cities of Moscow and Saint Petersburg were organized.
• Subsidiary - "JAZZ CAPITAL" Brokerage House" JSC - was established.
**December**
• A new high-technology site of the subsidiary - "JAZZ CAPITAL" Brokerage House" JSC - was launched in the Internet.
• The Trade platform "JAZZ CAPITAL" was launched.
• A new web-site of Real Invest group was launched.
• With the support of the subsidiary - "REAL Art production.kz" LLP - the album of V. Butussov "Tsvety i ternii (Flowers and thorns)" was released on CD discs and exclusive collection series of vinyl discs.
• Confirmation of conformance to requirements of the international standard ISO 9001:2008 was obtained.

## 2011

**February**
• Site of the subsidiary - "REAL ASSET MANAGEMENT" JSC - was launched in the Internet.
**March**
• The first shop of jewellery network of "REAL-GOLD" Jewellery Company" LLP was opened.
**April**
• "REAL-GOLD" Jewellery Company" LLP participated in the International jewellery exhibition "Aru – Almaty 2011", which took place from 14 to 17 April in Almaty City (BCC "Atakent").
• "JAZZ CAPITAL" Brokerage House" JSC obtained license to carry out brokerage and dealer's activity in the securities market with the right to manage accounts of clients as a nominal holder.
**May**
• "JAZZ CAPITAL" Brokerage House" JSC concluded agreement for cooperation with SAXO Bank (Denmark).
• Financial holding Real Invest group held press lunch devoted to creation of a new brokerage house JAZZ CAPITAL and cooperation with the leading European financial institution SAXO BANK (Denmark).
• With the support of RFCA Academy, "JAZZ CAPITAL" Brokerage House" JSC and SAXO BANK held master class for investments in stock markets, to which clients of "JAZZ CAPITAL" Brokerage House" JSC and members of the Club of private investors had been invited.

## 2012

**January**
• Decision on a need for Group business restructuring by affiliation of "REAL ASSET MANAGEMENT" JSC to "JAZZ CAPITAL" Brokerage House" JSC and re-issue of license of "REAL ASSET MANAGEMENT" JSC to manage investment portfolio to "JAZZ CAPITAL" Brokerage House" JSC was made.
• Establishment of "BonFood Distribution" LLP.
**February**
• Another point of sale of jewellery network of "REAL-GOLD" Jewellery Company" LLP was opened in SLC "ADK".
**March**
• The VII Kazakhstan financial forum, professional specialized competition for brokerage and management companies of the Republic of Kazakhstan took place in Almaty City.
"REAL ASSET MANAGEMENT" JSC and IUIF "FAVORIT" managed by it became winners of INVESTFUNDS AWARDS in three nominations at once.
• "REAL ASSET MANAGEMENT" JSC obtained the first award nominated as "The Most Popular Management Company".
• IUIF "FAVORIT" was recognized as one of the best as for return performance among retail unit investment funds,

as well as it was nominated as “The Biggest Retail Unit Investment Fund in Kazakhstan”.

**June**

• In connection with business restructuring the Management Board of “REAL-INVEST.kz” Financial Company” JSC decided to transfer brokerage and dealer’s activity to the subsidiary – “JAZZ CAPITAL” Brokerage House” JSC.

• On 6 June 2012 “REAL-INVEST.kz” Financial Company” JSC voluntarily returned the license to carry out brokerage and dealer’s activity in the securities market with the right to manage accounts of clients as a nominal holder to the Committee for control and supervision of financial market and financial organizations of the National Bank of the Republic of Kazakhstan.

**July**

• “JAZZ CAPITAL” Brokerage House” JSC obtained license to carry out activity related with investment portfolio management.

**The Company is oriented both to brokerage services and implementation of own projects in different areas, as well as to join to existing projects.**

## Our mission

To improve the life of people by means of efficient investment of private capital into the business projects.

### Principles of business

• Principle of business advantage.
• Principle of conformance of plans and projects of the company, strategy of its development to life, creative, and mental priorities of its shareholders and key team members.
• Principle of social utility and principle of ideological and material involvement.
• Principle of efficient partnership.
• Principle of concentration on basic directions of development, targets and tasks for a long term.

## Subsidiaries of "REAL-INVEST.kz" Financial Company" JSC. Basic performances and results of activity

"JAZZ CAPITAL" Brokerage House" Joint-Stock Company
"AVERS" Construction Firm" Limited Liability Partnership
"REAL Art-production.kz" Limited Liability Partnership
"Joint-Stock Real Estate Investment Fund "REAL ESTATE INVESTMENT FUND" Joint-Stock Company
"REAL-GOLD" Jewellery Company" Limited Liability Partnership
"Real Development.kz" Limited Liability Partnership
"REAL ASSET MANAGEMENT" Joint-Stock Company
"Kaz Measuring Company" LLP
"Alua Top Construction" Limited Liability Partnership

| Name of subsidiary | Interest/voting shares, % | | Type of activity |
|---|---|---|---|
| | 31.12.2013 | 31.12.2012 | |
| "Real Asset Management" JSC | 100% | 100% | Investment portfolio manager |
| "JAZZ CAPITAL" Brokerage House" JSC | 100% | 100% | Broker, investment portfolio manager |
| "Real-Credit.kz" Micro-Credit Organization" LLP | 0% | 100% | Microcredits |
| "REAL Art-Production.kz" LLP | 100% | 100% | Financing and producing film projects, projects in the area of art, book publishing and music |
| "AVERS" Construction Firm" Limited Liability Partnership | 100% | 100% | Construction |
| "Joint-Stock Real Estate Investment Fund "REAL ESTATE INVESTMENT FUND" Joint-Stock Company | 100% | 100% | Real estate lease |
| "REAL-GOLD" Jewellery Company" Limited Liability Partnership | 100% | 100% | Sale of jewelleries |
| "BonFood Distribution" Limited Liability Partnership | 0% | 100% | Sale of food stuff |
| "Alua TOP Construction" Limited Liability Partnership | 100% | 0% | Construction |

| Item | "AVERS" Construction Firm" LLP | "JAZZ CAPITAL" Brokerage House" JSC | "REAL Art-Production.kz" LLP | "REAL-GOLD" Jewellery Company" LLP | "JSREIF "REAL ESTATE INVESTMENT FUND" JSC | "Real-Invest.kz" Financial Company" JSC | "Alua TOP Construction" LLP | "BonFood Distribution" LLP |
|---|---|---|---|---|---|---|---|---|
| Proceeds | - | 100,426 | 5,977 | 208,882 | 18,198 | 17,761 | - | 205,066 |
| Cost of goods and services sold | - | (23,290) | - | (130,329) | (796) | (338) | - | (169,710) |
| **Gross profit** | **-** | **77,136** | **5,977** | **78,553** | **17,402** | **17,424** | **-** | **35,356** |
| Administrative expenses | (947) | (174,734) | (45,645) | (168,471) | (21,434) | (139,502) | (33,043) | (62,202) |
| **Total operating profit (loss)** | **(947)** | **(97,598)** | **(39,669)** | **(89,918)** | **(4,032)** | **(122,078)** | **(33,043)** | **(26,846)** |
| Incomes on funding | 362 | 29,726 | 13,102 | - | - | 18,374 | 30,682 | 0 |
| Expenses for funding | (30,400) | (3,245) | (394) | - | - | (186,939) | - | (707) |
| Other non-operating incomes | 30,698 | 264,456 | (49,994) | (645) | 264,374 | 603,587 | 30,942 | 92 |
| Other non-operating expenses | (189,792) | (231,070) | 52,175 | (6,505) | 3,674 | (132,468) | - | - |
| **Profit (loss) before tax** | **(190,080)** | **(37,732)** | **(24,779)** | **(97,067)** | **264,016** | **180,476** | **28,582** | **(27,461)** |
| Expenses on income tax | 36,452 | 3,555 | (3,859) | 22,464 | - | 59,213 | - | - |
| **Profit (loss) after tax** | **(153,628)** | **(34,176)** | **(28,638)** | **(74,603)** | **264,016** | **239,689** | **28,582** | **(27,461)** |

## Key developments of the year

In 2013 the subsidiary - "JAZZ CAPITAL" Brokerage House" JSC - entered the Top 5 brokers as for rating of efforts of trade in equity instruments on the KASE, and, according to version of the company bonds, "JAZZ CAPITAL" Brokerage House" JSC rated the Top 3 major consultants in allocation of bonds. The team of "JAZZ CAPITAL" Brokerage House" JSC also took active part in allocation of shares of "Kaztransoil" JSC within the framework of the program "National IPO" and took the fifth place as for amount of allocation among 22 local brokers (1,4 billion tenge, or 6,2% of the total amount). In 2013 the number of broker's accounts increased up to 1024 accounts, or by 32% in relation to 2012, and achieved the amount of 5,5 billion tenge or 41% as compared with results of the year 2012.
In September 2013 the Association of Legal Entities "Union "Kazakhstan Green Building Council – KazGBC" was established.
KazGBC, or ALE "Union "Kazakhstan Green Building Council – KazGBC", is a non-for-profit organization, activity of which is aimed at promotion of green building in Kazakhstan.
The mission of KazGBC is to change attitude of people to construction and operation of buildings through creating green building industry in Kazakhstan.
ALE "Union "Kazakhstan Green Building Council – KazGBC" participated in video conference concerning green building, which was organized by "Astana EXPO 2014" NC" JSC on G-Global platform. ALE "Union "Kazakhstan Green Building Council – KazGBC" was the party to the memorandum for creation of eco-house-laboratory, expressing readiness to provide expert and information support of the project at the stage of implementation thereof.
The Union took part on behalf of Kazakhstan in conference of the CIS countries – CIS Green Build 2014, which took place in Sochi, as well as it participated in the Commercial Real Estate Week CREW 2014 in Astana.
Moreover, together with SGS Kazakhstan Company it was co-organizer of training seminars in the cities of Almaty and Astana for the system of green building certification LEED. Together with Saint Gobain Company, ALE "Union "Kazakhstan Green Building Council – KazGBC" was co-organizer of two-day training Passive House (Almaty).
Together with Saint Gobain Company, ALE "Union "Kazakhstan Green Building Council – KazGBC" was co-organizer of the seminar Passive House for BI Group corporate university (Astana). Likewise, together with "Samruk-Kazyna" Real Estate Fund, the Union was co-organizer of the seminar concerning: "Green building" for students studying in building specialties (Astana).

The Federation of Organic Agriculture Movement KazFOAM was registered in July 2013 in Kazakhstan. By creating this social organization, the Company set as its principal target consolidation, development, and support of organic sector.
Main targets of the federation for the years 2013-2017 are:
1) Formation and integration of springing organic movement of Kazakhstan and Central Asia into international and global organic movement.
2) Formation of public opinion and environmental/organic culture of consumption corresponding to the principles of "Green Economy".
3) Formation of legislative and technical basis for development of organic market in accordance with the international standards.
4) Formation of demand for organic products and goods on the part of population.
5) Formation of supply of organic products and goods on the part of farmers, manufacturers, distributors, and other market participants.

In 2013 the subsidiary of "REAL-INVEST.kz" Financial Company" JSC – "REAL-GOLD" Jewellery Company" LLP – rebranded distribution network, having presented to the market a new brand FILIGRANO. New sales outlets were activated in SLC "APORT", SLC "MART", SLC "Sputnik", SLC "ADK" (Ust-Kamenogorsk), SLC "Globus" under new brand FILIGRANO.
In 2013 activity of the subsidiary – "Real-Credit.kz" Micro-Credit Organization" LLP – was terminated.
In connection with decision of the Board of Directors of "REAL-INVEST.kz" Financial Company" JSC transaction was made to sell 100% interest in the authorized capital stock of "BonFood Distribution" LLP held by the Company.

## Operating activity

Notwithstanding positive economic dynamics in 2013, that increase was concentrated on domestic (retail) trade; state-guaranteed order also continues to play its role that is connected with implementation of infrastructure projects. Just as in previous years, after 2009 a share of financial sector in gross product of the country has considerably decreased. We do not expect for growth of financial sector, and, in particular, retail investment segment in the securities market.

Economic growth of Kazakhstan increased from 5% in 2012 up to 6% in 2013, notwithstanding stagnation of trade conditions. Key points of increase were in service sector oriented to domestic consumption and, to a lesser degree, oil production and agriculture. The strong domestic consumer demand and government support of investment demand ever more compensated weak domestic demand and effect of fiscal policy stiffening. Notwithstanding sluggish growth of real incomes, consumer demand remained strong, being supported by growth of consumer lending. Growth of investments was mainly caused by implementation of infrastructure projects financed or guaranteed by the government sector.

Private investments continued to slack. Quite disciplined fiscal policy was stiffened. Deficit of the State budget in 2013 in the amount of 701 billion tenge (2,1% of GDP) proved to be less than the target amount of 791 billion tenge. More consolidated indicator of balances of the government sector, i.e., subject to transactions of the National Fund, still runs surplus, which we estimate as equal to 3,8% of GDP that is less than 4,9% of GDP in 2012.

Strict macro-economic policy affected inflation. Consumer inflation decreased from 6% in 2012 down to historic low of 4,8% in 2013. Inflation of prices for services, especially regulated public services, remained much higher than an index of consumer prices, but tariffs for regulated services still remain less than economic cost. Monetary and credit policy was also stiffened in the second half of the year, but, as against intentional fiscal policy stiffening, momentary contraction became by-effect of protection of exchange rate in response to accelerated dollarization. As far as demand for tenge reduced, the central bank pursued exchange market interventions, which resulted in increase in rates in monetary market up to 70% and more.

In February 2014, the National Bank of the Republic of Kazakhstan devalued the tenge by 16%, from 156 down to 185 tenge for US dollar and narrowed corridor to plus-minus 3 tenge for US dollar. Devaluation required changing our forecasts for 2014. We still predict 5% real growth of GDP, enhanced forecast of growth of nominal GDP up to 17%, consumer inflation – up to 10–14%, we have considerably reduced volatility of rates of monetary market and moderately reduced rates of public borrowing.

We expect for acceleration of consumer inflation after devaluation. In 2014 import inflation trickling will become the principal factor of inflation acceleration. Trickling to goods will probably be fast and intense, especially long-use consumer goods, the most of which are imported. The government will control inflation of public services in order to compensate uncontrolled trickling in goods inflation. We expect that in 2014 services inflation will be less than goods inflation, as against previous years. Low interest rates, which, according to our expectations, will remain relatively low after devaluation, will have another more long-term effect of devaluation on inflation. Additional support for inflation pressure will be guaranteed by 10% growth of salaries of public-sector employees announced by the government just after devaluation. We expect that devaluation in general will have neutral influence on growth of GDP and positive effect on trade and current balance in 2014-2015.

Effect of enhancement of competitiveness on production and export will be limited in connection with low malleability of materials sectors to cost of labour and will be compensated by lower fiscal incentive. Devaluation will suppress import giving support to domestic non-primary SMB companies, in particular, in agriculture and food stuff processing, but due to salary inflation the effect will be insignificant and temporary. On the other hand, intensifying appeals to control prices and "social responsibility of business" may weaken investment attractiveness of both SMB and high volume exporters.

We expect for slowdown of consumer demand of households because of stagnation of real incomes and consumer lending stiffening. Slowdown of consumer lending is connected with growth of credit risks and stiffening of prudential regulation as far as the market approaches saturation point. We also expect that investment demand will be supported by the government sector, including support from the government through state-owned enterprises, schemes of public-private partnership, with involving international development institutes.

As pension funds merged, the Single accumulative pension fund managed by the National Bank may become a primary source of financing of infrastructure projects. The Russian and Chinese quasi-sovereign companies, which are strategically interested in Kazakhstan, may also finance investments in materials infrastructure.

## Financial sector of Kazakhstan

At the present time the financial sector of Kazakhstan is enduring the period of sharp slowdown of growth rates and commencement of stagnation period. Closing of funding channels from international markets, low liquidity, and reduction of volumes of real economy sector lending put into question success of implementation of a great number of interesting investment projects inside Kazakhstan.
This situation, together with a number of government programs aimed at involvement of population to the stock market, by implementing the program "Public IPO" creates prerequisites to development of financial institutions – investment banks – in Kazakhstan.
Even now a number of brokerage and management companies have met requirements to increase capitalization and are engaged in project financing. Sharp change in credit and investment climate in Kazakhstan resulted in a number of companies in different economy branches are left without financing required for breakthrough development thereof, and a number of small investment projects remained insufficiently financed at the stage of completion thereof.
At the present time the most of existing credit institutions are concerned much with solving their current problems, in this regard at the present time young investment banks ready to finance projects amounting to 100 thousand dollar and more are engaged in filling that niche. A healthy competitive edge of the Kazakhstan investment banks implies mobility, flexibility, and prompt attention to make investment decisions, which are not common to multi-stage, bureaucratized system of decision making by the second tier banks.
Thus, investment banks, as new players in the investment market, which, until recently, did not obtain funds of institutional investors, are now acting as a channel through which funds of institutional investors may be spent for support and development of real economy sector experiencing troubles. Besides, having a many-year experience as financial consultants, investment banks are able to manage financed projects aimed at development of such projects toward stock market thereby creating prerequisites to form the second tier of issuers for Kazakhstan and to held domestic IPOs.

## Project financing

In the context of activity related with project financing the subsidiary - "JAZZ CAPITAL" Brokerage House" JSC - is currently engaged in management of assets of investment funds. On the basis of existing experience and cumulated base of projects the subsidiary - "JAZZ CAPITAL" Brokerage House" JSC - is going to develop project financing direction. Emphasis in development of that direction will be mainly made on direct purchase of interests in capital of medium-scale companies (10% and more) having a need for financing, project management aimed at development thereof, subject to subsequent sale thereof to strategic or portfolio investors (in the event of orientation to hold domestic IPOs).

In the situation of excess demand for funds and low liquidity of banking sector competition in that segment of the market is not high. Limitation of opportunities of investment banks to fund will not allow substantially satisfying investment shortage of medium-scale companies that currently allows investment banks working in that market without serious consequences for each other.

## Financial consulting

Over past years of work the subsidiary - "JAZZ CAPITAL" Brokerage House" JSC - implemented a number of projects in the area of financial consulting and underwriting. Acting as a financial consultant and underwriter, the subsidiary – "JAZZ CAPITAL" Brokerage House" JSC – performs a full cycle of works for a client connected with its preparation for issue of securities, issue of securities, official listing on the Stock, allocation of securities among investors. During the period from 2012 to 2013 our clients were:
- SPK Sary-Arka NC JSC,
- Bank Kassa Nova JSC,
- Sunkar Resources PLS,
- Kazakhstan Engineering NC JSC.

Principal competitors of the subsidiary – "JAZZ CAPITAL" Brokerage House" JSC – in the market in this direction are such companies as:
- "Assyl-Invest" JSC,
- "Centras Securities" JSC,
- "BTA Securities" JSC,
- "HalykFinance" JSC,
- "BCC Invest" JSC.

