

Kazakhstan Ijara Company JSC

Financial Statements
for the year ended
31 December 2014

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Independent Auditors' Report

To the Shareholders and the Board of Directors of Kazakhstan Ijara Company JSC

We have audited the accompanying financial statements of Kazakhstan Ijara Company JSC (the "Company"), which comprise the statement of financial position as at 31 December 2014, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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



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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter



We draw attention to the fact that the corresponding figures presented, excluding the adjustments described in Note 3 (o) to the financial statements, are based on the financial statements of the Company as at 31 December 2013 and for the period from 5 April 2013 (date of incorporation) to 31 December 2013 which were audited by other auditors whose report dated 6 March 2014 expressed an unmodified opinion on those statements. As part of our audit of the 2014 financial statements, we have audited the adjustments described in Note 3 (o) to the financial statements that were applied to restate the 2013 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2013 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2013 financial statements taken as a whole. Our opinion is not qualified in respect of this matter.



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

KPMG Audit LLC

State License to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan



Alla Nigay
General Director of KPMG Audit LLC
acting on the basis of the Charter

8 May 2015

Kazakhstan Ijara Company JSC
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2014

| | Note | For the year ended 31 December 2014 '000 KZT | Restated From 5 April 2013 (date of incorporation) to 31 December 2013 '000 KZT |
|--|------|---|--|
| Profit income on finance lease receivables | | 56,594 | - |
| Profit income on placements with banks | | 42,503 | 18,387 |
| Total profit income | | 99,097 | 18,387 |
| Net gain on financial instruments at fair value through profit or loss | 7 | 46,790 | - |
| Net foreign exchange gain | | 554,977 | 47,037 |
| Income from investment in joint venture | 9 | 25,857 | - |
| Other income | | 11,338 | - |
| Operating income | | 738,059 | 65,424 |
| Impairment loss on finance lease receivables | 8 | (18,436) | - |
| General administrative expenses | 4 | (291,905) | (19,523) |
| Profit before income tax | | 427,718 | 45,901 |
| Income tax expense | 5 | (76,165) | (9,176) |
| Profit for the period | | 351,553 | 36,725 |
| Other comprehensive income (loss), net of income tax | | | |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i> | | | |
| Foreign currency exchange differences on translation | | (25,857) | - |
| Other comprehensive income (loss) for the period, net of income tax | | (25,857) | - |
| Total comprehensive income for the period | | 325,696 | 36,725 |

The financial statements as set out on pages 5 to 39 were approved by Management on 8 May 2015.

Yusuf Karsi
 Director



Zhetpisbayeva Zhanar
 Chief Accountant

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 39.

Kazakhstan Ijara Company JSC
Statement of Financial Position as at 31 December 2014

| | Note | 31 December 2014 '000 KZT | Restated 31 December 2013 '000 KZT |
|---|------|---------------------------------|---|
| ASSETS | | | |
| Cash and cash equivalents | 6 | 1,174,280 | 4,265,513 |
| Financial instruments at fair value through profit and loss | 7 | 1,870,351 | - |
| Finance lease receivables | 8 | 1,175,990 | - |
| Advances paid to suppliers of equipment for finance lease | | 86,327 | - |
| Investment in joint venture | 9 | 273,123 | - |
| Equipment and intangible assets | 10 | 128,004 | 9,573 |
| Other assets | | 22,186 | 3,008 |
| Total assets | | 4,730,261 | 4,278,094 |
| LIABILITIES | | | |
| Amounts due to shareholders | 11 | 119,116 | 120,345 |
| Advances received for finance leases | | 24,209 | - |
| Accounts payable to suppliers | | 5,897 | 103 |
| Corporate income tax payable | | 63,122 | 6,579 |
| Deferred tax liabilities | 5 | 6,396 | 107 |
| Other liabilities | | 35,408 | 543 |
| Total liabilities | | 254,148 | 127,677 |
| Share capital | 12 | 4,224,362 | 4,224,362 |
| Foreign currency translation reserve | | (25,857) | - |
| Reserve for pre-operational expenses | 11 | (110,670) | (110,670) |
| Retained earnings | | 388,278 | 36,725 |
| Total equity | | 4,476,113 | 4,150,417 |
| Total liabilities and equity | | 4,730,261 | 4,278,094 |

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 39.

| | For the year ended 31 December 2014 '000 KZT | Re-presented From 5 April 2013 (date of incorporation) to 31 December 2013 '000 KZT |
|---|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit for the year | 351,553 | 36,725 |
| Adjustments for: | | |
| Profit income on finance lease receivables | (56,594) | - |
| Profit income on placement with banks | (42,503) | (18,387) |
| Unrealised gain on financial instruments at fair value through profit or loss | (46,790) | - |
| Impairment loss on finance lease receivables | 18,436 | - |
| Depreciation and amortisation expense | 12,302 | 1,497 |
| Income from investment in joint venture | (25,857) | - |
| Foreign exchange gain | (554,977) | (47,037) |
| Income tax expense | 76,165 | 9,176 |
| Cash flows used in operating activities before changes in operating assets and liabilities | (268,265) | (18,026) |
| Decrease in operating assets | | |
| Financial instruments at fair value through profit or loss | (1,823,561) | - |
| Finance lease receivables | (1,183,292) | - |
| Advances paid to suppliers of equipment for finance lease | (86,327) | - |
| Other assets | (19,178) | (3,008) |
| Increase in operating liabilities | | |
| Advances received for finance leases | 24,209 | - |
| Accounts payable to suppliers | 5,794 | 103 |
| Other liabilities | 34,865 | 543 |
| Net cash used in operating activities before taxes paid | (3,315,755) | (20,388) |
| Profit income received | 87,963 | 18,387 |
| Income tax paid | (13,333) | (2,490) |
| Cash flows used in operations | (3,241,125) | (4,491) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment in joint venture | (273,123) | - |
| Purchases of equipment and intangible assets | (130,733) | (1,395) |
| Cash flows used in investing activities | (403,856) | (1,395) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from shares issued | - | 4,224,362 |
| Cash flows from financing activities | - | 4,224,362 |
| Net increase in cash and cash equivalents | (3,644,981) | 4,218,476 |
| Cash and cash equivalents at the beginning of the period | 4,265,513 | - |
| Effect of changes in foreign exchange rates | 553,748 | 47,037 |
| Cash and cash equivalents at the end of the period (Note 6) | 1,174,280 | 4,265,513 |

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 39.

Kazakhstan Ijara Company JSC
Statement of Changes in Equity for the year ended 31 December 2014

| '000 KZT | Share capital | Foreign currency translation reserve | Reserve for pre- operational expenses | Retained earnings | Total equity |
|--|------------------|---|--|----------------------|------------------|
| Balance as at 5 April 2013 (date of incorporation) | - | - | - | - | - |
| Shares issued | 4,224,362 | - | - | - | 4,224,362 |
| Pre-operational expenses payable to shareholders (Note 11) | - | - | (110,670) | - | (110,670) |
| Profit and total comprehensive income for the period, restated | - | - | - | 36,725 | 36,725 |
| Balance as at 31 December 2013 | 4,224,362 | - | (110,670) | 36,725 | 4,150,417 |
| Profit for the year | - | - | - | 351,553 | 351,553 |
| Other comprehensive income | | | | | |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i> | | | | | |
| Foreign currency exchange differences on translation | - | (25,857) | - | - | (25,857) |
| Total comprehensive income for the year | - | (25,857) | - | 351,553 | 325,696 |
| Balance as at 31 December 2014 | 4,224,362 | (25,857) | (110,670) | 388,278 | 4,476,113 |

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 39.

1 Background

(a) Principal activities

Kazakhstan Ijara Company JSC (the “Company”) was established in the Republic of Kazakhstan as a joint stock company on 5 April 2013 (registration number 4291-1910-01-AO). On 24 September 2013 the Company was re-registered in connection with the approval of the adoption of a new shareholder, Al Hilal Leasing LLC, acceptance of the rights and powers under the New Memorandum and the statement of refusal to participate in the Company shareholders Murad-Mi Holding and Zerde, termination of their rights and authority on the Initial Memorandum.

The principal activities of the Company are:

- financial leasing operations; and
- professional activities on the Shariah compliant securities market, as well as other activities on financial market allowed by Kazakh Law and Shariah.

The Company performs lease financing of mid-term (3-5 years) leasing projects. The Company primarily leases machinery, equipment and transport vehicles that act as collateral.

The registered address of the Company’s head office is 51/78 Kabanbay batyr street, Almaty, 050010, Republic of Kazakhstan. The majority of the Company’s assets and liabilities are located in the Republic of Kazakhstan.

(b) Shareholders

As at 31 December 2014 and 2013, the following shareholders own the outstanding common shares:

| <i>Shareholders</i> | 31 December 2014 % | 31 December 2013 % |
|---|-----------------------------------|-----------------------------------|
| Islamic Corporation for the Development of the Private Sector | 35.77 | 35.77 |
| Zaman Leasing LLC | 17.85 | 17.85 |
| Aktif Yatirim Bankasi AS | 14.32 | 14.32 |
| Al Hilal Leasing Company LLC | 14.18 | 14.18 |
| Kolon World Investment Co., Limited | 10.73 | 10.73 |
| Eurasia Group AG | 7.15 | 7.15 |
| | 100.00 | 100.00 |

Related party transactions are detailed in Note 17.

(c) Kazakhstan business environment

The Company’s operations are primarily located in Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. The financial statements reflect management’s assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Company. The future business environment may differ from management’s assessment.

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss are stated at fair value.

(c) Presentation of statement of cash flows

The Company has re-presented its statement of cash flows for the period from 5 April 2013 (date of incorporation) to 31 December 2013 using the indirect method.

(d) Functional and presentation currency

The functional currency of the Company is the Kazakhstan tenge (“KZT”) as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to the Company.

The KZT is also the presentation currency for the purposes of these financial statements.

Financial information presented in KZT is rounded to the nearest thousand.

(e) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- Finance lease receivable impairment estimates - Note 8
- Financial instruments at fair value through profit or loss – Note 7.

(f) Change in accounting policies and presentation

The Company has adopted the IAS 32 Financial Instruments: Presentation - *Offsetting Financial Assets and Financial Liabilities* (see (i)), with a date of initial application of 1 January 2014.

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

(i) *Offsetting Financial Assets and Financial Liabilities*

Amendments to IAS 32 Financial Instruments: Disclosure and Presentation - *Offsetting Financial Assets and Financial Liabilities* do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The Company does not expect that these amendments will have an impact on its financial statements as the Company does present financial assets and financial liabilities on net basis in the statement of financial position.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements, and are applied consistently by the Company, except as explained in the Note 2 (f), which addresses changes in accounting policies.

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective profit and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss except for differences arising on the retranslation of investment in associate which are foreign operation, in which case foreign currency differences, are recognised in other comprehensive income.

(b) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, balances held with banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of short-term commitments.

(c) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments), or;
- upon initial recognition, designated as at fair value through profit or loss.

3 Significant accounting policies, continued

(c) Financial instruments, continued

(i) Classification, continued

The Company may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise, or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company:

- intends to sell immediately or in the near term;
- upon initial recognition designates as at fair value through profit or loss;
- upon initial recognition designates as available-for-sale, or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

(ii) Recognition

Financial assets and liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective profit rate method.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost.

3 Significant accounting policies, continued

(c) Financial instruments, continued

(iv) Amortised cost

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective profit rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective profit rate of the instrument.

(v) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell the net long position (or paid to transfer the net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3 Significant accounting policies, continued

(c) Financial instruments, continued

(vi) *Gains and losses on subsequent measurement*

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss, or;
- a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Profit in relation to an available-for-sale financial asset is recognised in profit or loss using the effective profit rate method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

(vii) *Derecognition*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any profit in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability in the statement of financial position. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company writes off assets deemed to be uncollectible.