## Brokerage services

Today the subsidiary – "JAZZ CAPITAL" Brokerage House" JSC – as a member of the stock exchange, has access to trades in all securities traded in formal securities market of Kazakhstan. Clients of the subsidiary – “JAZZ CAPITAL” Brokerage House” JSC – in the context of brokerage services, may purchase/sell securities in domestic market both by directly making client orders and in remote mode, using Internet trading system. In 2007 the subsidiary – “JAZZ CAPITAL” Brokerage House” JSC – began to provide clients with brokerage services related with transactions with securities on international trading platforms and, first of all, on trading platform of the London Stock Exchange. The subsidiary – “JAZZ CAPITAL” Brokerage House” JSC – as a broker, services both corporate clients and natural persons. Since 2011 the subsidiary – “JAZZ CAPITAL” Brokerage House” JSC – became introducing broker of one of major European investment banks - Saxo Bank (Denmark) - that allowed leading brokerage services to an absolutely new quality level. Clients of the subsidiary – “JAZZ CAPITAL” Brokerage House” JSC – obtained direct access to all key stock markets of the world, moreover, clients may trade on foreign exchange and resources markets.

Today the principal competitors of the subsidiary – “JAZZ CAPITAL” Brokerage House” JSC – in this direction of work are such companies as:
• “Assyl Invest” JSC,
• “BTA Securities” JSC,
• “HalykFinance” JSC,
• “Centras Securities” JSC,
• “BCC Invest” JSC.

Crisis of the global stock markets, which began with local crisis on the American mortgage loan market, badly stroke other economy branches. Following banks the companies from real sector suffered, as well. Under current conditions many investors began to reassess risks of their investments in financial instruments. Currently great threat is over both in general for the global and for national financial systems, but confidence in financial sector was shaken. Mass investor, which lost its faith in efficiency of anti-crisis measures of the national governments and Central Banks aimed at support of financial and stock markets, began to generally emerge from risky equity instruments, including collective investment instruments.

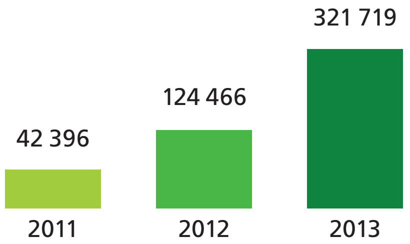
At the same time many investors consider the present time to be good time to invest on the stock exchange. Shares of many companies, especially shares of real economy sector companies, which are more secured and have a basis in the form of real production, are underrated by the market and are traded practically at a book value. Under current market conditions the investors have a good chance to form a long-term portfolio including securities with high potential of growth and reliability. This is the reason why today the most relevant and needed services of the Company are brokerage services for people. In the context of this direction the company offers its clients a maximum possible set of services providing access to trades in securities both on the Kazakhstan Stock Exchange and on leading international platforms. From 2011 the subsidiary – “JAZZ CAPITAL” Brokerage House” JSC – is actively enlarging the scope of rendered brokerage services offering clients, for the purposes of hedging, to purchase such instruments as options and futures. Moreover, development of margin lending allowing making transactions to amounts exceeding several times small start-up capital, will be continued.
As for investment banking activity, the project financing service becomes needed for many Kazakhstan companies under crisis circumstances. Today there are many uncompleted projects in the market, which need for financing, and major banks have severely restricted or merely closed limits suffering heavy shortage of liquidity. Existing situation enables young investment banks taking their share of market and even now we are considering projects to the amount exceeding 100 thousand US dollar. In order to finance major projects and to develop this direction the Company is going to finance the next year the projects within limits of special funds together with other institutional investors that will allow substantially increasing volumes of profitable transactions.

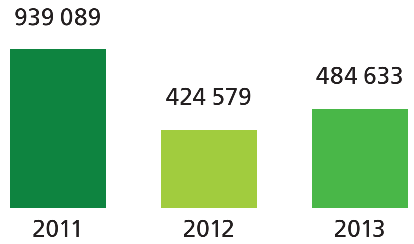
# Financial and economic performances (thousand tenge).

In 2013 the Company earned comprehensive income in the amount of 321 719 thousand tenge that is 197 253 thousand tenge or 158% more than in 2012.
Analysis of financial condition of the Company was carried out on the basis of the audited consolidated financial statements.
Review of financial performances

## Key performances for 2013:

- Amount of proceeds increased by 14% - up to 484 633 thousand tenge (424 579 thousand tenge in 2012).
- EBITDA ratio in 2013 decreased by 65% as compared with 2012.
- Amount of expenses for funding decreased down to 108 919 thousand tenge in 2013 (177 033 thousand tenge – in 2012).
- Amount of comprehensive income in 2013 increased up to 321 719 thousand tenge (124 466 thousand tenge – in 2012).




## Financial performances

*thousand tenge, except key ratios, indices per share and changes*

| Item | 2011 | 2012 | 2013 | Change, 2012/2013 % |
|---|---|---|---|---|
| Proceeds | 939 089 | 424 579 | 484 633 | + 14 |
| EBITDA | - 4 887 | 500 685 | 174 978 | - 65 |
| Return on EBITDA, % | -1% | 118% | 36% | - 69 |
| Incomes on funding | 175 333 | 80 943 | 27 541 | - 66 |
| Earnings per share (tenge) | 0,034 | 0,054 | 0,015 | - 72 |
| **Total comprehensive income** | **(42 396)** | **124 466** | **321 719** | **+158** |

## Proceeds

Amount of proceeds increased by 14% - up to 484 633 thousand tenge (424 579 thousand tenge – in 2012).

In particular, income on brokerage activity increased by 6% - up to 25 923 thousand tenge (24 250 thousand tenge – in 2012); proceeds from products sold – 66% increase – up to 205 150 thousand tenge (123 649 thousand tenge – in 2012); proceeds from jewellery sold – 10% increase – 208 733 thousand tenge (190 469 thousand tenge – in 2012); at the same time amount of proceeds from management of investment portfolio and from lease decreased by 75% and 83%, accordingly; other income increased by 641% - up to 28 922 thousand tenge (3 905 thousand tenge – in 2012) that is conditioned by earning income from consulting services, underwriting services.

*thousand tenge, except key ratios, changes*

| Item | 2012 | 2013 | Change, 2012/2013 % | Of total amount of proceeds, % |
|---|---|---|---|---|
| Incomes from brokerage activity | 24 520 | 25 923 | +6 | 5 % |
| Incomes from management of investment portfolios | 23 629 | 5 881 | -75 | 1 % |
| Proceeds from products sold | 123 649 | 205 150 | +66 | 42% |
| Proceeds from jewellery sold | 190 469 | 208 733 | +10 | 43% |
| Incomes from lease | 58 407 | 10 022 | -83% | 2% |
| Other income | 3 905 | 28 924 | +641 | 7% |
| **Proceeds** | **424 579** | **484 633** | **+14** | |

## Other incomes

The other non-operating incomes decreased by 8% - down to 970 359 thousand tenge (1 049 066 thousand tenge – in 2012) that is substantially conditioned by reduction of incomes from funding by 66% in 2013.

## Expenses

Cost of goods and services sold
Cost of goods and services sold increased by 38% - up to 307 426 thousand tenge (223 466 thousand tenge – in 2012), mainly at the expense of level of gross profit in distribution company, which was admitted to the group in 2012. Cost of jewelleries increased by 7% - up to 128 997 thousand tenge (120 481 thousand tenge); cost of products increased by 66% and amounted to 151 341 thousand tenge (91 302 thousand tenge – in 2012).

## General and administrative expenses

The general and administrative expenses increased in 2013 by 8% - up to 524 751 thousand tenge (486 933 thousand tenge – in 2012). Increase resulted mainly at the expense of costs for opening new jewellery shops, expenses for lease and, accordingly, increase in number of distribution and jewellery companies.

## Key financial performances

| Item | 2012 | 2013 |
|---|---|---|
| Current liquidity ratio | 3,81 | 1,32 |
| Equity ratio (equity to total assets ratio) | 0,71 | 0,82 |
| Return on equity ratio | 3,6 | 8,8 |
| Return on assets ratio | 2,5 | 7,0 |

Current liquidity ratio determines sufficiency of current assets to repay current liabilities. As at 31.12.2013 it was equal to 1.32% that characterizes stability of financial position of the Company.

Equity ratio (equity to total assets ratio) characterizes a share of equity capital in the total capital, as well as degree of independence of an organization from external sources of financing of activity. As at 31.12.2013 it was equal to 0.82% that evidences of sufficient degree independence of an organization from source of borrowed funds.

As at 31.12.2013 return on equity ratio was equal to 8.8%, and return on assets ratio – 7%.

## Condensed consolidated statement of comprehensive income

*thousand tenge, except data per one share, changes*

| Item | 2011 | 2012 | 2013 | Change, 2012/2013 % |
|---|---|---|---|---|
| Proceeds | 939 089 | 424 579 | 484 633 | + 14 |
| Cost of goods and services sold | 569 917 | 223 466 | 307 426 | +38 |
| Gross profit | 369 172 | 201 113 | 177 207 | -12 |
| General administrative expenses | 610 088 | 486 933 | 524 751 | +10 |
| Operating profit (loss) | -240 916 | -285 820 | -347 544 | +22 |
| Other non-operating incomes and expenses, net | 206 740 | 764 172 | 506 891 | -34 |
| Financial incomes and expenses, net | 18 188 | -96 090 | -81 378 | -15 |
| Profit before tax | -15 988 | 382 262 | 77 968 | -80 |
| Saving on tax on profit | 6 978 | 6 126 | 117 825 | +1823 |
| Other comprehensive income/loss | -33 386 | -263 922 | 125 925 | 310 |
| Comprehensive income/loss for the period | -42 396 | 124 466 | 321 719 | +158 |
| | | | | |
| EBITDA | -4 887 | 500 685 | 174 978 | - 65 |
| Deterioration, depreciation | 29 289 | 22 333 | 15 631 | -30 |
| Basic and diluted, as for profit for the reporting year attributed to holders of ordinary shares of parent company (tenge) | 0,034 | 0,054 | 0,015 | -72 |
| Quantity of outstanding shares (thousand) at the end of the reporting period | 5 000 000 | 5 000 000 | 5 000 000 | |

## Condensed consolidated statement of financial position

*thousand tenge*

| **Item** | **31.12.2011** | **31.12. 2012** | **31.12. 2013** |
|---|---|---|---|
| **Assets** | | | |
| Intangible assets | 25 552 | 13 691 | 20 093 |
| Fixed assets | 166 063 | 72 283 | 78 046 |
| Other non-current assets | 3 301 404 | 3 806 753 | 3 411 015 |
| Total non-current assets | 3 493 019 | 3 892 727 | 3 509 154 |
| Inventories | 104 823 | 138 344 | 137 616 |
| Accounts receivable from operating activity and other accounts receivable | 761 949 | 319 993 | 306 725 |
| Cash and cash equivalents | 606 291 | 479 122 | 469 189 |
| Total current assets | 1 473 063 | 937 459 | 913 529 |
| Total assets | 4 966 082 | 4 830 186 | 4 422 683 |
| **Authorized capital stock** | **3 038 408** | **3 038 408** | **3 038 408** |
| Provisions for revaluation | 30 391 | -233 531 | -107 605 |
| Retained profit | 362 020 | 631 349 | 708 083 |
| Total equity capital attributed to parent company | 3 430 819 | 3 436 226 | 3 638 886 |
| Deferred tax liabilities | 5 962 | 40 428 | - |
| Other long-term liabilities | 938 701 | 1 136 816 | 705 190 |
| Total long-term liabilities | 944 663 | 1 177 244 | 705 190 |
| Short-term liabilities | 319 161 | 6 138 | - |
| Settlement of payments with suppliers and other short-term liabilities | 271 439 | 210 578 | 78 607 |
| Total short-term liabilities | 590 600 | 216 716 | 78 607 |
| **Total equity capital and liabilities** | **4 966 082** | **4 830 186** | **4 422 683** |

## Condensed consolidated statement of cash flow

*thousand tenge*

| Item | 2011 | 2012 | 2013 |
|---|---|---|---|
| **Cash flow from operating activity** | | | |
| Goods sold, services provided | 1 371 087 | 488 371 | 499 317 |
| Obtained dividends | 159 194 | 757 479 | 33 746 |
| Proceeds from REPO transactions | 460 365 | 132 385 | — |
| Other proceeds | 956 534 | 342 796 | 295 361 |
| Payments to suppliers for goods and services | -273 281 | -490 598 | -437 836 |
| Retirements on REPO transactions | -66 344 | -123 886 | — |
| Salary-related payments | -198 140 | -209 622 | -186 004 |
| Budgetary payments | -99 897 | -94 14 | -94 632 |
| Other payments | -403 747 | -651 117 | -662 968 |
| **Cash (used in) from operating activity** | **1 905 771** | **151 668** | **-553 016** |
| **Cash flow from investment activity** | | | |
| Disposal of investment property | — | 587 33 | 260 288 |
| Disposal of financial assets | 2 945 406 | 1 320 147 | 4 330 748 |
| Other proceeds from investment activity | 191 619 | 25 605 | 9 648 |
| Acquisition of investment property | -336 924 | -15 269 | -38 474 |
| Acquisition of financial assets | -3 720 898 | -1 541 601 | -3 761 103 |
| **Other payments related with investment activity** | **-860 542** | **-382 147** | **-57 294** |
| Cash (used in) from investment activity | -1 781 339 | -5 935 | 743 813 |
| Cash flow from financial activity | | | |
| Issue of shares and other securities | 337 800 | — | — |
| Bond redemption | — | — | -81 671 |
| Obtained loans | 17 127 | — | — |
| Loan repayment | -10 233 | -9 128 | — |
| Purchase of treasury shares | — | -144 715 | — |
| **Dividend payment** | **-125 000** | **-119 059** | **-119 059** |
| **Cash flow (used in) from financial activity** | **219 694** | **-272 902** | **-200 730** |
| **Total decrease in cash and cash equivalents** | **344 126** | **-127 169** | **-9 933** |
| **Cash and cash equivalents at the beginning of the year** | **262 165** | **606 291** | **479 122** |
| **Cash and cash equivalents at the end of the year** | **606 291** | **479 122** | **469 189** |

## Condensed consolidated statement of changes in capital

*thousand tenge*

| Item | Authorized capital stock | Provision for revaluation of investment available for sale | Provision for revaluation of fixed assets | Retained profit | Total |
|---|---|---|---|---|---|
| **As at 31 December 2011** | 3 038 408 | 30 391 | — | 362 020 | **3 430 819** |
| Net profit for | — | — | — | 388 388 | 388 388 |
| Other comprehensive loss | — | -263 922 | — | — | -263 922 |
| Total comprehensive loss | — | -263 922 | — | 388 388 | 124 466 |
| Dividends on preferred shares | — | — | — | -119.059 | -119.059 |
| **As at 31 December 2012** | **3 038 408** | **-233 531** | — | **631 349** | **3 436 226** |
| Net profit for the year | — | — | — | 195 794 | 195 794 |
| Other comprehensive income | — | 125 810 | 115 | — | 125 925 |
| Total comprehensive income | — | 125 810 | 115 | 195 794 | 321 719 |
| Dividends on preferred shares | — | — | — | -119 059 | -119 059 |
| **As at 31 December 2013** | **3 038 408** | **-107 721** | **115** | **708 084** | **3 638 886** |

# Risk management

Risk management and internal control system is introduced and successfully functioning in the Company. It is based on policy and regulations on risk management, internal regulatory documents determining the process of risk management and procedures for detecting risk and eliminating difference between extents of particular risk as compared with fixed one. Plans adopted and implemented by the Company account for measures aimed at minimization of risks recorded in register and risk chart.
Functioning of built up risk management and internal control system resulted in continuous monitoring of basic risks of the Company using priority risk methods.
Risk management system is an integral part of the Company management system. "REAL-INVEST.kz" Financial Company" JSC pays attention to detection of all risks, which may hinder achieving set targets and tasks. Detection of existing and potential risks allows accordingly planning and minimizing adverse effect, which may occur in the absence of any measures. Risk management system is oriented to prompt risk management on daily basis, and the tasks of all departments of the Company include continuous detection, assessment, and monitoring of risks of all types of activity.
Industries in which the Company is functioning and therefore the Company itself are exposed to impact of different risks: financial, strategic, market (currency, stock), credit, operating, etc. The Company points out the following risks, which potentially may adversely affect activity of the Company.

### Financial risks

Activity of the Company is affected by different financial risks and market risks, liquidity risk, among which the following may be marked out:
• risk of reduction of incomes of the Company, which may be caused by contraction of clients activity;
• risk of worsening of financial position of the Company due to occurrence of liquidity risk, interest risk and currency risk;
• risks of insolvency of securities issuers.

Liquidity risk is managed through managing investment portfolio so that current liabilities are always secured with current assets. Plan of actions is developed in the Company in the case of occurrence of events, which affect considerable worsening of financial position.
In order to manage market risk the Company uses a limit system. Restrictions are fixed on investments in each of types of assets and investments in financial instruments. Limits on maximal loss on financial instruments (Stop loss) are also used and compulsory profit taking level (Take profit) is fixed.

### Operating risk

Operating risk occurs due to systemic failure, errors of personnel, fraud or external factors. System of control provides for two-level control of transactions, efficient segregation of duties, procedures for approval and verification, personnel training and evaluation procedures.
Procedures, policies, and instructions are developed in the area of information safety on the basis of analysis of information and technical risks of key business processes.
For the purpose of minimization of operating risk the measures to minimize the same and prevention thereof in the future are provided for in the Company. Operating risks in the Company are rated as "low".

### Legal risk

Legal risk is managed in the Company by the Legal Department and compliance controller. Responsible subdivisions inspect and control internal and external documents of the Company for compliance with the legislation on an on-going basis.
Today the Company is efficiently managing risks in order to achieve set strategic and operating targets. The risk management system is invoked to minimize risks, which may be controlled by the Company.

# Social responsibility of the Company and environmental protection

People are principal capital and core value for our Company in the context of business. By investing in people, their professional and personal growth we invest in our future!

Our target is to enable our employees to feel themselves like family members, to have good and friendly relations with colleagues, to constantly develop creatively and professionally, to feel in-demand and to be sure in the future.

We see ourselves as leaders and we would like each employee feels leader and is concerned about our achievements.

We intend to implement many interesting and ambitious projects in different sectors of economy and we count that our employees will make contribution into cause with their professional work. Irrespective of which position an employee holds in the Company, we appreciate professionalism of everyone. We count on success, career development, and active position of each employee in all aspects of cooperation with the Company!

Staff recruitment

The Company tends to engage highly-skilled professionals aimed at efficient work. Our employees must be oriented to achievement of result, good work in team, show their best humanities and competency.

### Occupational training

The Company is interested in career development of each employee, demonstration by everyone of his/her best merits, maximal efficiency of efforts and interest in collective success and growth of the Company.

In order to enhance efficiency of work, to ensure professional growth and development, the system of personnel training is developed, which system includes training both in and outside the Company.
The program of training and development is worked out so that every employee of our company would have an opportunity of professional and career development; it is aimed at enhancement of efficiency of the Company through professional and personal development of employees.
Training enables employees to acquire new knowledge and skills and to develop in order to more efficiently perform employment duties.
Planning and development of career help employees to determine possible directions of their professional activity in the future inside the Company and to prepare to efficient realization thereof.