(viii) *Derivative financial instruments*

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

Derivatives may be embedded in another contractual arrangement (a host contract). An embedded derivative is separated from the host contract and it is accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in fair value recognised in profit or loss. Derivatives embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

(ix) *Offsetting*

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

3 Significant accounting policies, continued

(d) Leases

The Company's lease transactions are classified as either financing or operating leases at inception in accordance with IAS 17 *Leases*.

Finance leases are leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The indicators for finance lease classification are:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain at the inception of the lease, that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset, or;
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications being made.

The Company as a lessor initially measures finance leases at an amount equal to the net investment in the lease. Subsequently the recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the finance lease.

Leasing of identified assets ending with ownership transfer (also known as Ijara Muntahia Bitamleek) is an agreement whereby the Company buys an asset according to the customer's intention, presented in intent notice and then leases it, in its capacity as a lessor, to the customer as lessee for a specified rental over a specific period. The duration of the lease term, as well as the basis for rental, are set and agreed in the lease agreement. The Company possesses ownership of the asset throughout the lease term. The arrangement could end by transferring the ownership of the asset to the lessee upon completion by the lessee of its obligation during or at the end of lease term.

The Company recognises ijara assets at a value equal to the net investment in the lease, starting from the date of commencement of the lease term. Rental income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the financing under ijara agreements.

(e) Equipment

(i) Owned assets

Items of equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

| | |
|------------------|--------------|
| Computers | 3 years |
| Office furniture | 5 to 7 years |
| Motor vehicles | 5 years |

3 Significant accounting policies, continued

(f) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life of intangible assets is 5 years.

(g) Impairment

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Company determines the amount of any impairment loss.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that event (or events) has had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of finance lease covenants or conditions, restructuring of a financial asset or group of financial assets that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

(i) *Financial assets carried at amortised cost*

Financial assets carried at amortised cost consist principally of finance lease receivables and other receivables (loans and receivables). The Company reviews its loans and receivables, to assess impairment on a regular basis.

The Company first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan or receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective profit rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Company uses its experience and judgment to estimate the amount of any impairment loss.

3 Significant accounting policies, continued

(g) Impairment, continued

(i) *Financial assets carried at amortised cost, continued*

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan or receivable is uncollectible, it is written off against the related allowance for impairment. The Company writes off a loan or receivable balance (and any related allowances for losses) when the Company's management determines that the loans or receivables are uncollectible and when all necessary steps to collect the loan or receivable are completed.

(ii) *Non financial assets*

Non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Credit related commitments

In the normal course of business, the Company enters into credit related commitments, comprising undrawn finance lease commitments. Finance lease commitments are not recognised by the Company.

(j) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(k) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3 Significant accounting policies, continued

(k) Taxation, continued

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is not recognised for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Income and expense recognition

Profit income and expense are recognised in profit or loss using the effective profit rate method.

Finance lease origination fees, lease servicing fees and other fees that are considered to be integral to the overall profitability of a finance lease, together with the related transaction costs, are deferred and amortised to profit income over the estimated life of the financial instrument using the effective profit rate method.

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(m) Investment in joint venture

Joint ventures are arrangements over which the Company together with one or more other parties has joint control over the financial and operating policies. The financial statements include the Company's share of the total recognised gains and losses of joint ventures on an equity-accounted basis, from the date that significant influence and joint control effectively commences until the date that significant influence and joint control effectively ceases. When the Company's share of losses exceeds the Company's interest (including long-term loans) in the joint venture, that interest is reduced to nil and recognition of further losses is discontinued, except to the extent that the Company has incurred obligations in respect of the joint venture.

(n) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2014, and are not applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Company plans to adopt these pronouncements when they become effective. The Company has not yet analysed the likely impact of these standards and pronouncements on its financial statements.

3 Significant accounting policies, continued

(n) New standards and interpretations not yet adopted, continued

- IFRS 9 *Financial Instruments*, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company recognises that the new standard introduces many changes to accounting for financial instruments and is likely to have a significant impact on the financial statements. The Company has not analysed the impact of these changes yet. The Company does not intend to adopt this standard early. The standard will be effective for annual periods beginning on or after 1 January 2018 and will be applied retrospectively with some exemptions.
- Various *Improvements to IFRS* are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2015. The Company has not yet analysed the likely impact of the improvements on its financial position or performance.

(o) Correction of errors

During the preparation of the financial statements as at 31 December 2013 and for the period from 5 April 2013 (date of incorporation) to 31 December 2013, management identified and corrected an error affecting corresponding figures. The effect of correction of the error on the corresponding figures can be summarised as follows:

| KZT'000 | As previously reported | Effect of correction of errors | As restated |
|---|---------------------------|--------------------------------------|-------------|
| Statement of financial position as at 31 December 2013 | | | |
| Reserve for pre-operational expenses | - | (110,670) | (110,670) |
| (Accumulated losses)/retained earnings | (73,945) | 110,670 | 36,725 |
| Statement of comprehensive income for the period from 5 April 2013 (date of incorporation) to 31 December 2013 | | | |
| General administrative expenses | (130,193) | (110,670) | 19,523 |

The amount of KZT 110,670 thousand is recognised as reserve for pre-operational expenses (see Note 11).

4 General administrative expenses

| | From 5 April 2013 (date of incorporation) to 31 December 2013 | |
|---|--|---------------------------|
| | For the year ended 31 December 2014 '000 KZT | December 2013 '000 KZT |
| Professional services | 149,799 | 610 |
| Wages, salary, and related taxes | 86,600 | 6,480 |
| Amortisation and depreciation | 12,302 | 1,497 |
| Business trip and representative expenses | 12,290 | 601 |
| Taxes other than on income | 9,894 | 489 |
| Rental expenses | 9,172 | 3,264 |
| Office expenses | 2,355 | 4,910 |
| IT expenses | 2,280 | 423 |
| Vehicle expenses | 2,210 | - |
| Bank charges | 2,175 | 546 |
| Communications | 1,957 | 700 |
| Marketing and advertising | 709 | - |
| Other | 162 | 3 |
| | 291,905 | 19,523 |