### Basic safety and labour protection performances

Labour protection and safety of employees is one of priorities of the Company. All measures in this area are taken in accordance with requirements of the Labour Code of the Republic of Kazakhstan and other regulatory and legal acts.
Labour protection measures are determined by the Rules of safety and labour protection and the Instruction for labour protection and occupational safety.
Basic measures in the area of labour protection include safety meetings, provision of optimal labour conditions,

compliance with sanitary regulations at working places, as well as adherence to labour protection standards, labour and health protection promulgation.

### Social guarantees

The Company not only gives social guarantees provided for by the legislation of the Republic of Kazakhstan, but also takes additional measures for social protection aimed at improvement of employees' life quality: it pays for cellular communication and fuels and lubricants for employees, renders financial assistance in case of disease of an employee or death of a close relative. The Company bears responsibility for life and health of its employees and maintains compulsory insurance against accidents when they perform employment duties.

### Remuneration for work

Besides competitive salary, the program on evaluation of work performance and development of employee is in place in the Company. The purpose of that program is to evaluate efficiency of employees' activity in the course of realization of individual targets in accordance with the system of management as for targets of the Company and their material incentives for realization of strategic and operating initiatives. Employees participating in the program are entitled to get an annual bonus based on the results of realization of individual targets. There is also a number of other encouragement programs for different groups of employees connected with monthly and quarterly results of work.

### Corporate social responsibility

"REAL-INVEST.kz" Financial Company" JSC is a responsible member of society paying serious consideration to the issues of corporate social responsibility. As in previous years, in 2013 the Company continued to introduce principles of corporate responsibility in its activity seeking to correspond to the world standard. All achievements in this area represent transparency of the Company and are closely connected with corporate governance.

### Rendering sponsorship (charity) support

In 2013, in the context of sponsorship (charity) support, the Company rendered support to socially vulnerable groups and different social funds to the amount exceeding 2.8 million tenge, of which 1 million tenge – rendered charity support for the orphan asylum attached to Svyato-Sergiyevsky curacy, 1.8 million tenge – support to pay for medical services for children having complex disorders, including oncological diseases. Starting from 2010 "REAL-INVEST.kz" Financial Company" JSC rendered charity support to the orphan asylum to the amount of 57.4 million tenge, including financing of construction of the orphan asylum building.

## Corporate governance

Corporate governance of the Company means:
- an aggregate of economic and administrative facilities by means of which the rights of corporate property are exercised and corporate control structure is formed;
- system of interaction between the Management Board of the Company, the Board of Directors and shareholders in order to pursue their interests, system of reporting to shareholders of the Company by those persons, which day-to-day management of the Company is entrusted to;
- a method to govern the Company, which ensures fair and equal distribution of results of activity among all shareholders, as well as other persons concerned;
- a great complex of measures and rules, which help the Company shareholders to control and influence on the management in order to maximize profit and value of the Company;
- a system of relations between the Company managers and their shareholders as regards ensuring efficiency of activity of the Company and protection of shareholders' interests.

The meaning of corporate governance of the Company lies in enabling the shareholders to efficiently control and monitor activity of the management and furthering increase in capitalization of the Company. This control implies both internal governing procedures and external legal and regulating facilities.

Procedures for corporate governance of the Company include the following basic moments:
1) preparation and holding of general meetings of shareholders;
2) election and ensuring efficient activity of the Board of Directors;
3) activity of the Company executive body;
4) disclosure of information on activity of the Company, as well as preparation and holding of major corporate events (re-organization and merger);
5) interaction of organization departments or legal entities included into holding and development of relative internal documents of the company.

Activity of the Company related with functioning of procedures of the system of corporate governance provides for relative measures in such directions as protection of the rights of shareholders and management of risks, activity of the Board of Directors and executive body, internal control, audit, transparency of the Company activity, corporate social responsibility, and ensuring practice of corporate governance.

General regulation of activity of the Company by the Board of Directors is based on adopted Strategy of development, results of systematic analysis of the progress of implementation thereof, as well as consideration of internal and external factors. The Board of Directors carefully considers the processes happening in the Company and furthers quality improvement thereof. Members of the Board of Directors have wide professional and managerial experience, including in financial area, which allows making decisions on all key issues of activity of the Company referred to competence of the Board of Directors. The regulation of the Board of Directors establishes the Rules for participation of directors in governing bodies of other companies, determine a list of cases of improper discharge of duties by the directors, as well as forms and instruments of personal protection of members of the Board of Directors in case they incur responsibility.

The Committees of the Board of Directors contributing to exercise managerial and controlling powers of the governing body are functioning in the Company.

The Management Board of the Company is intended to arrange for efficient performance by the Board of Directors of its functions, to ensure satisfaction of procedural requirements by the bodies and officials of the Company guaranteeing exercising of the rights and interests of shareholders. Management of the current activity of the Company and direct performance of procedures for corporate governance are ensured by the collegial executive body – the Management Board. The Management Board solves issues concerning day-to-day management of the Company requiring collective consideration. The Committee for operating governance intended to consider particular issues of competence of the Management Board, to develop recommendations thereon and to make decisions within limits of granted powers, is operating under the Management Board. The Committee for operating governance of executive body is a working body for formation and implementation of a common policy in different directions of operating activity of the Company. The Board of Directors does not interfere in current work of the Management Board, but it controls its activity regularly considering its reports on results of its work.

The work on improvement of internal documents aimed at introduction of elements of the best practice of corporate governance into activity of the Company is being performed in the Company on continuing basis under the management and control of the Board of Directors and executive body. Principles of and procedures for corporate governance of the Company are formalized in the Articles of Association, internal documents, including the Code of corporate governance. Adherence to the standards of the Code of corporate governance is aimed not only at forming positive image of the Company in the eyes of its shareholders, clients, and employees, but also minimization of risks, keeping steady growth of financial performances of the Company and successful carrying out of its activity prescribed by the Articles of Association. Provisions of the Code are developed on the basis of the effective legislation, the Articles of Association of the Company and international principles of corporate conduct (OECD). The Code covers general principles of corporate conduct of the Company, rules of interaction with shareholders, clients, and employees, principles for formation and activity of the Company bodies, as well as policy of disclosure by the Company of information on its activity.

In accordance with the Code, interaction of the company with shareholders is based on equal regard for them and information transparency. All shareholders are guaranteed reliable means to record right to shares, participation in management of the Company by discussing and voting at the General Meeting of Shareholders, etc. The General Meeting of Shareholders is a supreme body of the Company. By participating therein the shareholders may influence on decisions on principal points of activity of the Company, as well as to participate in election of members of the Board of Directors and the Management Board. The management of the Company informs shareholders on its activity, achievements and plans through the General Meeting of Shareholders.

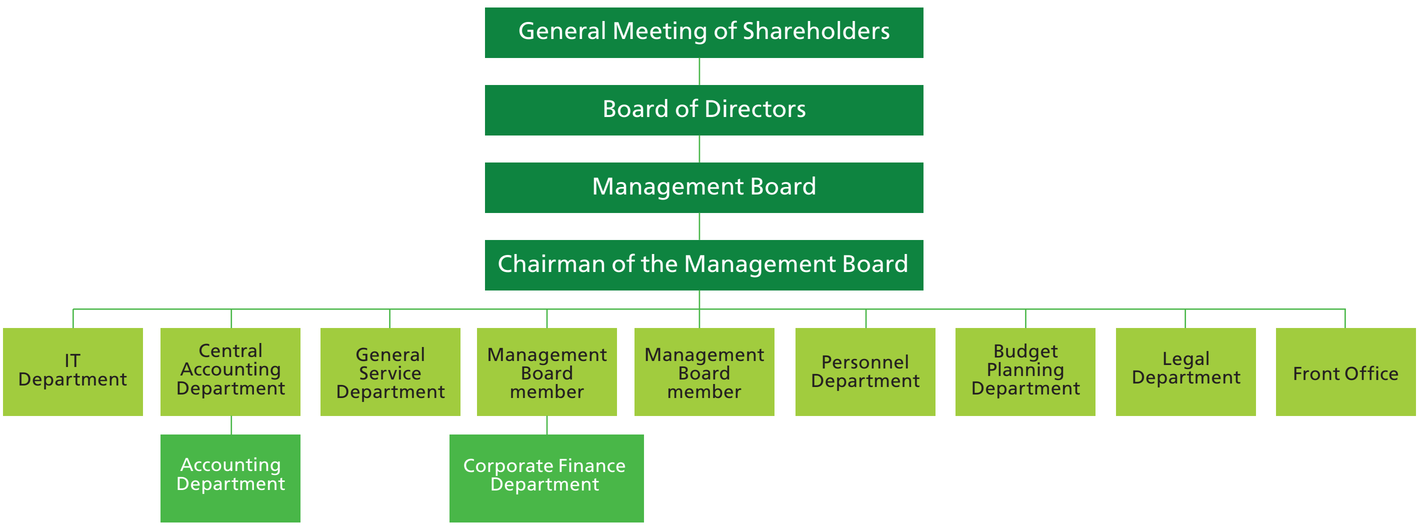
| Quantity of authorized ordinary shares | Quantity of allocated ordinary shares |
|---|---|
| 5 000 000 000 | 5 000 000 000 |

| | |
|---|---|
| **Quantity of authorized preferred shares** | 1 250 000 000 |
| **Quantity of allocated preferred shares** | 1 250 000 000 |
| **Quantity of free-floating preferred shares** | 995 010 130 |

In 2013 there were changes among shareholders holding five and more per cent of shares of the number of allocated shares – Niyazov Bakht Bulatovich became a holder of 67.6448 per cent of ordinary shares in the Company of the total number of allocated shares of the Company.

In 2013 no transaction was made in the Company for initial offer of shares, purchase by the Company of treasury shares and subsequent sale thereof.

## Organization structure of «"REAL-INVEST.kz" Financial Company» JSC



## Board of Directors

| Chairman of the Board of Directors | Niyazov Bakht Bulatovich<br>Born in 1973 |
|---|---|
| Positions held by Niyazov B.B. over previous three years and at the present time | |
| 12.08.2013 - present time — Chairman of the Board of Directors of "JAZZ CAPITAL" Brokerage House" JSC<br>01.02.2013 - 02.05.2013 — Chairman of the Board of Directors of "JAZZ CAPITAL" Brokerage House" JSC<br>05.11.2012 - present time — Director of "AVERS" Construction Firm" LLP<br>02.11.2012 - 22.04.2014 — Chairman of the Board of Directors of "JSREIF "REAL ESTATE INVESTMENT FUND" JSC<br>01.03.2012 - present time — Chairman of the Board of Directors of "REAL-INVEST.kz" Financial Company" JSC<br>04.11.2011 - 01.03.2012 — Member of the Board of Directors of "REAL-INVEST.kz" Financial Company" JSC<br>09.09.2011 - 04.11.2011 — Chairman of the Board of Directors of "REAL-INVEST.kz" Financial Company" JSC<br>11.07.2011 - 09.09.2011 — Member of the Board of Directors of "REAL-INVEST.kz" Financial Company" JSC,<br>Chairman of the Management Board of "REAL-INVEST.kz" Financial Company" JSC<br>23. 10.2003 - 11.07.2011 — Chairman of the Board of Directors of "REAL-INVEST.kz" Financial Company" JSC | |
| Niyazov Bakht Bulatovich holds 4 227 800 000 ordinary shares and 96 433 930 preferred shares in "REAL-INVEST.kz" Financial Company" JSC | |
| **Member of the Board of Directors** | **Niyazova Raikhan Nurlan-Bekovna<br>Born in 1983** |
| Positions held by Niyazova R.N.-B. over previous three years and at the present time | |
| 12.03.2013 - present time — Director of "Real Development.kz" LLP<br>28.11 .2011 - present time — Member of the Board of Directors of "REAL-INVEST.kz" Financial Company" JSC<br>01.08.2011 - 01.01.2013 — Director for business development of "FOOD-MAKER" LLP<br>30.11.2009 - present time — Director of "REAL Art-production.kz" LLP | |
| Niyazova Raikhan Nurlan-Bekovna is not holder of shares in "REAL-INVEST.kz" Financial Company" JSC | |
| **Member of the Board of Directors, independent director** | **Perekolsky Oleg Eduardovich** |
| Positions held by Perekolsky Oleg Eduardovich over previous three years and at the present time — 14.03.2008 - present time "REAL-INVEST.kz" Financial Company" JSC | |
| Perekolsky O.E. is not holder of shares in "REAL-INVEST.kz" Financial Company" JSC | |

## Executive body

| Chairman of the Management Board | Vassiliyeva Yelena Ivanovna<br>Born in 1966 |
|---|---|
| Positions held by Vassiliyeva Yelena Ivanovna over previous three years and at the present time | |
| 02.05.2013 - 14.06.2013 — Chairman f the Board of Directors of "JAZZ CAPITAL" Brokerage House" JSC<br>01.03.2013 - present time — Financial Director of "JAZZ CAPITAL" Brokerage House" JSC<br>28.12.2012 - 02.09.2013 — Deputy Director of "REAL-GOLD" Jewellery Company" LLP<br>02.07.2012 - 27.09.2012 — Chief Accountant of "JAZZ CAPITAL" Brokerage House" JSC<br>02.07.2012 - 27.09.2012 — Chief Accountant of "REAL ASSET MANAGEMENT" JSC<br>15.06.2012 - present time — Chairman of the Management Board of "REAL-INVEST.kz" Financial Company" JSC<br>11. 07.2011 - 15.06.2012 — Head of the Internal Audit Department of "REAL-INVEST.kz" Financial Company" JSC<br>09.11.2010 - 12.08.2013 — Member of the Board of Directors of "JAZZ CAPITAL" Brokerage House" JSC<br>10.03.2010 - 11.07.2011 — Member of the Board of Directors of "REAL-INVEST.kz" Financial Company" JSC<br>10.03.2010 - present time — Chairman of the Board of Directors of "REAL ASSET MANAGEMENT" JSC<br>01.10.2008 - 11.07.2011 — Chairman of the Management Board of "REAL-INVEST.kz" Financial Company" JSC | |
| Vassilyeva Ye.I. is not holder of shares in "REAL-INVEST.kz" Financial Company" JSC | |
| **Member of the Management Board** | **Milushev Emil Shamiliyevich<br>Born in 1973** |
| Positions held by Milushev E.Sh. over previous three years and at the present time | |
| 02.05.2013 - present time — Member of the Board of Directors of "JAZZ CAPITAL" Brokerage House" JSC<br>01.02.2013 - present time — Chairman of the Management Board of "JAZZ CAPITAL" Brokerage House" JSC<br>06.04.2011 - present time — Chairman of the Investment Committee of "JAZZ CAPITAL" Brokerage House" JSC<br>09.11.2010 - 01.02.2013 — Chairman of the Board of Directors of "JAZZ CAPITAL" Brokerage House" JSC<br>11.05.2010 - 01.02.2013 — Chairman of the Investment Committee of "REAL ASSET MANAGEMENT" JSC<br>11.05.2010 - 01.02.2013 — Chairman of the Management Board of "REAL ASSET MANAGEMENT" JSC<br>11.05.2010 - 11.07.2011 — ember of the Investment Committee of "REAL-INVEST.kz" Financial Company" JSC<br>11.05.2010 - present time — Member of the Management Board of "REAL-INVEST.kz" Financial Company" JSC | |
| Milushev E.Sh. is not holder of shares in "REAL-INVEST.kz" Financial Company" JSC | |
| **Member of the Management Board** | **Turysbekov Madi Seilkhanovich** |
| 01.03.2012 - present time — Member of the Management Board of "REAL ASSET MANAGEMENT" JSC<br>01.03.2012 - present time — Member of the Management Board of "JAZZ CAPITAL" Brokerage House" JSC<br>01.02.2012 - present time — Head of the Corporate Finance Department of "JAZZ CAPITAL" Brokerage House" JSC<br>01.05.2011 - present time — Head of the Corporate Finance Department of "REAL-INVEST.kz" Financial Company" JSC<br>12.04. 2011 - present time — Member of the Management Board of "REAL-INVEST.kz" Financial Company" JSC<br>22.12.2010 - 27.05.2011 — Member of the Board of Directors of "Zhetyssu" Organization engaged in investment management of pension assets" JSC | |
| Turysbekov M.S. is not holder of shares in "REAL-INVEST.kz" Financial Company" JSC | |

## Committees of the Board of Directors and their functions

| Committee | Functions |
|---|---|
| Committee for internal audit | 1) evaluation of efficiency of procedures for internal control in place in the Company and preparation of proposals on improvement thereof;<br>2) assistance in taking by the bodies and subdivisions of the Company of measures to timely remedy found out deficiencies in the area of accounting, reporting, and internal control;<br>3) assessment of conclusion of the Company's Auditor;<br>4) control of elimination of found out violations of the effective legislation and satisfaction of requirements of the public bodies;<br>5) evaluation of candidate Auditors of the Company, providing results of evaluation and preparation of recommendations to the Board of Directors and the Management Board of the Company on approval of decision on conclusion or termination of an agreement with the Company's Auditor |
| Committee for social matters | 1) provision to the executive body and the Board of Directors of the Company of recommendations on guarantee for each employee of the Company of his/her employment (job preservation) providing employees fulfill their obligations and are ready to enhance production and quality of work, in order to minimize unemployment risk;<br>2) development of special programs of occupation of Company's employees;<br>3) provision to the executive body and the Board of Directors of the Company of recommendation on maneuvering labour resources inside the Company, including by means of "vertical, horizontal transfer" (employee transfer);<br>4) consideration of issues relating to retraining and/or advanced training of employees of the Company and provision of relative recommendations on that issue to the executive body of the Company;<br>5) provision to the executive body and the Board of Directors of the Company of recommendations on:<br>- payment of amounts in addition to a benefit fixed by the law for state social insurance;<br>- medical, sanatorium-and-spa treatment for the Company employees;<br>- additional indemnification for damage caused by harm to health of an employee (family of an employee – in case of death of the latter);<br>- keeping health of employees (examination at the expense of the Company and evaluation of initial quality of health and labour ability of an employee);<br>6) charity and realization of the programs of targeted assistance of socially vulnerable groups;<br>7) payments of gratuitous material assistance to employees in connection with death of close relatives;<br>8) conclusion with insurance organization of agreement for civil liability of an employer and health insurance;<br>9) assistance to bodies of the Company in the course of implementation of the social policy |
| Committee for personnel and remunerations | 1) it determines efficiency of activity of the Company employee in the course of realization of individual targets on the basis of evaluation of his/her actual activity;<br>2) it considers proposals of the head of departments in relation to payment of remuneration to employees of the Company or pay package for an employee;<br>3) it provides the Board of Directors of the Company with proposals on distribution of remuneration among employees of the Company |
| Committee for strategic planning | Company and determination of its long-term targets, including subsidiaries, review of mentiond plans and targets, as well as provision of recommendations on that function to the Board of Directors;<br>2) realization of developed strategy as particular plans of activity of the Company (its subsidiaries);<br>3) consideration of issues concerning distribution of resources of the Company for conformance to the strategic plans and long-term targets of the Company;<br>4) review from time to time of strategic plan and long-term targets of the Company (and its subsidiaries) in order to guarantee conformance thereof to mission and goals of the Company;<br>5) evaluation of the Company policy in the area of relations with shareholders and clients of the Company, putting its recommendations for consideration by the Board of Directors of the Company;<br>6) analysis and provision of recommendations to the Board of Directors on drawing up particular strategic decisions relating to determination of priority directions of activity of the Company (its subsidiaries), including entry to new commodity or regional markets and exit from previous commodity or regional markets;<br>7) analysis and provision of recommendations to the Board of Directors in relation to annual and long-term financial strategy and targets set by the Company, as well as relative goals and key performances of its activity;<br>8) analysis of significant aspects of financial activity of the Company (its subsidiaries), including issues connected with capitalization of the Company (subsidiaries), cash flow, obtaining of borrower funds, investment of free funds;<br>9) analysis and provision of recommendations to the Board of Directors in relation to allocation of securities of the Company (its subsidiaries), acquisition or alienation of shares of the Company (shares/interests of its subsidiaries), transactions to the amount of 5 and more per cent of value of assets of the Company;<br>10) analysis and provision of recommendations to the Board of Directors on procedure for distribution of profit and loss of the Company (its subsidiaries) based on results of a financial year;<br>11) analysis and provision of recommendations to the Board of Directors in relation to dividend policy of the Company (its subsidiaries), declaration and procedure for payment of dividends;<br>12) periodic review of conformance of actual investments and performances of activity to the amounts previously approved in the budget;<br>13) analysis and provision of recommendations to the Board of Directors on drawing up some strategic decisions relating to use of new or discontinuance of use of existing technologies, as well as use of other opportunities to enlarge scope and areas of activity of the Company (its subsidiaries), to enhance economic efficiency and quality of services of the Company (its subsidiaries). |