5 Income tax expense

| | From 5 April 2013 (date of incorporation) to 31 December 2013 | |
|--|--|---------------------------|
| | For the year ended 31 December 2014 '000 KZT | December 2013 '000 KZT |
| Current year tax charge | 69,876 | 9,069 |
| Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences and movement in valuation allowance | 6,289 | 107 |
| Total income tax expense | 76,165 | 9,176 |

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

Reconciliation of effective tax rate:

| | 2014 | | 2013 | |
|---|----------------|--------------|-----------------|---------------|
| | '000 KZT | % | '000 KZT | % |
| Profit before income tax | 427,718 | 100.0 | (64,769) | 100.0 |
| Income tax at the applicable tax rate | 85,544 | 20.0 | (12,954) | 20.0 |
| Non-taxable income from investment in joint venture | (5,171) | (1.2) | - | - |
| Non-taxable income from finance lease receivables | (11,319) | (2.7) | - | - |
| Non-deductible expenses | 7,111 | 1.7 | 22,130 | (34.2) |
| Current income tax charge | 76,165 | 17.8 | 9,176 | (14.2) |

5 Income tax expense, continued

Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as at 31 December 2014.

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

| 2014 KZT'000 | Balance 31 December 2013 | Recognised in profit or loss | Balance 31 December 2014 |
|-------------------------------------|---|---|---|
| Equipment and intangible assets | (215) | (7,007) | (7,222) |
| Accruals | 108 | 718 | 826 |
| Net deferred tax liabilities | (107) | (6,289) | (6,396) |

| 2013 KZT'000 | Balance 5 April 2013 (date of incorporation) | Recognised in profit or loss | Balance 31 December 2013 |
|-------------------------------------|---|---|---|
| Equipment and intangible assets | - | (215) | (215) |
| Accruals | - | 108 | 108 |
| Net deferred tax liabilities | - | (107) | (107) |

6 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flow are composed of the following items:

| | 2014 '000 KZT | 2013 '000 KZT |
|--|--------------------------------|--------------------------------|
| Current accounts and demand deposits in banks | | |
| Islamic Bank "Al Hilal" JSC – not rated | 268,415 | 1,334,862 |
| Kuveyt Turk Bank – rated BBB | 549,663 | - |
| Total current accounts and demand deposits in banks | 818,078 | 1,334,862 |
| Term deposits with banks | | |
| Islamic Bank "Al Hilal" JSC – not rated | 356,202 | 2,930,651 |
| Total term deposits with banks | 356,202 | 2,930,651 |
| Total cash and cash equivalents | 1,174,280 | 4,265,513 |

The credit ratings are reflect the standards of Fitch Ratings rating agency.

No cash and cash equivalents are impaired or past due.

Concentration of cash and cash equivalents

As at 31 December 2014 Company had two banks whose balances exceeded 10% of equity (31 December 2013: one bank). The gross value of these balances as at 31 December 2014 is KZT 1,174,280 thousand (2013: KZT 4,265,513 thousand).

7 Financial instruments at fair value through profit or loss

During the year ended 31 December 2014 the Company invested USD 10 million in ICD Money Market Fund (Labuan) LLP, a Shariah compliant open ended high-yield income fund. The fund is domiciled in Labuan, Malaysia. The target rate of return of the fund is 4-5% net return on the invested capital. During 2014 the Company earned a profit of KZT 46,790 thousand. The partnership units of the fund can be redeemed within 45 days after applying for a redemption. The redemption price is based on the value per unit.

7 Financial instruments at fair value through profit or loss, continued

The main target investments of the fund are placements with banks (wakala agreements), receivables under commodity murabaha, traded Islamic bonds (sukuk) and other Shariah compliant investment products. The underlying investments of the fund are mainly of investment-grade quality denominated in USD. The majority of the investments have a maturity up to 90 days.

The fair value of the investment is categorised into Level 2 of the fair value hierarchy. The fair value represents the net assets value of the fund.

The fair value of the financial instrument at fair value through profit or loss will increase (decrease) by KZT 6,935 thousand (KZT 6,837 thousand) if there will be a 100 bp symmetrical fall (rise) in all yield curves of the underlying investments.

8 Finance lease receivables

The components of net investments in finance lease as at 31 December 2014 are as follows:

| | 2014 '000 KZT |
|--|--------------------------------|
| Within one year | 440,718 |
| More than one year, but less than five years | 1,045,009 |
| Minimum lease payments | 1,485,727 |
| Less: unearned finance income | |
| Within one year | (143,069) |
| More than one year, but less than five years | (148,232) |
| | (291,301) |
| | 1,194,426 |
| Less: impairment allowance | (18,436) |
| Net investment in finance lease | 1,175,990 |
| | |
| | 2014 '000 KZT |
| Leases to small and medium size companies | 1,194,426 |
| Less: impairment allowance | (18,436) |
| Net investment in finance lease | 1,175,990 |

Movements in the lease impairment allowance for the years ended 31 December 2014 are as follows:

| | 2014 '000 KZT |
|---------------------------------------|--------------------------------|
| Balance at the beginning of the year | - |
| Net charge for the year | 18,436 |
| Balance at the end of the year | 18,436 |

8 Finance lease receivables, continued

Credit quality of finance lease portfolio

The following table provides information on the credit quality of the finance lease portfolio as at 31 December 2014:

| | Gross finance leases '000 KZT | Impairment '000 KZT | Net finance leases '000 KZT | Impairment as a percentage of gross finance lease % |
|--|-------------------------------------|------------------------|-----------------------------------|---|
| Leases to small and medium size companies | | | | |
| Leases for which no impairment has been identified: | | | | |
| - not overdue | 1,194,426 | (18,436) | 1,175,990 | 1.54 |
| Total leases to small and medium size companies | 1,194,426 | (18,436) | 1,175,990 | 1.54 |
| Total finance leases | 1,194,426 | (18,436) | 1,175,990 | 1.54 |

The Company has estimated impairment for finance leases based on an analysis of the future cash flows for impaired lease receivables and based on current economic conditions for portfolios of finance leases for which no indications of impairment has been identified.

In determining the collective impairment allowance for finance lease receivables, management has assumed an annual loss rate of 1.54% for finance lease receivables for 2014, which is based on industry experience adjusted for current economic conditions. Management also assumes a loss identification period of one year.

Changes in estimates could affect the lease impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the impairment provision on finance leases as at 31 December 2014 would be KZT 11,760 thousand lower/higher.

Analysis of collateral and other credit enhancements

The following tables provides information on collateral and other credit enhancements securing financial leases to small and medium size companies, net of impairment, by types of collateral:

| 31 December 2014 '000 KZT | Finance lease receivable, carrying amount | Fair value of collateral - for collateral assessed as of lease inception date |
|--|--|--|
| Leases for which no impairment has been identified | | |
| Motor vehicles | 578,419 | 578,419 |
| Plant and machinery | 292,063 | 292,063 |
| Equipment | 148,935 | 148,935 |
| Real estate | 83,121 | 83,121 |
| Medical equipment | 64,476 | 64,476 |
| Others | 8,976 | 8,976 |
| Total finance leases | 1,175,990 | 1,175,990 |

The table above excludes the effect of overcollateralisation.

In accordance with Company's classification of collateral, motor vehicles and machinery group includes the following types of transport: automobiles or cars, buses, motorcycles, off highway vehicles, light trucks or light duty trucks, and trucks or lorries, combines, dumpers, tractors, diggers, auto-loaders, rollers, pavers and cranes.

8 Finance lease receivables, continued

Analysis of collateral and other credit enhancements, continued

The recoverability of leases which are neither past due nor impaired is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Company does not necessarily update the valuation of collateral as at each reporting date.

The Company has leases, for which fair value of collateral was assessed at the leases inception date and it was not updated for further changes, and leases for which fair value of collateral is not determined. Information on valuation of collateral is based on when this estimate was made, if any.

For leases secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed.

Collateral obtained

During the year ended 31 December 2014, the Company did not obtain assets by taking control of collateral securing leases.

9 Investment in joint venture

During 2014, the Company invested KZT 273,123 thousand in a newly established company, “Ijara Company Kyrgyzstan” CJSC which is incorporated in Kyrgyz Republic on 29 September 2014. As at 31 December 2014, the Company controlled 36.6% of the total shares of the joint venture. The main operating activity of the joint venture is financial leasing.

When assessing the existence of the joint control the Company used the following key judgment:

- the decisions about the relevant activities which significantly affect the returns of the arrangement require the unanimous consent of two third of the parties sharing the control of the arrangement.

The following table is the summarised financial information in respect of the joint venture not corrected for the share of the Company:

| | Unaudited 2014 '000 KZT |
|------------------------------------|--|
| Assets (cash and cash equivalents) | 746,914 |
| Liabilities | 676 |
| Profit | 70,648 |

10 Equipment and intangible assets

| '000 KZT | Computers | Office furniture | Motor vehicles | Intangible assets (software) | Total |
|---|--------------|------------------|----------------|------------------------------|----------------|
| <i>Cost</i> | | | | | |
| Balance at 1 January 2014 | 3,652 | 7,418 | - | - | 11,070 |
| Additions | 2,406 | 2,728 | 11,663 | 113,936 | 130,733 |
| Balance at 31 December 2014 | 6,058 | 10,146 | 11,663 | 113,936 | 141,803 |
| <i>Depreciation and amortisation</i> | | | | | |
| Balance at 1 January 2014 | 789 | 708 | - | - | 1,497 |
| Depreciation and amortisation for the year | 1,405 | 1,650 | 2,138 | 7,109 | 12,302 |
| Balance at 31 December 2014 | 2,194 | 2,358 | 2,138 | 7,109 | 13,799 |
| <i>Carrying amount</i> | | | | | |
| At 31 December 2014 | 3,864 | 7,788 | 9,525 | 106,827 | 128,004 |
| <i>Cost</i> | | | | | |
| Balance at 5 April 2013 (date of incorporation) | - | - | - | - | - |
| Additions | 3,652 | 7,418 | - | - | 11,070 |
| Balance at 31 December 2013 | 3,652 | 7,418 | - | - | 11,070 |
| <i>Depreciation and amortisation</i> | | | | | |
| Balance at 5 April 2013 (date of incorporation) | - | - | - | - | - |
| Depreciation and amortisation for the period | 789 | 708 | - | - | 1,497 |
| Balance at 31 December 2013 | 789 | 708 | - | - | 1,497 |
| <i>Carrying amount</i> | | | | | |
| At 31 December 2013 | 2,863 | 6,710 | - | - | 9,573 |

11 Amounts due to shareholders

In 2013, the Company has recognised the amount of KZT 120,345 thousand that the Company needed to reimburse to the shareholders, based on the estimate of the pre-operational expenses incurred by the shareholders and amounts paid to an individual that was elected as responsible person for the implementation of the financial and economic activities and responsible for the representation of shareholders before third parties prior to the establishment of the Company. This decision was included in the minutes of the shareholders meeting. The amount was partially recognised as a reserve for pre-operational expenses, as a debit in equity in the amount of KZT 110,670 thousand and KZT 9,675 thousand as equipment that was transferred to the Company.

During 2014, the shareholders approved the final amount of KZT 119,116 thousand of due to the shareholders.

12 Share capital

As at 31 December 2014, the authorised share capital comprised 6,040,000 shares (2013: 6,040,000 ordinary shares) and issued and fully paid share capital comprised 4,224,362 ordinary shares (2013: 4,224,362 ordinary shares). All shares have a nominal value of KZT1,000.

The holders of ordinary shares are entitled to receive dividends on the basis of equal distribution and on the basis of the financial results reflected in accordance with IFRS.

13 Risk management

Management of risk is fundamental to the business of leasing and is an essential element of the Company's operations. The major risks faced by the Company are those related to market risk, which includes price, profit rate and currency risk, credit risk and liquidity risk.

(a) Risk management policies and procedures

The Company's risk management internal documents aim to identify, analyse and manage the risks faced by the Company. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, leasing products and services offered and emerging best practice.

The risk management strategy is reflected in the Company's internal documents.