## Internal control and audit

The Internal Audit Service controls financial and economic activity in "REAL-INVEST.kz" Financial Company" JSC. In order to guarantee independence the Internal Audit Service is functionally subordinated to the Board of Directors of the Company. Employees of the Internal Audit Service are not entitled to fulfill responsibilities of other subdivisions of the Company.
Main purpose of the internal audit system is to protect legal interests of shareholders, investors, and clients of the Company by ensuring proper level of reliability corresponding to nature and scope of transactions made by the Company and minimization of risks of its activity; as well as control of compliance by the Company's employees with the legislation of the Republic of Kazakhstan, compulsory existence of and compliance with internal procedures and rules.
Internal audit is invoked to ensure achievement of the following purposes:
• reliability and efficiency of functioning of management systems in the Company subdivisions;
• satisfaction by the Company of requirements of the effective legislation of the Republic of Kazakhstan by inspecting activity of its departments;
• ensuring availability and functioning of an adequate internal control system;
• evaluation of adequacy and efficiency of internal control and risk management systems as for all aspects of activity of the Company;
• control of compliance with internal rules and procedures of the Company;
• control of execution of recommendations of internal and external auditors;
• control of enforcement actions and requirements of the authorized body prescribed in relation to carrying out of activity in financial market;
• provision of timely and reliable information on status of realization by subdivisions and employees of the Company of entrusted functions and tasks, as well as provision of valid and efficient recommendations on work improvement.
Main tasks of internal audit include:
• checking compliance by the Company of the legislation of the Republic of Kazakhstan, as well as internal documents of the Company;
• checking making of transactions by the Company in accordance with a license of the authorized body, policies, and procedures of the Company;
• audit of proper accounting and document circulation of the Company;
• audit of safety of assets (property) of the Company and its clients;
• checking proper functioning of electronic data processing, efficiency of the systems of protection of information data base of the Company by means of audit of information systems of relative subdivisions;
• checking proper status of statements enabling the shareholders obtaining adequate information on activity of the Company.

Internal control system of the Company guarantees proper realization of the strategy of development of the Company, efficient functioning of control system in subdivisions, relative level of knowledge of the Company personnel of the legislation of the Republic of Kazakhstan, international standards, improvement of accounting and reporting system of the Company, limit of risk of conflict of interests.

## Information on dividends

Dividends on shares in "REAL-INVEST.kz" Financial Company" JSC are paid in money terms. List of shareholders entitled to obtain dividends must be prepared as of a date preceding a date of on which dividend payment is commenced.
Decision on payment of dividends on ordinary shares of "REAL-INVEST.kz" Financial Company" JSC based on don results shall be made by an annual general meeting of shareholders. Dividends on ordinary shares of "REAL-INVEST.kz" Financial Company" JSC based on results of a quarter or six months shall only be paid by decision of the General Meeting of Shareholders.
Dividends on ordinary shares of "REAL-INVEST.kz" Financial Company" JSC may be paid through a paying agent. Payment for services of a paying agent shall be made at the expense of "REAL-INVEST.kz" Financial Company" JSC.
Dividends shall not be accrued and paid on shares, which were not allocated or were purchased by "REAL-INVEST.kz" Financial Company" JSC, as well as in case a court or the General Meeting of Shareholders of "REAL-INVEST.kz" Financial Company" JSC makes decision on its liquidation.
Dividends are not accrued on ordinary shares of "REAL-INVEST.kz" Financial Company" JSC:
1) in case equity capital is negative or equity capital of "REAL-INVEST.kz" Financial Company" JSC becomes negative as a result of accrual of dividends on its ordinary shares;
2) in case "REAL-INVEST.kz" Financial Company" JSC meets the criteria for insolvency or bankruptcy in accordance with the legislation of the Republic of Kazakhstan concerning bankruptcy, or "REAL-INVEST.kz" Financial Company" JSC meets mentioned criteria as a result of accrual of dividends on its shares.

On 29 December 2011 "REAL-INVEST.kz" Financial Company" JSC paid dividends for 2010 on preferred shares in the amount of 0.10 tenge for 1 share. The total paid dividends amounted to 125 000 thousand tenge.

On 28 December 2012 "REAL-INVEST.kz" Financial Company" JSC paid dividends for 2011 on preferred shares in the amount of 0.10 tenge for 1 share. The total paid dividends amounted to 125 000 thousand tenge.

On 28 December 2013 "REAL-INVEST.kz" Financial Company" JSC paid dividends for 2012 on preferred shares in the amount of 0.10 tenge for 1 share. The total paid dividends amounted to 125 000 thousand tenge.

Dividends on ordinary shares of "REAL-INVEST.kz" Financial Company" JSC for 2010 were not paid. The annual general meeting of shareholders decided to leave income derived from financial and economic activity in 2010 as part of retained income of prior years, and not to form capital reserves for 2010.
Dividends on ordinary shares "REAL-INVEST.kz" Financial Company" JSC for 2011 were not paid because net income for 2011 had not been earned.
Dividends on ordinary shares of "REAL-INVEST.kz" Financial Company" JSC for 2012 were not paid. The annual general meeting of shareholders decided not to distribute net income base don results of 2012 and not to pay dividends on ordinary shares.
Information on remunerations
Remuneration paid to members of the Board of Directors for 2013 amounted to 9 634 thousand tenge.
Remuneration paid to members of the executive body for 2013 amounted to 38 244 thousand tenge.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2013

| **Thousand tenge** | **Note** | **December 31, 2013** | **December 31, 2012** |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 6 | **469,189** | 479,122 |
| Investments available-for-sale | 7 | **2,019,097** | 2,593,428 |
| Loans granted | 8 | **21,775** | 270,628 |
| Trade receivables | 9 | **134,656** | 91,714 |
| Advances paid | 10 | **494,677** | 200,355 |
| Inventory | 11 | **137,616** | 138,344 |
| Non-current assets held for sale | 12 | **93,439** | 146,372 |
| Investment property | 13 | **805,310** | 753,493 |
| Property, plant and equipment | 14 | **78,046** | 72,283 |
| Deferred tax asset | 15 | **120,229** | 42,832 |
| Other assets | 16 | **48,649** | 41,615 |
| **Total assets** | | **4,422,683** | **4,830,186** |
| Liabilities | | | |
| Trade payables | 17 | **34,142** | 191,968 |
| Borrowings | | **—** | 6,138 |
| Debt securities issued | 18 | **705,190** | 1,136,816 |
| Deferred tax liabilities | 15 | **—** | 40,428 |
| Other liabilities | 19 | **44,465** | 18,610 |
| **Total liabilities** | | **783,797** | **1,393,960** |
| **Equity** | | | |
| Share capital | 20 | **3,038,408** | 3,038,408 |
| Property, plant and equipment revaluation reserve | | **115** | — |
| Investments available-for-sale revaluation reserve | | **(107,721)** | **(233,531)** |
| Retained earnings | | **708,084** | **631,349** |
| **Total equity** | | **3,638,886** | **3,436,226** |
| **Total liabilities and equity** | | **4,422,683** | **4,830,186** |

*Accompanying notes on pages 6 to 49 are integral parts of these consolidated financial statements.*

Signed and authorized for issuance on behalf of the Management Board of the Group:

Chairwoman of the board
Vasilyeva E.I.
Chief accountant
Zhakanbayeva G.K.

May 30, 2014
Republic of Kazakhstan, Almaty

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2013

| Thousand tenge | Note | For the year ended December 31, 2013 | For the year ended December 31, 2012 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue from goods sold and services rendered | 21 | **484,633** | 424,579 |
| Cost of goods sold and services rendering | 22 | **(307,426)** | (223,466) |
| **Gross profit** | | **177,207** | 201,113 |
| Interest income | 23 | **27,541** | 80,943 |
| Interest expense | 23 | **(108,919)** | (177,033) |
| Dividend income | 24 | **84,633** | 757,479 |
| Investment property revaluation gain | 13 | **243,652** | 226,112 |
| Income from the write-off of doubtful payables | 17 | **154,533** | — |
| Income from reversalof/ (loss on)impairment of loans granted | 8 | **65,015** | (53,202) |
| Losses from impairment of non-current assets held for sale | 12 | **(52,933)** | — |
| Net losses on disposal of investments available for sale | | **(24,825)** | (37,342) |
| Losses from impairment of trade receivables | 9 | **(7,629)** | (38,288) |
| Losses on disposal of investment property | 25 | **(17,329)** | (156,061) |
| Operating expenses | 26 | **(524,751)** | (486,933) |
| Other income | | **14,196** | 36,501 |
| **Operating profit before taxation from continuing operations** | | **30,391** | 353,289 |
| **Incometaxbenefit/(loss)** | 15 | **117,825** | (1,070) |
| **Profit for the year from continuing operations** | | **148,216** | 352,219 |
| **Discontinued operations** | | | |
| Profit for the year from discontinued operations after taxation | 27 | **47,578** | 36,169 |
| **Profit for the year** | | **195,794** | 388,388 |
| **Other comprehensive income** | | | |
| Unrealized gains / (losses)on investments available for sale | | **100,985** | (301,264) |
| Realized losses on investments available for sale reclassified to profit an loss | | **24,825** | 37,342 |
| Property, plant and equipment revaluation reserve | | **115** | — |
| **Total comprehensive income for the year** | | **321,719** | 124,466 |
| Earnings per share: | | | |
| **Basicanddilutedinrelationtoprofit fortheyear, attributable to common shareholders of the Parent company from continuing and discontinued operations (tenge)** | **28** | **0.015** | 0.054 |
| **Basicanddilutedinrelationtoprofit fortheyear, attributable to common shareholders of the Parent company from continuing operations (tenge)** | **28** | **0.006** | 0.047 |

*Accompanying notes on pages 6 to 49 are integral parts of these consolidated financial statements.*

Signed and authorized for issuance on behalf of the Management Board of the Group:

Chairwoman of the board
Vasilyeva E.I.
Chief accountant
Zhakanbayeva G.K.

May 30, 2014
Republic of Kazakhstan, Almaty

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2013

| Thousand tenge | Share capital | Investments available for sale revaluation reserve | Property, plant and equipment revaluation reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| **As at January 1, 2012** | **3,038,408** | **30,391** | — | **362,020** | **3,430,819** |
| Net profit for the year | — | — | — | 388,388 | 388,388 |
| Other comprehensive loss | — | (263,922) | — | — | (263,922) |
| Total comprehensive income | — | (263,922) | — | 388,388 | 124,466 |
| Preferred shares dividends | — | — | — | (119,059) | (119,059) |
| **As at December 31, 2012** | **3,038,408** | **(233,531)** | — | **631,349** | **3,436,226** |
| Net profit for the year | — | — | — | 195,794 | 195,794 |
| Other comprehensive income | — | 125,810 | 115 | — | 125,925 |
| Total comprehensive income | — | 125,810 | 115 | 195,794 | 321,719 |
| Preferred shares dividends | — | — | — | (119,059) | (119,059) |
| **As at December 31, 2013** | **3,038,408** | **(107,721)** | **115** | **708,084** | **3,638,886** |

*Accompanying notes on pages 6 to 49 are integral parts of these consolidated financial statements.*

Signed and authorized for issuance on behalf of the Management Board of the Group:

Chairwoman of the board
Vasilyeva E.I.

Chief accountant
Zhakanbayeva G.K.

May 30, 2014
Republic of Kazakhstan, Almaty

## CONSOLIDATEDSTATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED DECEMBER 31, 2013

| **Thousand tenge** | **For the year ended December 31, 2013** | **For the year ended December 31, 2012** |
|---|---|---|
| **Cash flow from operating activities** | | |
| Proceeds from goods sold | **437,347** | 450,850 |
| Proceeds from services rendered | **61,970** | 37,521 |
| Advances received | **7,883** | 18,872 |
| Dividends received | **33,746** | 757,479 |
| Proceeds from REPO transactions | — | 132,385 |
| Proceedsfromrepaymentof interest on loans granted | **8,862** | 85,703 |
| Proceeds from repayment of loans granted | **252,873** | — |
| Other proceeds | **25,743** | 238,221 |
| Payments to suppliers for goods and services | **(437,836)** | (490,598) |
| Advances paid | **(494,677)** | (112,602) |
| Payments on REPO transaction | — | (123,886) |
| Personnel expense | **(186,004)** | (209,622) |
| Corporate income tax | — | (97) |
| Other payments to the budget | **(94,632)** | (94,043) |
| Other payments | **(168,291)** | (538,515) |
| **Net cash (usedin)/flow fromoperatingactivities** | **(553,016)** | **151,668** |
| Cash flow from investing activities | | |
| Proceeds from sale of investment property | **260,288** | 587,330 |
| Proceeds from sale of plant, property and equipment | — | 23,810 |
| Proceeds from sale of financial assets to organizations | **4,330,748** | 1,320,147 |
| Other proceeds from investing activities | **9,648** | 1,795 |
| Purchase of investments property | — | (15,269) |
| Purchase of plant, property and equipment | **(32,357)** | (18,807) |
| Other purchases of long-term assets | **(48)** | (146,372) |
| Purchase of financial assets | **(3,761,103)** | (1,541,601) |
| Cash flows used in discontinued operations | **(12,042)** | (2,657) |
| Other payments for investing activities | **(51,321)** | (214,311) |
| **Net cash flow from/(used in)investment activities** | **743,813** | **(5,935)** |
| Cash flow from financing activities | | |
| Repayment of debt securities issued | **(81.671)** | — |
| Repayment of loans | — | (9.128) |
| Purchase of shares | — | (144.715) |
| **Dividends payment** | **(119.059)** | (119.059) |
| **Net cash used in financing activities** | **(200.730)** | (272.902) |
| **Net decrease in cash and cash equivalents** | **(9.933)** | (127.169) |
| **Cash and cash equivalents, beginning** | **479.122** | 606.291 |
| **Cash and cash equivalents, ending** | **469.189** | 479.122 |

**NON-CASH OPERATIONS:**
For the years 2013 and 2012 the Group made the following non-cash operations:
**Property, plantandequipment**
In 2013 theadditionstoproperty, plantandequipment to the amount of amount 6,117 thousands tenge were not paid as at December 31, 2013 (2012: nil).
**Debt securities issued**
In 2013 the Group made redemption of debt securities issued in amount of 445,604 thousand tenge by transfer of securities and offset with debt securities holders (2012: nil).

*Accompanying notes on pages 6 to 49 are integral parts of these consolidated financial statements.*

Signed and authorized for issuance on behalf of the Management Board of the Group:
Chairwoman of the board
Vasilyeva E.I.
Chief accountant
Zhakanbayeva G.K.
May 30, 2014
Republic of Kazakhstan, Almaty

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 2013

## GENERAL INFORMATION

«"Real-Invest.kz" Financial Company» JSC (the "Company", togetherwithsubsidiaries – the "Group") carries out its activities in the Republic of Kazakhstan. TheCompanywasregisteredonAugust 13, 2003 (registrationnumber 57284-1910-AO).

Theshareholdersofthe CompanyareNiyazov B. B., residentoftheRepublicofKazakhstan– 84.56%, ZainullinaA.B. – 7.72%, residentoftheRepublicofKazakhstanandOmirbekN.KresidentoftheRepublicofKazakhstan – 7.72% (asatDecember 31, 2012:HussainShazad, residentoftheUnitedArabEmirate – 84.56%, KaipnazarovaA.B. – 7.72%, residentoftheRepublicofKazakhstanand OmirbekN.K. – 7.72%, residentoftheRepublicofKazakhstan).

The primary activity of the Company is management of subsidiaries and projects investing.

The Company's registeredandactualaddress: 59 «A», Amangeldy st.,, Almaty, the Republic of Kazakhstan. As atDecember 31, 2013the number of employees in the Groupwas 89employees (December 31, 2012: 86employees).

The companies included in the Group as at December 31:

| Company | Primary activities | Location | Interest, % | |
|---|---|---|---|---|
| | | | December 31, 2013 | December 31, 2012 |
| «"JAZZ CAPITAL" Brokerage House» JSC | Broker-dealer activities in the securities market with the right to manage clients' accounts as a nominal holder | Republic of Kazakhstan | 100% | 100% |
| "REAL ASSET MANAGEMENT" JSC | Professional activities in the securities market | Republic of Kazakhstan | — | 100% |
| «Joint-stock real estate investment fund "REAL ESTATE INVESTMENT FUND"» JSC | Investment in real estate and other property, permitted by legislation | Republic of Kazakhstan | 100% | 100% |
| «"REAL-GOLD" Jewelry Company» LLP | Manufacture and sale of jewelry export-import operations | Republic of Kazakhstan | 100% | 100% |
| «REAL Art-production. kz» LLP | Financing and producing film projects, projects in the sphere of painting, films and music. | Republic of Kazakhstan | 100% | 100% |
| «"REAL-CREDIT. kz" Micro-Credit Organization» LLP | Provision of microcredits, distribution of temporary available assets in securities, lease of personal property. | Republic of Kazakhstan | — | 100% |
| «"AVERS" Construction Company» LLP | Construction | Republic of Kazakhstan | 100% | 100% |
| «Alua TOP Construction» LLP | Construction | Republic of Kazakhstan | 100% | — |
| «Bon Food Distribution» LLP | Official distributor of the brands «Ecoproduct», «Melen», «VITALAND», «Shugaroff», «Akmalko» and others on the territory of Kazakhstan and Central Asia | Republic of Kazakhstan | — | 100% |

## BASISOFPREPARATION

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies below.

### Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements are presented in thousands of Kazakstani tenge, unless otherwise stated.

### Basisofconsolidation

The Group financial statements consolidate the parent Company and its subsidiary. Subsidiaryis the entity over which the Group has the power to control the financing and operating policies to obtain benefits from its activities.

Profit or loss and other comprehensive income of subsidiary acquired or disposed of during the year are included in consolidated financial statements recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.Total comprehensive income of subsidiaries is distributed among the shareholders of the Company and the holders of non-controlling interests even if this leads to a negative balance of non-controlling interests.

Amounts reported in the financial statements of subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

All transactions and balances between Group companies are eliminated on consolidation, including unrealized gains and losses on transactions between the Group companies.

### Changes in share of ownership of the Group in subsidiaries

Changes in share of ownership of the Group in subsidiaries that do not result in loss of control over the Group subsidiaries are accounted for in equity. The carrying value of the Group's share and non-controlling interest in a subsidiary is adjusted for changes in the ratio of these shares. Any difference between the amount by which non-controlling interests is being adjusted and the fair value of consideration received or paid are recognized in equity of the Parent company.

In case of loss of control over the Group's subsidiary, profit or loss occurred on disposal is being determined as the difference between (1) the fair value of consideration received and the fair value of the remaining interest and (2) the present value of assets (including goodwill) and liabilities of the subsidiary, as well as non-controlling ownership interest. In the case of accounting for assets of the subsidiary on the basis of estimated cost or fair value and recognition of the accumulated differences in other comprehensive income, the amounts previously recognized in other comprehensive income are accounted for as if the Company sold the assets (that is reclassified to profit or loss, or transferred directly to retained earnings as at the applicable IFRS). The fair value of remaining investments in the former subsidiary at the date of loss of control is taken as the value of the initial recognition in accordance with IAS 39 «Financial Instruments: Recognition and Measurement», or (where applicable) as the cost of initial recognition of investments in an associate or jointly controlled entity.

### Going concern

The management believes that the Group will be able to generate sufficient cash to pay its debts as and when they fall due. The management of the Group does not have any intention or necessity to liquidate or significantly reduce the size of its business.

### Recognition of elements of consolidated financial statements

These consolidated financial statements include all the assets, liabilities, equity, income and expenses, forming elements of the consolidated financial statements. All elements of the consolidated financial statements are presented in the form of line items. Combining multiple elements of the consolidated financial statements in a single article carried based on their characteristics (functions) in the Group's activities.

Each material class of similar items is presented separately in the consolidated financial statements. Items of different nature or function are presented separately unless they are immaterial.

### Operating environment

Economy of the Republic of Kazakhstan continues to be characterized by certain signs of a developing country. These signs include, but are not limited to the existence of a currency that is not free convertible outside the country and the low liquidity of debt and equity securities on stock exchanges. Prospects for future economic stability of the Republic of Kazakhstan significantly depend on the effectiveness of economic measures undertaken by the government, as well as the development of legal, political, and control systems, i.e. the circumstances that are beyond the Group's control.

Financial condition and future activities of the Group may be adversely affected by ongoing economic difficulties typical for a developing country. Management of the Group cannot foresee any scope or duration of economic hardship, or determine their impact, if any, on these financial statements.

# SUMMARY OF ACCOUNTING POLICIES

## Reclassifications

The following reclassifications have been made to 2012 balances to conform to the 2013 presentation:

| Thousand tenge | As previously reported | Reclassification | As adjusted |
|---|---|---|---|
| **Assets** | | | |
| Investments available for sale | 1.839.728 | 753.700 | 2.593.428 |
| Investment in associates | 753.700 | (753.700) | — |

## Fair value measurement

The Group measures financial instruments, such as investments available-for-sale and non-financial assets such as investment property, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 30.

Fair value is a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
• In the principal market for the asset or liability; or
• In the absence of a principal market, in the most advantageous market for the asset or liability

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
• Level 2 — Valuation techniques for which the lower level input that is significant to the fair value measurement is directly or indirectly observable;
• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

*Measurement of financial instruments at initial recognition*

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

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

*Offsetting of financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

## Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash on current accounts

## Financialassets

*Initialrecognition*

Financial assets areclassifiedintothefollowingcategories: financial assets at fair value through profit or loss ("FVTPL"); held-to-maturity ("HTM"); available-for-sale ("AFS"); loans and receivables.

The classification of financial assets into one category or another depends on the nature and purpose at initial recognition.

All financial assets are recognized initially at fair value. In the case of investments not at fair value through profit or loss, they are recorded at fair value plus directly attributable transaction costs. The Group determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

*Date of recognition*

All regular purchases and sales of financial assets are recognized on the settlement date i.e. the date that an asset is delivered to or by the Group. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

## Available-for-sale financial assets

Financial assets classified as AFS are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held to maturity investments, (c) financial assets at fair value through profit or loss.

Shares and bonds traded in an active market are classified as "available for sale" and measured at fair value. TheGrouph asinvestmentsinsharesthatarenotquotedinanactivemarket, whicharealsoclassifiedasfinancialassetsAFSandmeasuredatf airvalue (due to management believes that fair value can be measured reliably). Gains and losses, arising from changes in fair value, are recognized in other comprehensive income as part of revaluation investments reserve, except for the cases when the investment is determined to be impaired, with permanent character, interest income calculated using the effective interest rate and exchange rate, which recognized in income statement. At disposal or impairment of financial asset accumulated gainsandlossesthathasbeenrecognizedin revaluationinvestmentreserve refertofinancial result in the period when disposal and impairment occurred.

The fair value of monetary assets in foreign currency classified as AFS is determined in the same foreign currency and recalculated at the exchange rate at the reporting date.Foreign exchange differences attributable to gains or losses are determined based on the amortized cost of the monetary asset.

Instruments classified as AFS not listed in an active market and which fair value cannot be reliably measured are recognized at cost net of impairment losses, measured at the end of each reporting period.

## Income recognition on REPO and reverse REPO transactions

The Group enters into REPO agreements on sale of securities and credit operations, under which it receives or transfers collateral in accordance with normal market practice.

In accordance with the standard terms for repurchase transactions in the Republic of Kazakhstan, the recipient has the right to sell and repledge the colletaral subjecttoreturnin gequivalentsecuritiesonsettlementofthetransaction.

The transfer of securities to counterparties recognized in the consolidated statement offinancial position when risks and rewards of ownershipalso transferred.

Gains/losses from the sale of the instruments indicated above are recognized as interest income or expense in the consolidated statement of comprehensive income from the difference between the repurchase price, which accrued to the date using effective interest method and selling price of these instruments to third parties. The effectiveyield/interest from the differencebetween the sellingand repurchase price under the general contract terms is recognizedusing the effectiveinterest method when thereverse REPO/REPO transactionsfulfilled on its originalterms.

## Loans and account receivables

Tradeaccountreceivables, loansandotherreceivableswithfi xedanddeterminablepaymentswhicharenotquotedinanact ivemarketareclassifiedas "loansandreceivables".Loansand receivablesarerecognizedat amortizedcost using effective interest ratenetofimpairment. Interestincomeisrecogni zedbyapplyingtheeffectiveinterestrate, exceptforshort-termreceivables, which interest income is not significant.

The Group includes all loans to customers in group of financial assets with similar credit risks characteristics and collectively assesses them for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

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

## Investments in associate

Investment in associates within the consolidatedfinancial statements of the Group are accounted at cost net of impairment losses.

## Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale if their carrying amount will be recovered not in the process of production butunder a sale. This condition is met if the asset (or disposal group) can be sold in its current condition, and the sale is highly probable. Management must complete the sale of an asset in the foreseeable future.

If the Company adopted a plan to sell control of a subsidiary, all assets and liabilities of a subsidiary are classified as held for sale when the criteria described above, regardless of the Company save the non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount at the time of such classification and fair value less costs to sell.

## Investment property

Investment property initially measured at cost including directly attributable costs related to acquisition, installation and other expenditures.The carrying amount of an investment property includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and elimination of the cost of maintenance.

After initial recognition investment property is measured at fair value.Other gain or loss arising from a change in the fair value of investment property shall be recognised in profit or loss for the period in which it arises.The fair value of investment property shall reflect market conditions at the end of the reporting period.

An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.Gains or losses arising from the retirement or disposal of investment property shall be recognised in consolidated statement ofcomprehensive income in the period of the retirement or disposal.

Transfers to investment property shall be made when, and only when there is a change in use, evidenced by discontinued use by owner, commencement of an operating lease to another party. Transfers from investment property shall be made when, and only when, there is a change in use, evidenced by commencement of owner-occupation or the reconstruction with the purpose of sale.

## Property, plant and equipment

Following initial recognition at cost, buildings and land are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation surplus is credited to the revaluation reserve for property and equipment included in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

An annual transfer from the revaluation reserve for property and equipment to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

The rest of the property, plant and equipment are carried at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciationofanassetbeginswhenitisavailableforuse. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

| Categories of property, plant and equipment | Rate |
|---|---|
| Land | Not amortized |
| Buildings and structures | 5% |
| Vehicles | 10% |
| Machinery and equipment | 7-30% |
| Office machines and computers | 10%-30% |
| Office furniture | 10% |
| Other | 10%-30% |

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

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

## Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## Derecognition of financial assets and liabilities

*Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized in the consolidated statement of financial position when:
the rights to receive cash flows from the asset have expired;
the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;
and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Groupcould be required to repay.

*Financialliabilities*

Afinancialliabilityisderecognized in consolidated statement of financial positionwhentheobligationundertheliabilityisdischargedorcancelledorexpires.

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

## Leases

*Operating - Group as lessee*

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

## Value added tax (VAT)

Group's turnover, which is subject to VAT, consists of sales turnover of goods in the Republic of Kazakhstan and Group's import turnover determined as goods imported to the Republic of Kazakhstan (except for VAT exempt goods), which are subject to declaration in accordance with custom legislation of the Republic of Kazakhstan.

*VAT payable*

In accordance with the provisions of the Tax Code of the Republic of Kazakhstan, the excess amount of VAT accrued over the amount of VAT applied as offset is payable to the state budget, i.e. that accrued VAT on sales of goods and services shall be offset by purchases on a net basis. The reporting period for submission of VAT tax declaration is a quarter. VAT is payable to the budget at the location of the taxpayer not later than the 25th day of the second month following the reporting quarter.

*VAT offset*

VAT offset is formed, when goods and services are purchased. The Group is entitled to offset this VAT within tax reporting period, if this VAT amount is due for the goods received, including property, plant and equipment, intangible and biological assets, investment in real estate, works and services, if they are used in the reporting tax period or will be used to generate taxable turnover, as well as supporting documents are available.

## Taxation

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

Deferred income tax assets and liabilities areestimated using the liability method on temporary differences. Deferred income tax recognized for all temporary differences arose between tax base of assets and liabilities and its carrying value in the consolidated financial statements, except where the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income taxes assets are recognized only to the extent that sufficient taxable profit will be available to allow using temporary differences. Deferred income tax assets and liabilities are measured using the tax rates, which are to be used within the period of asset realization or settlement of the liability according to the legislation in force as at reporting date.

There are also other taxes in Kazakhstan, which influence on the Group's activities. These taxes are included as a component of other operating expenses.

## Recoverabilityofdeferredtaxassets

Management of the Group decided to establish deferred tax assets reserve at the reporting date, since there is no probability that sufficient taxable income will be generated against which the deferred tax assets will be used.

## Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### Pensionfundsandotherliabilities

The Group does not have any pension arrangements beside the State pension system of the Republic of Kazakhstan, which requires an employer to make deductions, calculated as a percentage of current gross salary payments, such deductions are expensed in the period in which the related salaries are earned and included in the statement of comprehensive income as salary expenses. The Group pays social tax to the Republic of Kazakhstan for its employees. Beyond that the Group has no other employee benefits accruals.

### Equity

Equity contributions are recognized at cost.

### Contingencies

Contingent liabilities are not recognized in consolidated financial statements but are disclosed unless the possibility of any outflow associated with obtaining economic benefits is not unlikely. Contingent assets are not recognized in consolidated financial statements but are disclosed unless the possibility of any outflow associated with obtaining economic benefits are probable.

### Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

For all financial instruments measured at amortized cost, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

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

### Foreign currency translation

Thefinancial statements are presented in tenge, which is the functional currency and presentation currency of the Group.Transactions in foreign currencies are initially recorded in the functional currency at the market rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date. All foreign exchange differences are included to the consolidated statement of comprehensive income as income, net of foreign exchange cost for the period.Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined.

The currency exchange rates as at December 31, 2013 used by the Group for consolidated financial statements were:

| Currency | December 31, 2013 | December 31, 2012 |
|---|---|---|
| US Dollar | 154,06 | 150,74 |
| Euro | 212,02 | 199,22 |
| British pound | 254,80 | 243,72 |
| Russian ruble | 4,68 | 4,96 |

## Newandrevised IFRS affecting amounts reported in the financial statements

In the current year, the Group adopted the following new and revised IFRSs, issued by International Accounting Standards Board (hereinafter "IASB"), for which an application was mandatory in 2013.

## IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Bank Group.

## IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements. The Group provides these disclosures in Note 30.

## Amendments to IAS 19 Employee Benefits

The IASB has published amendments to IAS 19 Employee Benefits, effective for annual periods beginning on or after 1 January 2013, which involve major changes to the accounting for employee benefits, including the removal of the option for deferred recognition of changes in pension plan assets and liabilities (known as the "corridor approach"). In addition, these amendments will limit the changes in the net pension asset (liability) recognised in profit or loss to net interest income (expense) and service costs. These amendments had no impact on the Group's financial position.

## IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. . IFRS 12 disclosures are provided in Note 1.

## Amendments to IAS 1 Changes to the Presentation of Other Comprehensive Income

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

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

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

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

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

## Standards and interpretations issued but not yet effective

## IFRS 9 Financial Instruments

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

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

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

### IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

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

### IFRIC Interpretation 21 Levies (IFRIC 21)

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

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

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

## SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

### Uncertainty of estimates

In the process of applying the Group's accounting policies, management has used the following judgments and made estimates which significantly affect the amounts recognized in the consolidated financial statements. The most significant use of judgments and estimates are presented below:

### Fair value of financial instruments

For financial assets and financial liabilities, reported in consolidated financial statements, not traded in an active market, fair value is determined using appropriate valuation methodologies including mathematic models. The information to these models is taken from observable markets, if possible, otherwise, for the determination of fair value requires judgment to apply.

AsdescribedinNote 30, forestimationoffairvalu eoffinancialinstruments, theGoupusesmethod, whichtakesintoaccountprimarily data which is not based on the market data. InNote 30thereisdetailedinformation about key assumption used in estimation of fair value of financial instruments as well as detailed analysis of sensitivity of estimates in regard to these assumptions. Themanagementbelieves that selected methods of estimations and used assumptions are appropriate for fair value estimation.

### Allowance for loans and receivables impairment

The Group regularly reviews its loans and receivables to assess impairment. The Group uses its 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 Group 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 national or local economic conditions that correlate with defaults on assets in the group. 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 loans and receivables.Based on its experience, the Group uses its judgment to adjust observable data for a group of loans or receivables to reflect current circumstances.

### Write-off of loans and receivables

In case of failure of recovery of loans and receivables, including through repossession of collateral, they are written off against allowance for impairment. Write-off of loans and receivables is made after theGroup's management has taken all possible actions to collect amounts owed to the Group, and after the Group has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as a reduction in the charge for impairment of financial assets in the consolidatedstatement of comprehensive income  in the period of recovery.

### Taxation

Tax, foreign exchange and customs legislation of the Republic of Kazakhstan 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 regional and state authorities. As such, 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 preceding the year of review.Under certain circumstances reviews may cover longer periods.

## SEGMENT INFORMATION

WiththemanagementpurposetheGroupsubdivides by the following business-segments.
• Lending activities: issuance of loans for consumer needs;
• Investment activities with securities: the acquisition of securities with the aim to obtain investment income in the form of interest, dividends, and income from the change in value;
• Broker-dealer activities: provision of brokerage services to individuals and legal entities in the securities market, as well as investment portfolio management services;
• Trading activities: sale of jewelry and consumer products;
• Investment activities with real estate: real estate acquisition for operating rent activities and income generation from changes in the value of investment property, and the management of investment property.

Informationonrevenuesandoperatingexpensesareattribute dasunallocated in cases if the Group is unable to subdivide it by segments with certainty.

In 2013and 2012theGroupdidnotgeneraterevenuewithoneex ternalcustomer, whichexceeds10% from gross profit.