The objectives of the risk management policy are:

- Timely risk identification within internal business processes;
- Appropriate performance of leasing transactions;
- Control over compliance with legislation, regulations as well as ethical and professional standards;
- and loss minimisation and decrease of current expense related to possible losses from leasing operations.

The Board of Directors of the Company has overall responsibility for the oversight of the risk management framework with usage of risk management limits and key indicators, overseeing the management of key risks and approving its risk management documents and procedures as well as approving significant large exposures.

The Executive Committee, as a sub-committee of the Board of Directors (BoD), has a duty to assess and control credit risks and oversees the optimal structure for assets and liabilities and risk management measures relating to assets placement.

The Board of Directors determines sectors for finance lease operations and monitors the quality of the finance lease portfolio.

The General Director is responsible for monitoring, management and implementation of risk mitigation measures.

The optimal structure of the Company's assets and liabilities is approved within the limits of the budgets and strategy of the Company is controlled and managed by the Finance Department and the General Director. Credit, market and liquidity risks both at portfolio and transactional levels are controlled by the Board of Directors. Liquidity risk and risks related to attraction of financial resources are monitored and controlled by the Company's Finance Department and the General Director.

(b) Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, profit rates, credit spreads and equity prices will affect the Company's income or the value of its portfolios. Market risks comprise currency risk, profit rate risk and other price risk. Market risk arises from open positions in profit rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Overall authority for market risk is vested in the Board of Directors.

13 Risk management, continued

(b) Market risk, continued

The Company manages its market risk by setting open position limits in relation to the value of portfolio for certain financial instruments, profit rate maturity and currency positions and established limits related to the risk management. These are monitored on a regular basis and reviewed and approved by the Board of Directors.

(i) Profit rate risk

Profit rate risk is the risk that movements in profit rates will affect the Company's income or the value of its portfolios of financial instruments.

The Company is exposed to the effects of fluctuations in the prevailing levels of market profit rates on its financial position and cash flows. Net income may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise.

Profit rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

Profit rate gap analysis

Profit rate risk is managed principally through monitoring profit rate gaps. A summary of the profit gap position for major financial instruments as at 31 December 2014 and 31 December 2013 is as follows:

| '000 KZT | Less than 3 months | 3-6 months | 6-12 months | 1-5 years | Non-profit rate bearing | Carrying amount |
|---|-----------------------|---------------|----------------|----------------|-------------------------------|--------------------|
| 31 December 2014 | | | | | | |
| ASSETS | | | | | | |
| Cash and cash equivalents | 905,865 | - | - | - | 268,415 | 1,174,280 |
| Financial instruments at fair value through profit and loss | 1,870,351 | - | - | - | - | 1,870,351 |
| Finance lease receivables | 39,697 | 85,984 | 171,968 | 878,341 | - | 1,175,990 |
| | 2,815,913 | 85,984 | 171,968 | 878,341 | 268,415 | 4,220,621 |

| '000 KZT | Less than 3 months | Non-profit rate bearing | Carrying amount |
|---------------------------|-----------------------|----------------------------|--------------------|
| 31 December 2013 | | | |
| ASSETS | | | |
| Cash and cash equivalents | 2,930,651 | 1,334,862 | 4,265,513 |
| | 2,930,651 | 1,334,862 | 4,265,513 |

13 Risk management, continued

Cash flow profit rate sensitivity analysis

An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in profit rates (repricing risk) based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of profit-bearing assets and liabilities existing as at 31 December 2014 and 2013 is as follows:

| | 31 December 2014 | | 31 December 2013 | |
|--------------------------|------------------|----------|------------------|----------|
| | Profit | Equity | Profit | Equity |
| 100 bp parallel increase | 20,485 | 20,485 | 20,515 | 20,515 |
| 100 bp parallel decrease | (20,485) | (20,485) | (20,515) | (20,515) |

(ii) *Currency risk*

The Company has assets and liabilities denominated in several foreign currencies or in tenge adjusted for changes in foreign exchange rates. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. For further information on the Company's exposure to currency risk at the year-end refer to Note 21.

The General Director manages currency risk by monitoring the open currency position based on assumed tenge devaluation and other macroeconomic indicators and approving mechanism of protection against the currency risks that enables the Company to minimise losses from significant foreign currency exchange rates fluctuations.

A weakening (strengthening) of the KZT, as indicated below, against the following currencies at 31 December 2014 and 2013 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular profit rates, remain constant.

| | 2014 | | 2013 | |
|--|-----------|-----------|-----------|-----------|
| | Profit | Equity | Profit | Equity |
| 20% appreciation of USD against KZT (2013: 20%) | 431,884 | 431,884 | 449,649 | 449,649 |
| 5% depreciation of USD against KZT (2013: 5%) | (107,971) | (107,971) | (112,412) | (112,412) |
| 20% appreciation of EUR against KZT (2013: 20%) | 754 | 754 | - | - |
| 5% depreciation of EUR against KZT (2013: 5%) | (188) | (188) | - | - |

13 Risk management, continued

(c) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Company.

The basis for the credit risk management system is the organisation of the Company's leasing operations in accordance with the Company's internal documents.

To minimise credit risk while carrying out leasing operations the Company performs the following:

- monitors lessees' financial position and safety of leased equipment and collateral to identify on a timely basis conditions or events that could negatively affect financial solvency of lessees;
- monitor the proper use of leased equipment;
- ensure the finance lease portfolio is diversified by distribution of investments among lessees from different geographical regions, business sectors and types of entities.

The credit risk management and control is performed by the General Director.

The Company continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial and other information submitted by the customer, or otherwise obtained by the Company. Apart from individual customer analysis, the whole credit portfolio is assessed by the Board of Directors with regard to credit concentration and market risks.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

| | 2014 '000 KZT | 2013 '000 KZT |
|---|--------------------------------|--------------------------------|
| ASSETS | | |
| Cash and cash equivalents | 1,174,280 | 4,265,513 |
| Financial instruments at fair value through profit or loss | 1,870,351 | - |
| Finance lease receivables | 1,175,990 | - |
| Total maximum exposure to credit risk on balance sheet | 4,220,621 | 4,265,513 |

Financial instruments at fair value through profit or loss are included above since the underlying instruments in the fund are debt instruments. See Note 7 for further information on financial risks related to this investment.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 15.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and profit rates of assets and liabilities is fundamental to the management of financial institutions, including the Company. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due.