## SEGMENT INFORMATION

| Thousand tenge | Lending activities | Investment activities with securities | Trading activities | Investment activities with real estate | Broker-dealer activities | Unallocated | Elimination | For the year ended December 31, 2013 |
|---|---|---|---|---|---|---|---|---|
| Revenue from goods sold and services rendered to external customers | — | — | 413.801 | 10.465 | 59.494 | 873 | — | **484.633** |
| Intersegment revenue from goods sold and services rendered | — | — | — | 28.088 | 42.272 | 1.319 | (71.679) | **—** |
| | — | — | 413.801 | 38.553 | 101.766 | 2.192 | (71.679) | **484.633** |
| External interest income | 7.706 | 19.835 | — | — | — | — | — | **27.541** |
| Intersegment interest income | 37.173 | 64.265 | — | 31.302 | — | — | (132.740) | **—** |
| | 44.879 | 84.100 | — | 31.302 | — | — | (132.740) | **27.541** |
| Dividend income | — | 46.004 | — | 4.883 | 33.746 | — | — | **84.633** |
| Intersegment dividend income | — | — | — | — | 5.941 | — | (5.941) | **—** |
| | — | 46.004 | — | 4.883 | 39.687 | — | (5.941) | **84.633** |
| Investment property revaluation gain | (37.077) | 29.450 | — | 259.143 | — | (7.864) | — | **243.652** |
| Income from the write-off of doubtful payables | — | 154.533 | — | — | — | — | — | **154.533** |
| External other income | (14) | 15.739 | (730) | — | 1.381 | (2.180) | — | **14.196** |
| Intersegment other income | — | 7.690 | — | 30.942 | 2.545 | 4.015 | (45.192) | **—** |
| Profit for the year from discontinued operations after taxation | — | 47.578 | — | — | — | — | — | **47.578** |
| **Total revenues** | **7.788** | **385.094** | **413.071** | **364.823** | **145.379** | **(3.837)** | **(255.552)** | **1.056.766** |
| Cost of goods sold and services rendered to external customers | — | — | (280.338) | — | (27.088) | — | — | **(307.426)** |
| Intersegment cost of goods sold and services rendered | — | — | — | — | — | — | — | — |
| | — | — | (280,338) | — | (27,088) | — | — | **(307,426)** |

| Thousand tenge | Lending activities | Investment activities with securities | Trading activities | Investment activities with real estate | Broker-dealer activities | Unallo-cated | Elimina-tion | For the year ended December 31, 2013 |
|---|---|---|---|---|---|---|---|---|
| External interest expense | (532) | (106.362) | — | — | (2.025) | — | — | **(108.919)** |
| Intersegment interest expense | (30.400) | (102.340) | — | — | — | — | 132.740 | **—** |
| | (30.932) | (208.702) | — | — | (2.025) | — | 132.740 | **(108.919)** |
| Losses from impairment of non-current assets held for sale | — | (52.933) | — | — | — | — | — | **(52.933)** |
| Net losses on disposal of investments available-for-sale | 35.223 | (34.454) | — | 4.852 | (28.570) | (1.876) | — | **(24.825)** |
| Intersegment net losses on disposal of investments available-for-sale | (3) | (18.783) | — | (29) | (299) | (51) | 19.165 | **—** |
| | **35.220** | **(53.237)** | **—** | **4.823** | **(28.869)** | **(1.927)** | **19.165** | **(24.825)** |
| Losses from impairment of receivables | — | 459 | — | (904) | (7.184) | — | — | **(7.629)** |
| Intersegment losses from impairment of trade receivables | — | 46.825 | (6.263) | — | (3) | — | (40.559) | **—** |
| | **—** | **47.284** | **(6.263)** | **(904)** | **(7.187)** | **—** | **(40.559)** | **(7.629)** |

## SEGMENT INFORMATION

| Thousand tenge | Lending activities | Investment activities with securities | Trading activities | Investment activities with real estate | Broker-dealer activities | Unallo-cated | Elimina-tion | For the year ended December 31, 2013 |
|---|---|---|---|---|---|---|---|---|
| Income from reversal of impairment of loans issued | — | — | — | — | — | 65.015 | — | 65.015 |
| Losses on disposal of investment property | (6.382) | (7.591) | (242) | (3.114) | — | — | — | (17.329) |
| External operating expenses | (6.841) | (122.766) | (247.090) | (19.887) | (124.823) | (3.344) | — | (524.751) |
| Intersegment operating expenses | (901) | (20.114) | (848) | (35.035) | (49.912) | (31.455) | 138.265 | — |
| **Total expenses** | **(9.836)** | **(418.059)** | **(534.781)** | **(54.117)** | **(239.904)** | **28.289** | **249.611** | **(978.797)** |
| Segment's financia lresultbefore corporate income tax expenses | (2.048) | (32.965) | (121.710) | 310.706 | (94.525) | 24.452 | (5.941) | 77.969 |
| Corporate income tax (expense)/ benefit | — | 59.214 | 22.464 | 36.452 | 3.555 | (3.860) | — | 117.825 |
| **Segment net profit/(loss) after corporate income tax (expense) / benefit** | **(2.048)** | **26.249** | **(99.246)** | **347.158** | **(90.970)** | **20.592** | **(5.941)** | **195.794** |
| **Segment assets** | — | **4.227.746** | **212.586** | **962.455** | **1.503.887** | **511.529** | **(2.995.520)** | **4.422.683** |
| **Segment liabilities** | — | **919.009** | **279.294** | **34.045** | **29.719** | **171.956** | **(650.226)** | **783.797** |

## SEGMENT INFORMATION

| Thousand tenge | Lending activities | Investment activities with securities | Trading activities | Investment activities with real estate | Broker-dealer activities | Unallo-cated | Elimina-tion | For the year ended December 31, 2012 |
|---|---|---|---|---|---|---|---|---|
| Revenue from sale of goods and rendering services to external customers | — | — | 314.118 | 58.407 | 48.834 | 3.220 | — | 424.579 |
| Intersegment revenue from goods sold and services rendered | — | — | — | 38.992 | 18.064 | 3.863 | (60.919) | — |
| | — | — | 314.118 | 97.399 | 66.898 | 7.083 | (60.919) | 424.579 |
| External interest income | 23.182 | 49.957 | 4 | 146 | 705 | 6.949 | — | 80.943 |
| Intersegment interest income | 25.132 | — | — | — | 66.709 | — | (91.841) | — |
| | 48.314 | 49.957 | 4 | 146 | 67.414 | 6.949 | (91.841) | 80.943 |
| Dividend income | — | 639.125 | — | — | 118.354 | — | — | 757.479 |
| Intersegment dividend income | — | 691.826 | — | — | — | — | (691.826) | — |
| | — | 1.330.951 | — | — | 118.354 | — | (691.826) | 757.479 |
| Investment property revaluation gain | 59.037 | (4.687) | 182.260 | (10.498) | — | — | — | 226.112 |
| External other income | — | 12.742 | — | 9.930 | 4.679 | 9.150 | — | 36.501 |
| Intersegment other income | 28.384 | — | — | | — | — | (28.384) | — |
| | 28.384 | 12.742 | — | 9.930 | 4.679 | 9.150 | (28.384) | 36.501 |
| Profit for the year from discontinued operations after taxation | — | 36.169 | — | — | — | — | — | 36.169 |
| **Total revenues** | **135.735** | **1.425.132** | **496.382** | **96.977** | **257.345** | **23.182** | **(872.970)** | **1.561.783** |

## SEGMENT INFORMATION

| Thousand tenge | Lending activities | Investment activities with securities | Trading activities | Investment activities with real estate | Broker-dealer activities | Unallo-cated | Elimina-tion | For the year ended December 31, 2012 |
|---|---|---|---|---|---|---|---|---|
| Cost of goods sold and services rendered to external customers | — | — | (211.783) | — | (11.683) | — | — | (223.466) |
| Intersegment cost of goods sold and services rendered | — | — | — | — | (12.340) | — | 12.340 | |
| | — | — | (211.783) | — | (24.023) | — | 12.340 | (223.466) |
| External interest expense | — | (171.574) | — | — | (5.459) | — | — | (177.033) |
| Intersegment interest expense | — | (91.841) | — | — | — | — | 91.841 | — |
| | — | (263.415) | — | — | (5.459) | — | 91.841 | (177.033) |
| Net losses on disposal of investments available-for-sale | (61.226) | — | — | 6.546 | 17.338 | — | — | (37.342) |
| Losses from impairment of trade and other receivables | — | (38.288) | — | — | — | — | — | (38.288) |
| Loss on impairment of loans given | — | — | — | — | — | (53.202) | — | (53.202) |
| Net losses on disposal of investments available-for-sale | (8.334) | — | — | (147.727) | — | — | — | (156.061) |
| External operating expenses | (65.336) | (86.731) | (145.443) | (39.360) | (143.571) | (6.492) | — | (486.933) |
| Intersegment operating expenses | — | (48.576) | — | (28.387) | — | — | 76.963 | — |
| | (134.896) | (173.595) | (145.443) | (208.928) | (126.233) | (59.694) | 76.963 | (771.826) |
| **Total expenses** | **(134.896)** | **(437.010)** | **(357.226)** | **(208.928)** | **(155.715)** | **(59.694)** | **181.144** | **(1.172.325)** |
| Segment's financia lresultbefore corporate income tax expenses | 839 | 988.122 | 139.156 | (111.951) | 101.630 | (36.512) | (691.826) | 389.458 |
| Corporate income tax (expense)/ benefit | — | (7.195) | (36.452) | — | 18.528 | 24.049 | — | (1.070) |
| **Segment net profit/(loss) after corporate income tax (expense) / benefit** | **839** | **980.927** | **102.704** | **(111.951)** | **120.158** | **(12.463)** | **(691.826)** | **388.388** |
| **Segment assets** | **1.314.425** | **5.437.816** | **444.258** | **411.099** | **2.502.225** | **67.260** | **(5.346.897)** | **4.830.186** |
| **Segment liabilities** | **5.634** | **2.166.998** | **337.051** | **1.678** | **272.630** | **121.572** | **(1.511.603)** | **1.393.960** |

## CASH AND CASH EQUIVALENTS

Cashandcashequivalentsinclude

| Thousand tenge | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Cash on current bank accounts in Tenge | **422.693** | 469.226 |
| Cash on current bank accounts in currency | **35.216** | 2.883 |
| Cash on hand | **11.278** | 1.746 |
| Cash in transit | **2** | 5.267 |
| | **469.189** | 479.122 |

Cashintransitrepresentscashthatwaspaidforgoodswithbankcards, butnotyetreceived on current accounts of the Group.

## INVESTMENTS AVAILABLE-FOR-SALE

Investments available-for-sale includes:

| Thousand tenge | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Shares of Kazakhstan companies | **1.181.218** | 1.638.017 |
| Shares of foreign companies | **823.360** | 755.032 |
| Depositary receipts | **14.366** | 13.288 |
| Eurobonds | **153** | 155.936 |
| Government securities | **—** | 31.155 |
| | **2.019.097** | 2.593.428 |

As at December 31, 2013 accrued interest on debt securities amounted to10 thousand tenge(31 December 2012: 4,571 thousand tenge).

Major part of securities listed below are traded on the Kazakhstan or London Stock Exchanges.

Investments available-for-sale as at December 31, 2013 and December 31, 2012 were not pledged as collateral of obligations of the Group.

## INVESTMENTS AVAILABLE-FOR-SALE

| Thousand tenge | Type of investment | Currency | December 31, 2013 | December 31, 2012 |
|---|---|---|---|---|
| Shares of Kazakhstan companies | | | | |
| "Kazakhtelecom" JSC | Preferred shares | Tenge | **292.434** | 206.593 |
| "PensionfundGRANTUM" JSC | Common shares | Tenge | **288.325** | 337.625 |
| "Temirbank" JSC | Preferred shares | Tenge | **169.979** | 169.979 |
| "KazTransOil" JSC | Common shares | Tenge | **136.260** | 419.979 |
| "Kazakhtelecom" JSC | Common shares | Tenge | **78.311** | 200.033 |
| "KazTransCom" JSC | Common shares | Tenge | **55.183** | 55.182 |
| "KazMunaiGas Exploration Production" JSC | Preferred shares | Tenge | **53.923** | 10.431 |
| "KazMunaiGas Exploration Production" JSC | Common shares | Tenge | **42.310** | 50.283 |
| "Halyk Bank Kazakhstan" JSC | Preferred shares | Tenge | **15.200** | 16.000 |
| "Tsesnabank" JSC | Common shares | Tenge | **14.240** | 13.600 |
| "BankCenterCredit" JSC | Common shares | Tenge | **11.764** | 13.220 |
| "MPP"Tort-Kudyk" JSC | Preferred shares | Tenge | **8.601** | 15.638 |
| "Nur Bank" JSC | Common shares | Tenge | **7.546** | 6.469 |
| "Halyk Bank Kazakhstan" JSC | Common shares | Tenge | **3.691** | 31.340 |
| "Kazkomertsbank" JSC | Preferred shares | Tenge | **1.541** | 2.956 |
| "Kazkomertsbank" JSC | Common shares | Tenge | **1.341** | 1.476 |
| "KazTransCom" JSC | Preferred shares | Tenge | **132** | 846 |
| "Kazakhstan Stock Exchange" JSC | Common shares | Tenge | **27** | 36 |
| "Karazhanbasmunai" JSC | Preferred shares | Tenge | **—** | 85.921 |
| "ROSA" JSC | Common shares | Tenge | **410** | 410 |
| | | | **1.181.218** | 1.638.017 |

| Thousand tenge | Type of investment | Currency | December 31, 2013 | December 31, 2012 |
|---|---|---|---|---|
| Shares of foreign companies: | | | | |
| Zaid Invest LLC | Preferred shares | US Dollar | **753.700** | 753.700 |
| Kazakhmys PLC | Common shares | British pound | **57.566** | — |
| Tesla Motors Inc. | Common shares | US Dollar | **9.421** | — |
| Sunkar Resources Plc | Common shares | US Dollar | **1.904** | 1.332 |
| Apple Inc. | Common shares | US Dollar | **769** | — |
| | | | **823.360** | 755.032 |

TheGroupholds 20% interest "ZaidInvest" LLC, registeredandoperating in International financial center Dubai, United Arabian Emirates. Primary activity of "Zaid Invest" LLC is execution of transaction with securities and investment property. As at December 31, 2013 and December 31, 2012 the Group does not have a significant impact on the activities of the company.

| Thousand tenge | Type of investment | Currency | December 31, 2013 | December 31, 2012 |
|---|---|---|---|---|
| Depositary receipts | | | | |
| "Kazkommertsbank" JSC | GDR | US Dollar | **14.321** | 13.244 |
| "Temirbank" JSC | ADR | US Dollar | **35** | 35 |
| "Kazakhtelecom" JSC | ADR | Euro | **10** | 9 |
| | | | **14.366** | 13.288 |

| Thousand tenge | Type of investment | Currency | December 31, 2013 | December 31, 2012 |
|---|---|---|---|---|
| Eurobonds: | | | | |
| "Temir Capital" JSC | Eurobonds | US Dollar | **153** | 142 |
| "Alliance Bank" JSC | Eurobonds | US Dollar | **—** | 104.620 |
| "Kazkommertsbank" JSC | Eurobonds | US Dollar | **—** | 27.818 |
| "ATF Bank" JSC | Eurobonds | US Dollar | **—** | 23.356 |
| | | | **153** | 155.936 |

## LOANS ISSUED

| Thousand tenge | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Loans issued to clients | **25.795** | 65.197 |
| Loans issued torelated parties (Note 32) | **—** | 274.466 |
| Allowance for impairment | **(4.020)** | (69.035) |
| | **21.775** | 270.628 |

Movement in allowance for impairment is presented below:

| Thousand tenge | Allowance for impairment |
|---|---|
| **January 1, 2012** | **(15.833)** |
| Accrued | (53.202) |
| **December 31, 2012** | **(69.035)** |
| Reversal | 65.015 |
| **December 31, 2013** | **(4.020)** |

Accrued interest as at December 31, 2013 amounted to 3,635 thousand tenge (December 31, 2012: 4,791 thousand tenge).

During the year 2013 and 2012 the Group did not issue loans.

As at December 31, 2013 the value of collateral amounted to27,109 thousand tenge (December 31,2012: 132,826).

## ACCOUNTS RECEIVABLE

| Thousand tenge | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Trade receivables from customers | **177.149** | 167.892 |
| Trade receivables from related parties (Note 32) | **21.149** | 7.035 |
| Allowance for impairment | **(63.642)** | (83.213) |
| | **134.656** | 91.714 |

| Thousand tenge | Allowance for impairment |
|---|---|
| **January 1, 2012** | **(44.925)** |
| Accrued | (38.288) |
| **December 31, 2012** | **(83.213)** |
| Written-off | 27.200 |
| Accrued | (7.629) |
| **December 31, 2013** | **(63.642)** |

## ADVANCES PAID

| Thousand tenge | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Advances paid for construction in progress | **350.126** | — |
| Advances paid to suppliers | **83.388** | 41.892 |
| Advances paid to related parties (Note 32) | **61.163** | 158.463 |
| | **494.677** | 200.355 |

Within 2013 theGrouppaidinadvanceforpurchaseoftheconrtuctioninprogress – cottagecitySunTownwith 2.006 sq. Metres in Almaty cityinamountof 350,126 thousandtenge.

## INVENTORIES

| Thousand tenge | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Jewelry | 111.826 | 96.879 |
| Consumer goods | 18.729 | 41.145 |
| Other | 7.061 | 320 |
| | **137.616** | 138.344 |

As at December 31, 2013 and December 31, 2012 inventories were not pledged as collateral of obligations of the Group.

## NON-CURRENT ASSETS HELD FOR SALE

In 2012 theGroupacquired 70% interest insharecapitalof "RealDevelopment" LLP. AsatDecember 31, 2013 the fair value of the interest equaled to 93,439 thousand tenge (December 31, 2012: 146,372 thousand tenge). The valuation of the interest wasper for medasat December 31, 2013 by "Technicalinvestigationofthebuildings – valuation" LLP, the date of the assessment was February 18, 2014. Thus, thelossontherevaluationequaledto52,933 thousandtenge (2012:0). .

| Thousand tenge | Land | Buildings | Total |
|---|---|---|---|
| **Carrying amount** | | | |
| December 31, 2011 | 193.853 | 990.805 | 1.184.658 |
| Additions | 7.393 | 7.876 | 15.269 |
| Reclassifications from property, plant and equipment | 70.845 | — | 70.845 |
| Disposals | (129.751) | (613.640) | (743.391) |
| Revaluation | 178.652 | 47.460 | 226.112 |
| **December 31, 2012** | **320.992** | **432.501** | **753.493** |
| Additions | 65.357 | 107.004 | 172.361 |
| Disposals | (337.264) | (26.932) | (364.196) |
| Revaluation | 38.925 | 204.727 | 243.652 |
| **3 December 31, 2013** | **88.010** | **717.300** | **805.310** |

Revenuefromoperatingrent wasincludedinrevenues (Note 21). As atDecember 31, 2013 andDecember 31, 2012investment property was not pledged as collateral of obligation of the Group.

AsatDecember 31, 2013 investmentpropertyvaluationwasperformedbyindependentvaluationcompany "Anira" LLPand"Tech nicalinvestigationofthebuildings – valuation" LLP. Forthepurposeofdisclosure of the information in relation to fair value the Group determined carrying amount of the investment property in amount of 805,310 thousand tenge in the Level 2 of the fair value hierarchy.

## PROPERTY, PLANT AND EQUIPMENT

| Thousand tenge | Buildings | Machinery and equipment | Transport | Computer equipment | Office furniture | Other | Total |
|---|---|---|---|---|---|---|---|
| Historical cost | | | | | | | |
| **December 31, 2011** | **89.535** | **7.996** | **62.118** | **10.954** | **11.756** | **20.430** | **202.789** |
| Additions | | 3.773 | 7.553 | 3.209 | 2.006 | 2.266 | 18.807 |
| Disposals | (3.690) | (9.821) | — | (3.595) | (1.418) | (16.872) | (35.396) |
| Revaluation | (5.681) | — | — | — | — | — | (5.681) |
| Reclassification to investment property | (70.845) | — | — | — | — | — | (70.845) |
| **December 31, 2012** | **9.319** | **1.948** | **69.671** | **10.568** | **12.344** | **5.824** | **109.674** |
| Additions | 2.710 | — | 9.800 | 1.086 | 16.396 | 8.482 | 38.474 |
| Disposals | (1.021) | (959) | (31.177) | (2.020) | (956) | (1.725) | (37.858) |
| December 31, 2013 | 11.008 | 989 | 48.294 | 9.634 | 27.784 | 12.581 | 110.290 |
| | | | | | | | |
| **Accumulated depreciation** | | | | | | | |
| **December 31, 2011** | **3.751** | **2.033** | **19.503** | **6.462** | **965** | **4.012** | **36.726** |
| Accrued | 743 | 310 | 6.613 | 2.047 | 1.253 | 1.285 | 12.251 |
| Disposals | (3.690) | (2.024) | — | (877) | (30) | (4.965) | (11.586) |
| **December 31, 2012** | **804** | **319** | **26.116** | **7.632** | **2.188** | **332** | **37.391** |
| Accrued | 493 | 228 | 5.207 | 1.214 | 1.594 | 987 | 9.723 |
| Disposals | (1.021) | (80) | (12.384) | (867) | (72) | (446) | (14.870) |
| **December 31, 2013** | **276** | **467** | **18.939** | **7.979** | **3.710** | **873** | **32.244** |
| | | | | | | | |
| **Carrying value** | | | | | | | |
| **December 31, 2013** | **10.732** | **522** | **29.355** | **1.655** | **24.074** | **11.708** | **78.046** |
| December 31, 2012 | 8.515 | 1.629 | 43.555 | 2.936 | 10.156 | 5.492 | 72.283 |

As at December 31, 2013 and December 31, 2012 property, plant and equipment were not pledged as collateral of obligations of the Group.