13 Risk management, continued

(d) Liquidity risk, continued

The General Director monitors and controls liquidity risk on a regular basis by analysis of liquidity risk level and takes measures to reduce the risk. Current liquidity management is performed by the Finance Department, which is responsible for operations in the financial markets with the purpose of maintaining current liquidity and optimising cash flows.

The liquidity management policy of the Company requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans; and
- maintaining liquidity and funding contingency plans.

The weekly liquidity position is monitored by the Finance Department. Under normal market conditions, liquidity reports covering the liquidity position of the Company are presented to the General Director on a regular basis. Decisions on the Company's liquidity management are made by the General Director and implemented by the Finance Department.

As at 31 December 2014 and 31 December 2013, the Company was not exposed to significant liquidity risk.

14 Capital management

The Company's objective when managing capital is to maintain the financial stability of the Company for further development of its activities by optimisation of charter share capital. The Company is not exposed to any external capital requirements.

15 Commitments

At any time the Company has outstanding commitments to transfer lease equipment to lessees. These commitments take the form of approved lease contracts.

The contractual amounts of commitments are set out in the following table. The amounts reflected in the table for commitments assume that amounts are fully advanced.

| | 2014 '000 KZT |
|------------------------------|--------------------------------|
| Contracted amount | |
| Finance lease to be provided | 59,294 |

16 Contingencies

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Company does not have full coverage for its equipment, business interruption, or third party liability in respect of property arising from accidents on Company property.

Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

16 Contingencies, continued

(b) Litigation

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

(c) Taxation contingencies

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and profit charges. A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in the Republic of Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

17 Related party transactions

(a) Control relationships

The Company is owned by the shareholders presented in Note 1. There is no ultimate controlling party.

Management remuneration

Key management received the following remuneration during the period, which is included in wages, salary, related taxes and professional services (see Note 4):

| | For the year ended 31 December 2014 '000 KZT | From 5 April 2013 (date of incorporation) to 31 December 2013 '000 KZT |
|------------|---|---|
| Management | 36,776 | - |

17 Related party transactions

(b) Transactions and balances with other related parties

Other related parties include shareholders and joint venture. The outstanding balances and the related average effective profit rates as at 31 December 2014 and related profit or loss amounts of transactions for the year ended 31 December 2014 with other related parties are as follows.

| | Shareholders | | Other entities under control of the shareholders | | Joint venture | | Total KZT'000 |
|--|--------------|--|---|--|---------------|--|------------------|
| | KZT'000 | Average effective profit rate, % | KZT'000 | Average effective profit rate, % | KZT'000 | Average effective profit rate, % | |
| Statement of financial position | | | | | | | |
| ASSETS | | | | | | | |
| Investment in joint venture | - | - | - | - | 273,123 | - | 273,123 |
| LIABILITIES | | | | | | | |
| Amounts due to shareholders | 119,116 | - | - | - | - | - | 119,116 |
| Profit or loss | | | | | | | |
| Income from investment in joint venture | - | | - | | 25,857 | | 25,857 |
| General administrative expenses | - | | 93,637 | | - | | 93,637 |
| Other comprehensive income | | | | | | | |
| Foreign currency exchange differences on translation | - | | - | | (25,857) | | (25,857) |

Investments included in the financial instruments at fair value through profit or loss in the amount of KZT 1,870,351 thousand are managed by an entity controlled by a shareholder of the Company (Islamic Corporation for the Development of the Private Sector).

17 Related party transactions

(b) Transactions and balances with other related parties

Other related parties include shareholders and joint venture. The outstanding balances and the related average effective profit rates as at 31 December 2013 with other related parties are as follows.

| | Shareholders | |
|--|---------------------|---|
| | KZT'000 | Average effective profit rate, % |
| Statement of financial position | | |
| LIABILITIES | | |
| Amounts due to shareholders | 120,345 | - |

18 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2014:

| '000 KZT | Designated at fair value | Loans and receivables | Other amortised cost | Total carrying amount | Fair value |
|---|-----------------------------|--------------------------|-------------------------|--------------------------|------------------|
| Cash and cash equivalents | - | 1,174,280 | - | 1,174,280 | 1,174,280 |
| Financial instruments at fair value through profit and loss | 1,870,351 | - | - | 1,870,351 | 1,870,351 |
| Finance lease receivables | - | 1,175,990 | - | 1,175,990 | 1,175,990 |
| | 1,870,351 | 2,350,270 | - | 4,220,621 | 4,220,621 |
| Amounts due to shareholders | - | - | 119,116 | 119,116 | 119,116 |
| Accounts payable to suppliers | - | - | 5,897 | 5,897 | 5,897 |
| | - | - | 125,013 | 125,013 | 125,013 |

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2013:

| '000 KZT | Designated at fair value | Loans and receivables | Other amortised cost | Total carrying amount | Fair value |
|-------------------------------|-----------------------------|--------------------------|-------------------------|--------------------------|------------------|
| Cash and cash equivalents | - | - | - | 4,265,513 | 4,265,513 |
| | - | - | - | 4,265,513 | 4,265,513 |
| Amounts due to shareholders | - | - | 120,345 | 120,345 | 120,345 |
| Accounts payable to suppliers | - | - | 103 | 103 | 103 |
| | - | - | 120,448 | 120,448 | 120,448 |

18 Financial assets and liabilities: fair values and accounting classifications, continued

(a) Accounting classifications and fair values, continued

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Company uses widely recognised valuation models for determining the fair values of financial instruments. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length

(b) Fair value hierarchy

The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered as less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

18 Financial assets and liabilities: fair values and accounting classifications, continued

(b) Fair value hierarchy, continued

As at 31 December 2014 the Company measured the fair value of financial instruments at fair value through profit or loss using valuation technique based on observable inputs (Level 2).