## TAXATION

The Group is taxed by official statutory 20% corporate income tax rate.

The effective rate of corporate income tax differs from nominal. Below is reconciliation of the corporate income tax expenses based on nominal rate with actual tax expenses:

| Thousand tenge | 2013 | 2012 |
|---|---|---|
| **Profit before income tax expense** | **30.391** | 353.289 |
| Statutory rate | **20%** | 20% |
| **Income tax expense using statutory rate** | **6.078** | 70.658 |
| Changes in unrecognized deferred tax assets from tax loss carry forwards | **(68.103)** | 37.098 |
| Permanent differences | **(55.800)** | (106.686) |
| **Corporate income tax (benefit) / expense** | **(117.825)** | 1.070 |
| Current income tax expense | — | — |
| Changes in deferred tax recognized in the statement of comprehensive income | **(117.825)** | 1.070 |
| **Corporate income tax (benefit) / expense** | **(117.825)** | 1.070 |

Deferred tax assets are only recognized to the extent that it is probable that there will be future taxable profits available against which the asset can be utilized. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realized.

The balance of deferred taxes, calculated by applying thestatutory tax rates which are in force at the date of the consolidated statement of financial position to the temporary differences between the tax base of assets and liabilities and the amounts reported in the consolidated financial statements include the following as at December 31:

| Thousand tenge | December 31, 2013 | Changes recognized in the statement of comprehensive income | December 31, 2012 | Changes recognized in the statement of comprehensive income | December 31, 2011 |
|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | |
| Losses carried forward | **109.054** | **30.504** | 78.550 | 44.288 | 34.262 |
| Investments available-for-sale revaluation reserve | **1.209** | **(726)** | 1.935 | 607 | 1.328 |
| Trade receivables | **8.090** | **(8.553)** | 16.643 | 14.959 | 1.684 |
| Loans given | **2.463** | **(11.344)** | 13.807 | 10.640 | 3.167 |
| Unused vacation reserve | **1.930** | **1.930** | — | — | — |
| | **122.746** | **11.811** | **110.935** | **70.494** | **40.441** |
| Deferred tax liabilities | | | | | |
| Investment property and property, plant and equipment | **(1.434)** | **38.994** | (40.428) | (34.466) | (5.962) |
| Intangible assets | **(1.083)** | **(1.083)** | — | — | — |
| | **(2.517)** | **37.911** | **(40.428)** | **(34.466)** | **(5.962)** |
| Deferred tax assets before impairment | **120.229** | **49.772** | 70.507 | 36.028 | 34.479 |
| Impairment of deferred tax assets | **—** | **68.103** | (68.103) | (37.098) | (31.005) |
| **Net deferred tax assets after impairment** | **120.229** | **117.825** | **2.404** | **(1.070)** | **3.474** |
| Recognized deferred tax assets | **120.229** | **77.397** | 42.832 | 33.396 | 9.436 |
| Recognized deferred tax liabilities | **—** | **40.428** | (40.428) | (34.466) | (5.962) |

## OTHER ASSETS

| Thousand tenge | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Intangible assets | 20.093 | 13.691 |
| VAT input | 14.468 | 14.445 |
| Advances given | 4.414 | 2.405 |
| Insurance premiums | **3.733** | 2.970 |
| Other | **5.941** | 8.104 |
| | **48.649** | 41.615 |

## TRADE PAYABLES

| Thousand tenge | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Payables to suppliers for goods and services | 21.609 | 191.968 |
| Payables to related parties (Note 32) | 12.533 | — |
| | 34.142 | 191.968 |

On October 3, 2008 the Group entered into an agreement with Yorkside Investors Inc., British Virgin Islands, according to which Yorkside Investors Inc. assumed the obligation to execute design project for office spaces.

On February 19, 2009 the parties signed an agreement to terminate the contract under the terms of which the Group had been required to reimburse the costs incurred by the contractor in the amount of USD 1,000 thousandtill December 31, 2010. The Group did not make the payment. This creditor still did not request the payment of payable and did not raise claims against the Group. In 2013 the Group recognized an income on write off of this payables in amount of 154,533 thousand tenge.

## DEBT SECURITIES ISSUED

On May 30, 2008 the Company issued bonds at a par value of 5,000,000 thousand tenge, the coupon rate on which in the first year was 12%, and in the following years it will be floating and will depend on the rate of inflation and adjusted every six months. The maximum coupon value 18%, the minimum - 10%. As at December 31, 2012 rate on the bonds was 10%. They are maturing in May 2013. Coupon payments were made twice a year. The par value of a bond equals to one tenge.

The Companymade a default on debt securities principal payment. InJune 2013 ontheBoardofdirectorsmeetingtheplanofthe repaymentofdebtsecuritiesprincipalandfineswasapproved. In 2014 the Group paid all of the liabilities for the debt securities (Note 33).

| Thousand tenge | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Advances received | **22.000** | — |
| Unused vacation reserve | **5.647** | 2.971 |
| Liabilities to employees | **4.896** | 4.648 |
| Taxes payable | **4.571** | 5.668 |
| Broker liabilities to client | **3.229** | — |
| Other | **4.122** | 5.323 |
| | **44.465** | 18.610 |

## SHARE CAPITAL

| Thousand tenge | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Common shares | **1.799.800** | 1.799.800 |
| Number of shares issued | **5.000.000.000** | 5.000.000.000 |
| Preferred shares | **1.190.594** | 1.190.594 |
| Number of shares issued | **1.190.594.060** | 1.190.594.060 |
| Share premium | **48.014** | 48.014 |
| | **3.038.408** | 3.038.408 |

### Common shares

Each common share is entitled to one vote and equal amount of dividends. For the years ended December 31, 2013 and December 31, 2012 no dividends were declared or paid.

### Preferred shares

The number of outstanding preferred shares of the Parent company before eliminations is 1,250,000,000 shares as at December 31, 2013 and December 31, 2012.

Dividend on preferred share is defined in Charter and the share prospectus of the Group in amount of 10 tiyn. Dividends for the year 2013 amounted to 125,000 thousand tenge, of which the amount of 5,942 thousand tenge was distributed within the Group (2012: 125,000 thousand tenge).

### Book value of share

Book value of share, calculated in accordance with the Listing Rules as approved by the Exchange Board of «Kazakhstan Stock Exchange» JSC:

| Thousand tenge | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Total assets | **4.422.683** | 4.830.186 |
| Intangible assets | **(20.093)** | (13.691) |
| Preferred shares | **(1.190.594)** | (1.190.594) |
| Total liabilities | **(783.797)** | (1.393.960) |
| Number of shares issued | **5.000.000.000** | 5.000.000.000 |
| **Book value of one ordinary share (tenge)** | 0,49 | 0,45 |
| Preferred shares | 1.190.594 | 1.190.594 |
| Debt component of preferred shares | — | — |
| Number of shares issued | 1.190.594.060 | 1.190.594.060 |
| Book value of one preferred share (tenge) | 1,00 | 1,00 |

## REVENUE FROM SALE OF GOODS AND RENDERING SERVICES

| Thousand tenge | For the year ended December 31, 2013 | For the year ended December 31, 2012 |
|---|---|---|
| Revenue from sale of jewelry | **208.734** | 190.469 |
| Revenue from sale of consumer products | **205.067** | 123.649 |
| Revenue from trading | **36.542** | 35.227 |
| Consulting services | **12.637** | 13.607 |
| Rental revenue | **10.465** | 58.407 |
| Underwriting services | **10.315** | — |
| Other income | **873** | 3.220 |
| | **484.633** | 424.579 |

## COST OF GOODS SOLD AND RENDERING SERVICES

| Thousand tenge | For the year ended December 31, 2013 | For the year ended December 31, 2012 |
|---|---|---|
| Inventory | **280.338** | 211.783 |
| Software maintenance expenses | **7.273** | 6.703 |
| Stock exchange fees | **6.840** | — |
| Custodian services | **5.568** | — |
| Other | **7.407** | 4.980 |
| | **307.426** | 223.466 |

## INTEREST INCOME/EXPENSE

| Thousand tenge | For the year ended December 31, 2013 | For the year ended December 31, 2012 |
|---|---|---|
| Interest income: | | |
| Investments available-for-sale | **17.533** | 21.408 |
| Loans given | **7.706** | 40.844 |
| Reverse REPO transactions | **2.302** | 11.742 |
| Debt securities issued | — | 6.949 |
| | **27.541** | 80.943 |
| Interest expense: | | |
| Debt securities issued | **106.362** | 176.334 |
| REPO transactions | **2.025** | 699 |
| Borrowings | **532** | — |
| | **108.919** | 177.033 |

## DIVIDEND INCOME

| Thousand tenge | For the year ended December 31, 2013 | For the year ended December 31, 2012 |
|---|---|---|
| “Karazhanbasmunai” JSC, preferred shares | **24.782** | 74.135 |
| “KazTransOil” JSC, cordinary | **21.296** | — |
| “Temirbank” JSC, preferred shares | **18.180** | 821 |
| “KazMunaiGas Exploration Production” JSC, common shares | **13.209** | 3.943 |
| “Kazakhtelecom” JSC, preferred shares | **3.511** | 543.417 |
| “Tsesnabank” JSC, preferred shares | **1.600** | 1.600 |
| “Kazakhtelecom” JSC, common shares | **778** | 132.421 |
| Other | **1.277** | 1.142 |
| | **84.633** | 757.479 |

## LOSSES ON DISPOSAL OF INVESTMENT PROPERTY

| Thousand tenge | For the year ended December 31, 2013 | For the year ended December 31, 2012 |
|---|---|---|
| Losses on disposal of buildings | **14.215** | 122.645 |
| Losses on disposal of land | **3.114** | 33.415 |
| | **17.329** | 156.061 |

## OPERATING EXPENSES

Operating expenses include

| Thousand tenge | For the year ended December 31, 2013 | For the year ended December 31, 2012 |
|---|---|---|
| Payroll and related expenses | **242.896** | 238.400 |
| Rent | **54.763** | 33.997 |
| Professional expenses | **50.406** | 46.770 |
| Marketing expenses | **32.702** | 39.826 |
| Maintenance expenses | **26.428** | 21.339 |
| Transportation expenses | **16.985** | 9.112 |
| Taxes other than income tax | **11.608** | 17.166 |
| Depreciation | **9.723** | 12.251 |
| Security expenses | **9.094** | 7.796 |
| Utilities | **7.387** | 6.997 |
| Charity | **5.799** | 6.565 |
| Communication services | **4.526** | 5.763 |
| Custody services | **605** | 2.095 |
| Other | **51.829** | 38.856 |
| | **524.751** | 486.933 |

## PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS AFTER TAXATION

At the end of 2013 the Group sold its share interest in "BonFood Distributions"LLP (100%) to the individual. The interest was sold for 162 thousand tenge. At the end of 2012 the Group sold its share interest in "FOOD-MAKER"LLP (100%) to the individual. The interest was sold for 200 thousand tenge. The financial results of the Companies for the year ended 31 December 2013 and 2012 are shown below:

| Thousand tenge | For the year ended December 31, 2013 | For the year ended December 31, 2012 |
|---|---|---|
| Revenues | **205.067** | 119.581 |
| Cost of sale | **(152.673)** | (37.149) |
| Gross profit | **52.394** | 82.432 |
| Operating expenses | **(79.467)** | (100.043) |
| Other (expenses)/income | **(388)** | 3.893 |
| Income tax benefit | **—** | 7.195 |
| Net loss | **(27.461)** | (6.523) |
| Gain from disposal of interest | **75.039** | 42.692 |
| Profit for the year from discontinued operations after taxation | **47.578** | 36.169 |

Gain from disposal of interest:

| Thousand tenge | For the year ended December 31, 2013 | For the year ended December 31, 2012 |
|---|---|---|
| Cash consideration received | **162** | 200 |
| Net liabilities realized | **74.877** | 42.492 |
| Gain from disposal of share interest | **75.039** | 42.692 |

## EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares (excluding treasury) in issue during the year.

The following table provides information on income and share data used in the calculation of basic and diluted earnings per share:

| Thousand tenge | For the year ended December 31, 2013 | For the year ended December 31, 2012 |
|---|---|---|
| Net profit for the year | **195.794** | 388.388 |
| Preferred share dividends | **(119.059)** | (119.059) |
| Net profit for the year attributable to shareholders of the Group | **76.735** | 269.329 |
| Weighted average number of ordinary shares | **5.000.000.000** | 5.000.000.000 |
| Basic and diluted earnings per share | **0,015** | 0,054 |

| Thousand tenge | For the year ended December 31, 2013 | For the year ended December 31, 2012 |
|---|---|---|
| Net profit for the year | **195.794** | 388.388 |
| Profit for the year from discontinued operations after taxation | **(47.578)** | (36.169) |
| Preferred share dividends | **(119.059)** | (119.059) |
| **Net profit for the year attributable to shareholders of the Group** | **29.157** | 233.160 |
| **Weighted average number of ordinary shares** | **5.000.000.000** | 5.000.000.000 |
| **Basic and diluted earnings per share** | **0,006** | 0,047 |

## COMMITMENTS AND CONTINGENCIES

### Operating environment

The main economic activity of the Group is concentrated in the Republic of Kazakhstan. Laws and regulations affecting the economic situation in the Republic of Kazakhstan are subject to frequent changes, therefore, the assets and operations of the Group may be at risk in case of deterioration of the political and economic situation.

### Claims and litigations

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or results of future operations of the Group.

The Group assesses the probability of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated.

Management is of opinion that no material losses will be incurred and accordingly no provision has been made in these financial statements.

### Taxation

Various types of legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan laws, decrees and related regulations is severe. Penalties include expropriation of the amounts (for foreign exchange law violations), as well as fines of generally 50% of the taxes unpaid.

The Group believes that it has paid or accrued all taxes that are applicable. Where legislation concerning the provision of taxes is unclear, the Group has accrued tax liabilities based on management's best estimate. The Group's policy is to recognize provisions in the accounting period in which a loss is deemed probable and the amount is reasonably determinable. As at December 31, 2013 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax and currency positions will be sustained.

Because of the uncertainties associated with the Kazakhstani tax system, the ultimate amount of taxes, penalties and interest, if any, as a result of past transactions, may be in excess of the amount expensed to date and accrued at December 31, 2013. Although such amounts are possible and may be material, it is the opinion of the Group's management that these amounts are either not probable, not reasonably determinable, or both.

## Fiduciary activities

The Group provides asset management services to mutual funds, which means that the Group is making decision regarding allocation, purchase and sale of securities and assets that are held in, and are not included in these consolidated financial statements. There were 3 and 5 funds under the management, as at December 31, 2013 and 2012respectively. The fair value of the net assets of mutual funds as at December 31, 2013 and 2012amounted to 816,435 thousand tenge and 789,612 thousand tenge, respectively.

## FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount for which the financial instrument could be exchanged in a current transaction between well informed, willing parties to make such transaction, from independent parties, other than in a forced or liquidation sale.

| Thousand tenge | December 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| | Carrying value | Fair value | Carrying value | Fair value |
| Assets measured at fair value | | | | |
| Investments available for sale | **2.019.097** | 2.019.097 | 2.593.428 | 2.593.428 |
| **Assets measured at fair value** | | | | |
| **Investments available-for-sale** | **469.189** | 469.189 | 479.122 | 479.122 |
| **Assets for which fair values are disclosed** | **21.775** | 21.775 | 270.628 | 270.628 |
| **Cash and cash equivalents** | **134.656** | 134.656 | 91.714 | 91.714 |
| **Loans given** | **2.644.717** | 2.644.717 | 3.434.892 | 3.434.892 |
| **Liabilities for which fair values are disclosed** | | | | |
| **Trade payables** | **34.142** | 34.142 | 191.968 | 191.968 |
| **Debt securities issued** | **705.190** | 705.190 | 1.136.816 | 1.901.244 |
| **Total** | **739.332** | 739.332 | 1.328.784 | 2.093.212 |

**Fairvalueoffinancialassetsandliabilitiesisdefined asfollowing:**

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets is determined in accordance with quoted market prices (including quoted in an active market term bonds, notes and perpetual bonds);
The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices used in market transactions at relevant date and dealer quotes for similar instruments.

**The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:**
Level 1: quoted (unadjusted) prices in active market for identical assets or liabilities;
Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows the analysis of financial instruments presented in the financial statement by level of the fair value hierarchy.

| Thousand tenge | Level 1 | Level 2 | Level 3 | December 31, 2013 |
|---|---|---|---|---|
| **Assets measured at fair value** | | | | |
| Investments available-for-sale | 743.651 | 1.275.446 | — | **2.019.097** |
| **Assets for which fair values are disclosed** | | | | |
| Cash and cash equivalents | 469.189 | — | — | **469.189** |
| Loans given | — | 21.775 | — | **21.775** |
| Trade receivables | — | 134.656 | — | **134.656** |
| **Total** | **1.212.840** | **1.431.877** | — | **2.644.717** |
| **Liabilities for which fair values are disclosed** | | | | |
| Trade payables | — | **34.142** | — | **34.142** |
| **Debt securities issued** | **705.190** | — | — | **705.190** |
| **Total** | **705.190** | **34.142** | — | **739.332** |

| Thousand tenge | Level 1 | Level 2 | Level 3 | December 31, 2012 |
|---|---|---|---|---|
| **Assets measured at fair value** | | | | |
| Investments available-for-sale | 1.738.169 | 855.259 | — | **2.593.428** |
| **Assets for which fair values are disclosed** | | | | |
| Cash and cash equivalents | 479.122 | — | — | **479.122** |
| Loans given | — | 270.628 | — | **270.628** |
| Trade receivables | — | 91.714 | — | **91.714** |
| **Total** | **2.217.291** | **1.217.601** | **—** | **3.434.892** |
| **Liabilities for which fair values are disclosed** | | | | |
| Trade payables | — | 191.968 | — | **191.968** |
| Debt securities issued | 1.136.816 | — | — | **1.136.816** |
| Borrowings | — | 6.138 | — | **6.138** |
| **Total** | **1.136.816** | **198.106** | — | **1.334.922** |

## RISK MANAGEMENT

### Introduction

The Group manages risks through a process of ongoing identification, measurement and monitoring, setting risk limits and other measures of internal controls.Process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

### Risk management department

The Risk management department of the Group, together with the Management Board, is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

### Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations.

The Group regularly monitors repayment of receivables. In the financial statements there are provisions for all doubtful amounts.