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2014:

| '000 KZT | Total fair values Level 2 | Total carrying amount |
|-------------------------------|------------------------------|--------------------------|
| Assets | | |
| Cash and cash equivalents | 1,174,280 | 1,174,280 |
| Finance lease receivables | 1,175,990 | 1,175,990 |
| | 2,350,270 | 2,350,270 |
| Liabilities | | |
| Amounts due to shareholders | 119,116 | 119,116 |
| Accounts payable to suppliers | 5,897 | 5,897 |
| | 125,013 | 125,013 |

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2013:

| '000 KZT | Total fair values Level 2 | Total carrying amount |
|-------------------------------|------------------------------|--------------------------|
| Assets | | |
| Cash and cash equivalents | 4,265,513 | 4,265,513 |
| | 4,265,513 | 4,265,513 |
| Liabilities | | |
| Amounts due to shareholders | 120,345 | 120,345 |
| Accounts payable to suppliers | 103 | 103 |
| | 120,448 | 120,448 |

19 Average effective profit rates

The table below sets out the Company's profit bearing assets and liabilities as at 31 December 2014 and 2013 and their corresponding average effective profit rates as at that date. These profit rates are an approximation of the yields to maturity of these assets and liabilities.

| | 2014 | | 2013 | |
|--|----------------------------------|------|----------------------------------|------|
| | Average effective profit rate, % | | Average effective profit rate, % | |
| | KZT | USD | KZT | USD |
| Profit bearing assets | | | | |
| Cash and cash equivalents | 2.00 | 1.25 | - | 1.00 |
| Financial instruments at fair value through profit or loss | - | 4.31 | - | - |
| Finance lease receivables | 13.00 | - | - | - |

20 Maturity analysis

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2014.

| Assets | Less than 1 month '000 KZT | 1 to 3 months '000 KZT | 3 months to 1 year '000 KZT | 1 to 5 years '000 KZT | No maturity '000 KZT | Total '000 KZT |
|---|---|---------------------------------------|--|--------------------------------------|---------------------------------|---------------------------|
| Cash and cash equivalents | 1,174,280 | - | - | - | - | 1,174,280 |
| Financial assets measured at fair value through profit and loss | - | - | - | - | 1,870,351 | 1,870,351 |
| Finance lease receivables | 16,253 | 23,444 | 257,952 | 878,341 | - | 1,175,990 |
| Advances paid to suppliers for finance lease | 86,327 | - | - | - | - | 86,327 |
| Investments in joint venture | - | - | - | - | 273,123 | 273,123 |
| Equipment and intangible assets | - | - | - | - | 128,004 | 128,004 |
| Other assets | 22,186 | - | - | - | - | 22,186 |
| Total assets | 1,299,046 | 23,444 | 257,952 | 878,341 | 2,271,478 | 4,730,261 |
| Liabilities | | | | | | |
| Amounts due to shareholders | - | 119,116 | - | - | - | 119,116 |
| Advances received for finance leases | 24,209 | - | - | - | - | 24,209 |
| Corporate income tax payable | - | - | 63,122 | - | - | 63,122 |
| Accounts payable to suppliers | 5,897 | - | - | - | - | 5,897 |
| Deferred tax liabilities | - | - | 6,396 | - | - | 6,396 |
| Other liabilities | - | 35,408 | - | - | - | 35,408 |
| Total liabilities | 30,106 | 154,524 | 69,518 | - | - | 254,148 |
| Net position as at 31 December 2014 | 1,268,940 | (131,080) | 188,434 | 878,341 | 2,271,478 | 4,476,113 |

20 Maturity analysis, continued

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2013.

| | Less than 1 month | 1 to 3 months | No maturity | Total |
|--|------------------------------|--------------------------|--------------------|------------------|
| | '000 KZT | '000 KZT | '000 KZT | '000 KZT |
| Assets | | | | |
| Cash and cash equivalents | 4,265,513 | - | - | 4,265,513 |
| Equipment and intangible assets | - | - | 9,573 | 9,573 |
| Other assets | 3,008 | - | - | 3,008 |
| Total assets | 4,268,521 | - | 9,573 | 4,278,094 |
| Liabilities | | | | |
| Amounts due to shareholders | - | 120,345 | - | 120,345 |
| Accounts payable to suppliers | 103 | - | - | 103 |
| Corporate income tax payable | 6,579 | - | - | 6,579 |
| Deferred tax liability | 107 | - | - | 107 |
| Other liabilities | - | 543 | - | 543 |
| Total liabilities | 6,789 | 120,888 | - | 127,677 |
| Net position as at 31 December 2013 | 4,261,732 | (120,888) | 9,573 | 4,150,417 |

Due to the fact that substantially all the financial instruments of the Company are fixed rated contracts, these remaining contractual maturity dates also represent the contractual profit rate repricing dates.

The amounts in the tables above represent carrying amounts of the assets and liabilities as at the reporting date and do not include future profit payments.

21 Currency analysis

The following table shows the currency structure of assets and liabilities denominated in foreign currencies at 31 December 2014:

| | USD | EUR | Total |
|---|------------------|-----------------|------------------|
| | '000 KZT | '000 KZT | '000 KZT |
| Assets | | | |
| Cash and cash equivalents | 948,042 | 4,710 | 952,752 |
| Financial instruments at fair value through profit and loss | 1,870,351 | - | 1,870,351 |
| | 2,818,393 | 4,710 | 2,823,103 |
| Liabilities | | | |
| Amounts due to shareholders | 119,116 | - | 119,116 |
| | 119,116 | - | 119,116 |
| Net position | 2,699,277 | 4,710 | 2,703,987 |

The following table shows the currency structure of assets and liabilities denominated in foreign currencies at 31 December 2013:

| | USD | Total |
|-----------------------------|------------------|------------------|
| | '000 KZT | '000 KZT |
| Assets | | |
| Cash and cash equivalents | 2,930,651 | 2,930,651 |
| Liabilities | | |
| Amounts due to shareholders | 120,345 | 120,345 |
| Net position | 2,810,306 | 2,810,306 |