Maximumcreditriskexposure

Maximum credit risk exposure may significantly vary depending on individual risks, related to particular assets and overall market risks.

For financial assets maximum credit risk exposure is equal to carrying value of these assets.

Tables below indicate the classification of financial assets of the Group by Standard and Poor's credit rating as at December 31, 2013 and December 31, 2012.

| Thousand tenge | A- | B- | B | B+ | BB | BBB- | BBB | Credit rating not assigned | December 31, 2013 |
|---|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | — | — | 25.613 | 6.484 | — | 2.375 | 74.644 | 360.073 | **469.189** |
| Investments available-for-sale | 769 | 212.442 | 21.738 | 21.772 | 14.251 | 382.855 | — | 1.365.270 | **2.019.097** |
| Loans given | — | — | — | — | — | — | — | 21.775 | **21.775** |
| Trade receivables | — | — | — | — | — | — | — | 134.656 | **134.656** |
| **Total** | **769** | **212.442** | **47.351** | **28.256** | **14.251** | **385.230** | **76.644** | **1.881.774** | **2.644.717** |

| Thousand tenge | A- | B- | B | B+ | BB | BBB- | BBB | Credit rating not assigned | December 31, 2012 |
|---|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | — | — | — | 6.670 | — | — | 323.603 | 148.849 | **479.122** |
| Investments available-for-sale | — | 104.620 | 169.979 | 58.714 | 422.626 | 430.410 | — | 1.407.079 | **2.593.428** |
| Loans given | — | — | — | — | — | — | — | 270.628 | **270.628** |
| Trade receivables | — | — | — | — | — | — | — | 91.714 | **91.714** |
| **Total** | — | **104.620** | **169.979** | **65.384** | **422.626** | **430.410** | **323.603** | **1.918.270** | **3.434.892** |

## Credit quality by types of financial assets

The credit quality of financial assets is managed by the Group internal credit ratings. The table below shows the credit quality by class of asset for loan-related lines in the statement of financial position, based on the Group's credit rating system.

| Thousand tenge | Neither past due nor impaired | Past due but not impaired | | | Impaired financial assets | December 31, 2013 |
|---|---|---|---|---|---|---|
| | | 30-60 days | 60-150 days | 150-360 days | | |
| Cash and cash equivalents | 469.189 | — | — | — | — | 469.189 |
| Investments available-for-sale | 2.019.097 | — | — | — | — | 2.019.097 |
| Loans given | — | — | — | 17.755 | 4.020 | **21.775** |
| Trade receivables | 71.014 | — | — | — | 63.642 | **134.656** |
| **Total** | **2.559.300** | **—** | **—** | **17.755** | **67.662** | **2.644.717** |

| Thousand tenge | Neither past due nor impaired | Past due but not impaired | | | Impaired financial assets | December 31, 2012 |
|---|---|---|---|---|---|---|
| | | 30-60 days | 60-150 days | 150-360 days | | |
| Cash and cash equivalents | 479,122 | — | — | — | — | **479,122** |
| Investments available-for-sale | 2,593,428 | — | — | — | — | **2,593,428** |
| Loans given | — | — | — | 201,593 | 69,035 | **270,628** |
| Trade receivables | 8,501 | — | — | — | 83,213 | **91,714** |
| **Total** | **3,081,051** | — | — | **201,593** | **152,248** | **3,434,892** |

## Geographical concentration

Risk management department controls the risk associated with changes in legislation and assesses impact thereof on the Group.This approach allows the Group minimizing potential losses from the investment climate in Kazakhstan.

The geographic concentration of assets and liabilities indicated in the following table:

| Thousand tenge | Kazakhstan | Not OECD countries | December 31, 2013 |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 469,189 | — | 469,189 |
| Investments available-for-sale | 1,255,976 | 763,121 | 2,019,097 |
| Loans given | 21,775 | — | 21,775 |
| Trade receivables | 134,656 | — | 134,656 |
| **Total financial assets** | **1,881,596** | **763,121** | **2,644,717** |

| Thousand tenge | Kazakhstan | Not OECD countries | December 31, 2013 |
|---|---|---|---|
| **Financial liabilities** | | | |
| Trade payables | 34,142 | — | 34,142 |
| Debt securities issued | 705,190 | — | 705,190 |
| **Total financial liabilities** | **739,332** | — | **739,332** |

| Thousand tenge | Kazakhstan | Not OECD countries | December 31, 2012 |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 478.087 | 1.035 | 479.122 |
| Investments available-for-sale | 1.839.728 | 753.700 | 2.593.428 |
| Loans given | 227.162 | 43.466 | 270.628 |
| Trade receivables | 90.523 | 1.191 | 91.714 |
| **Total financial assets** | **2.635.500** | **799.392** | **3.434.892** |

| Thousand tenge | Kazakhstan | Not OECD countries | December 31, 2012 |
|---|---|---|---|
| **Financial liabilities** | | | |
| Trade payables | 41.228 | 150.740 | 191.968 |
| Debt securities issued | 1.136.816 | — | 1.136.816 |
| Borrowings | — | 6.138 | 6.138 |
| **Total financial liabilities** | **1.178.044** | **156.878** | **1.334.922** |

## Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Management controls these two types of risks by means of maturity analysis, determining the Group's strategy for the next financial period. This involves an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in case of unforeseen interruption of cash flow.

| Thousand tenge | Average % rate | Less than 3 months | 3 to 12 months | 1 to 5 years | Maturity date undefined | December 31, 2013 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Investments available-for-sale | 14% | 153 | – | – | – | **153** |
| Loans given | 18-24% | 21.775 | – | – | – | **21.775** |
| **Total interest bearing financial assets** | | **21.928** | – | – | – | **21.928** |
| Cash and cash equivalents | | 469.189 | **–** | **–** | **–** | **469.189** |
| Investments available-for-sale | | 2.018.944 | – | – | – | **2.018.944** |
| Trade receivables | | 134.656 | – | – | – | **134.656** |
| **Total financial assets** | | **2.644.717** | – | – | – | **2.644.717** |
| **Financial liabilities** | | | | | | |
| Debt securities issued | 10% | 705.190 | – | – | – | **705.190** |
| **Total interest bearing financial liabilities** | | **705.190** | **–** | **–** | **–** | **705.190** |
| Trade payables | | 34.142 | – | – | – | **34.142** |
| **Total financial liabilities** | | **739.332** | **–** | **–** | **–** | **739.332** |
| Difference between financial assets and financial liabilities | | 1.905.385 | – | – | | |
| Difference between financial assets and financial liabilities, interest bearing | | (683.262) | – | – | | |
| **Difference between interest bearing financial assets and interest bearing financial liabilities, cumulative total** | | **(683.262)** | **(683.262)** | **(683.262)** | | |
| **Difference between interest bearing financial assets and interest bearing financial liabilities, in % of total financial assets, cumulative total** | | **-26%** | **-26%** | **-26%** | | |

| Thousand tenge | Average % rate | Less than 3 months | 3 to 12 months | 1 to 5 years | Maturity date undefined | December 31, 2012 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Investments available-for-sale | 11% | 187.091 | – | – | – | **187.091** |
| Loans given | 18-24% | 71.059 | 199.569 | – | – | **270.628** |
| **Total interest bearing financial assets** | | **258.150** | 199.569 | – | – | **457.719** |
| Cash and cash equivalents | | 479.122 | – | – | – | **479.122** |
| Investments available-for-sale | | 2.406.337 | – | – | – | **2.406.337** |
| Trade receivables | | 91.714 | – | – | – | **91.714** |
| **Total financial assets** | | **3.235.323** | **199.569** | **–** | **–** | **3.434.892** |
| **Financial liabilities** | | | | | | |
| Debt securities issued | 10% | 9.626 | 1.127.190 | **–** | **–** | **1.136.816** |
| **Total interest bearing financial liabilities** | | **9.626** | **1.127.190** | **–** | **–** | **1.136.816** |
| Trade payables | | 191.968 | – | – | – | **191.968** |
| Borrowings | | 6.138 | – | – | – | **6.138** |
| **Total financial liabilities** | | **207.732** | **1.127.190** | **–** | **–** | **1.334.922** |
| Difference between financial assets and financial liabilities | | 3.027.591 | (927.621) | – | | |
| Difference between financial assets and financial liabilities | | 248.524 | (927.621) | – | | |
| **Difference between interest bearing financial assets and interest bearing financial liabilities, cumulative total** | | **248.524** | **(679.097)** | **(679.097)** | | |
| **Difference between interest bearing financial assets and interest bearing financial liabilities, in % of total financial assets, cumulative total** | | **7%** | **-20%** | **-20%** | | |

In the table below financial liabilities of the Group are presented in accordance with the terms to maturity based on undiscounted financial liabilities as at December 31, 2013 and 2012.

| Thousand tenge | Less than 3 months | From 3 months to 1 year | From 1 year to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| **December 31, 2013** | | | | | |
| Trade payables | 34.142 | — | — | — | 34.142 |
| Borrowings | 705.190 | — | — | — | 705.190 |
| **Total** | **739.332** | **—** | **—** | **—** | **739.332** |
| | | | | | |
| December 31, 2012 | 191.968 | — | — | — | 191.968 |
| Trade payables | 6.138 | — | — | — | 6.138 |
| Borrowings | — | 1.193.657 | — | — | 1.193.657 |
| **Debt securities issued** | **198.106** | **1.193.657** | **—** | **—** | **1.391.763** |
| **Total** | | | | | |

## Market risk

Market risk is a risk that 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. The market risk is managed and monitored based on sensitivity analysis. The Group does not have significant concentration of market risk, except for foreign currency concentration.

## Interest rate risk

The Group is exposed to the risk of fluctuation in interest rates, as the the coupon rate of debt securities issued is floating and depends on inflation in the Republic of Kazakhstan.

| Thousand tenge | 2013 | | 2012 | |
|---|---|---|---|---|
| | Increase in inflation rate by 1% | Decrease in inflation rate by 1% | Increase in inflation rate by 1% | Decrease in inflation rate by 1% |
| Impact on income before tax expense | — | — | (11.552) | 11.552 |

## Currency risk

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

The tables below indicate the currencies to which the Group had significant exposure at December 31 on its non-trading monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Tenge, with all other variables held constant on the statement of comprehensive income (due to the fair value of currency sensitive non-trading monetary assets and liabilities).

*Followingtableindicatesfinancialassetsandliabilitiesof theGroupin terms of currency as at December 31, 2013:*

| Thousand tenge | Tenge | US Dollar | EURO | British pound | December 31, 2013 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | 433,973 | 34,583 | – | 633 | **469,189** |
| Investments available-for-sale | 1,181,218 | 778,399 | 10 | 59,470 | **2,019,097** |
| Trade receivables | 126,354 | 8,302 | – | – | **134,656** |
| Loans given | 21,775 | – | – | – | **21,775** |
| **Total financial assets** | **1,763,320** | **821,284** | **10** | **60,103** | **2,644,717** |
| **Financial liabilities** | | | | | |
| Trade payables | 34,142 | – | – | – | **34,142** |
| Debt securities issued | 705,190 | – | – | – | **705,190** |
| **Total financial liabilities** | **739,332** | – | | – | **739,332** |
| **Open position** | **1,023,988** | **821,284** | **10** | **60,103** | **1,905,385** |

*Followingtableindicatesfinancialassetsandliabilitiesof theGroupin terms of currency as at December 31, 2012:*

| Thousand tenge | Tenge | US Dollar | Russian ruble | British pound | December 31, 2012 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | 476.239 | 2.883 | – | – | **479.122** |
| Investments available-for-sale | 1.669.172 | 922.915 | 9 | 1.332 | **2.593.428** |
| Trade receivables | 90.463 | 1.251 | – | – | **91.714** |
| Loans given | 227.162 | – | 43.466 | – | **270.628** |
| **Total financial assets** | **2.463.036** | **927.049** | **43.475** | **1.332** | **3.434.892** |
| **Financial liabilities** | | | | | |
| Trade payables | 41.240 | 150.728 | – | – | **191.968** |
| Debt securities issued | 1.136.816 | – | – | – | **1.136.816** |
| Borrowings | – | 6.138 | – | – | **6.138** |
| **Total financial liabilities** | **1.178.056** | **156.866** | – | – | **1.334.922** |
| **Open position** | **1.284.980** | **770.183** | **43.475** | **1.332** | **2.099.970** |

The effect on equity does not differ from the effect on the consolidated statement of comprehensive income. A 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. An equivalent decrease in each of the below currencies against the tenge would have resulted in an equivalent but opposite impact.

The Group's exposure to the risk of fluctuations of foreign exchange rates as at December 31, 2013 is presented in the following table:

Sensitivity analysis of the currency market

| Currency | 2013 | | 2012 | |
|---|---|---|---|---|
| | **Change in exchange rate in %** | **Impact on income before tax expense** | **Change in exchange rate in %** | **Impact on income before tax expense** |
| US Dollar | **+20%** | **164.257** | +10% | 77.018 |
| | **-20%** | **(164.257)** | -10% | (77.018) |
| Euro | **+20%** | **2** | +10% | — |
| | **-20%** | **(2)** | -10% | — |
| Russian ruble | **+20%** | **—** | +10% | 4.348 |
| | **-20%** | **—** | -10% | (4.348) |
| British pound | **+20%** | **12.021** | +10% | 133 |
| | **-20%** | **(12.021)** | -10% | (133) |

## Operating risk

Operational risk is a risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group 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. Control system should include effective segregation of duties, access, authorisation and reconciliation procedures, staff trainings and assessment processes, including the use of internal audit. Risk management department together with the Management Board are responsible for managing of operational risks inherent to the Group's products, activities, procedures and systems. Within scope of intervention, Compliance Officers monitor the consistency and effectiveness of the control of the Risk of non-compliance in the Group.

## Price risk

Price risk is a risk that value of a financial instrument can change due to changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group is exposed to price risk due to general and specific market fluctuations on its products.

| Thousand tenge | 2013 | | 2012 | |
|---|---|---|---|---|
| | **Increase in share prices by 10%** | **Decrease in share prices by 10%** | **Increase in share prices by 10%** | **Decrease in share prices by 10%** |
| Impact on equity | **201.894** | (201.894) | 240.634 | (240.634) |

## 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 has significant influence on 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, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be made on the same terms, conditions and amounts as transactions between unrelated parties.

### Terms and conditions of transactions with related parties

Related party transactions were made on terms agreed between the parties, which are not necessarily carried out on market terms. Outstanding balances at year end are unsecured, are interest free, and the calculations are made in cash, except as described below.

Such assessment is carried out each financial year through examining the financial position of a related party and the market in which it operates.

| Thousand tenge | 31 December 2013 | | 31 December 2012 | |
|---|---|---|---|---|
| | Transactions with related parties | Total for the item of financial statements | Transactions with related parties | Total for the item of financial statements |
| **Investments available-for-sale** | **762.301** | **2.019.097** | **769.338** | **2.593.428** |
| Other related parties | 762.301 | — | 769.338 | — |
| **Loans given** | **—** | **21.775** | **274.466** | **270.628** |
| Other related parties | — | — | 274.466 | — |
| **Trade receivables** | **21.149** | **134.656** | **7.035** | **91.714** |
| Other related parties | 21.149 | — | 7.035 | — |
| **Advances given** | **61.163** | **494.677** | **158.463** | **200.355** |
| Key management personnel | 57.700 | — | 155.000 | — |
| Other related parties | 3.463 | — | 3.463 | — |
| **Trade payables** | **12.533** | **34.142** | **—** | **191.968** |
| Key management personnel | 6.133 | — | — | — |
| Other related parties | 6.400 | — | — | — |
| **Borrowings** | **—** | **—** | **6.138** | **6.138** |
| Other related parties | — | — | 6.138 | — |
| **Debt securities issued** | **5.125** | **705.190** | **204.288** | **1.136.816** |
| Key management personnel | 5.125 | — | 195.053 | — |
| Other related parties | — | — | 9.235 | — |
| **Other liabilities** | **10.543** | **44.465** | **7.619** | **18.610** |
| Other related parties | 10.543 | — | 7.619 | — |
| **Interest expense** | **19.896** | **108.919** | **35.791** | **177.033** |
| Key management personnel | 15.896 | — | 31.770 | — |
| Other related parties | 4.000 | — | 4.021 | — |
| **Operating expenses** | **60.942** | **524.751** | **29.678** | **486.933** |
| Key management personnel | 60.942 | — | 29.678 | — |

Remunerationto 6 membersofkeymanagementpersonnelin 2013, and 6 membersofkeymanagementpersonnelin 2012amoun tedto60,942thousandtengeand 29,678 thousandtenge, respectively

## SUBSEQUENT EVENTS

On January 17, 2014 it was decided to sell 75% of the Company's interest in subsidiary – «"REALGOLD" Jewellery Company» LLP for 150,000 thousand tenge, 18.75% thereof was sold to related party for 37,500 thousand tenge, 56.25% was sold to major shareholder of the Group for 112,500 thousand tenge.

On January 30, 2014 "Pension Fund "Ular Umit" JSC sued «"REAL-INVEST.kz" Financial Company» JSC due to violation of obligations under the bonds issue prospectus of «"REAL-INVEST.kz" Financial Company» JSC, published at the official website of Kazakhstan Stock Exchange, the Company defaulted on coupon bonds REALb1 on principal repayment. On April 10, 2014 the Group fully repaid the liabilities to "Single pension fund" JSC, which is an assignee of "Pension Fund "Ular Umit" JSC on pension assets. On April 24, 2014, the Group repaid all remaining liabilities to bondholders.

On February 11, 2014 the National Bank of the Republic of Kazakhstan decided not to maintain an exchange rate of the tenge at its level, thus, the exchange rate of the Tenge against the US Dollar as of the date of approval of these financial statements amounted to 183.5 tenge per dollar, i.e. significantly devaluated.

On March 3, 2014 all preferred shares were acquired by "Single pension fund" JSC.

On March 14 and March 17, 2014 it was decided to merge subsidiaries «"AVERS" Construction Company» LLP and «Alua Top Construction» LLP to «REAL Art-production» LLP, respectively.

On April 10, 2014 Mr. Azymhanov D. H., has become one of the shareholders of «Financial Company "REAL-INVEST. kz"» JSC , buying 20% interest in the share capital.

## Additional information.

Persons in charge of work with investors and shareholders

| | | |
|---|---|---|
| **Member of the Management Board** | Milushev Emil Shamiliyevich | 2900-111 (interoffice telephone 180) |
| **Head of the Trading Department** | Don Sergey Lazarevich | 2900-111 (interoffice telephone 121) |

**Auditor contact details:**
"Grant Thornton" Limited Liability Partnership
Location of the Company Auditor: 13, Al-Farabi Avenue, Business Center "Nurly-Tau", Block 1V, office 701 (F65), Almaty City, 050059.

**Registrar contact details:**
"Single Securities Registrar" Joint-Stock Company
Location of the Company Registrar: 141, Abylai khan Avenue, Almaty City, 050000, telephone: 8 (727) 272-47-60; fax: 8 (727) 272-47-60.