Asian Credit Fund
Microcredit Organization
Limited Liability Company

Financial Statements
and Independent Auditor's Report
For the Year Ended 31 December 2013

ASIAN CREDIT FUND MICROCREDIT ORGANIZATION LIMITED LIABILITY COMPANY

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ASIAN CREDIT FUND MICROCREDIT ORGANIZATION LIMITED LIABILITY COMPANY

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Management is responsible for the preparation of the financial statements that present fairly the financial position of Asian Credit Fund Microcredit Organization Limited Liability Company (the "Company") as at 31 December 2013, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining accounting records in compliance with legislation of the Republic of Kazakhstan;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

The financial statements for the year ended 31 December 2013 were authorized for issue on 25 April 2014 by the Management of the Company.

On behalf of the Management:

Zhakupova Zhanna
Executive Director

25 April 2014
Almaty, Kazakhstan

Smazhanova Dinara
Chief Accountant

25 April 2014
Almaty, Kazakhstan

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Founders of Asian Credit Fund Microcredit Organization Limited Liability Company:

We have audited the accompanying financial statements of Asian Credit Fund Microcredit Organization Limited Liability Company, which comprise the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Asian Credit Fund Microcredit Organization Limited Liability Company as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Andrew Weekes
Engagement Partner
Chartered Accountant
Certificate of Public Practice
No. 78586
Australia

Deloitte, LLP

Deloitte, LLP
State license on auditing of the Republic of Kazakhstan
Number 0000015, type MFU-2, issued by
the Ministry of Finance of the Republic of Kazakhstan
dated 13 September 2006

Nurlan Bekenov
Qualified auditor
of the Republic of Kazakhstan
Qualification certificate No.0082
General Director
Deloitte, LLP

25 April 2014
Almaty, Kazakhstan

ASIAN CREDIT FUND MICROCREDIT ORGANIZATION LIMITED LIABILITY COMPANY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

(in thousand of Kazakhstani tenge)

	Notes	Year ended 31 December 2013	Year ended 31 December 2012
Interest income	3	431,002	394,964
Interest expense	3, 16	(128,257)	(117,826)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		302,745	277,138
Provision for impairment losses on interest bearing assets	4	(17,712)	(5,824)
NET INTEREST INCOME		285,033	271,314
Net gain on disposal of property and equipment		1,072	2,425
Net foreign exchange gain		3,287	2,602
Other (expense)/income		(7,216)	765
NET NON-INTEREST (EXPENSE)/INCOME		(2,857)	5,792
OPERATING INCOME		282,176	277,106
OPERATING EXPENSES	5, 16	(233,006)	(230,935)
PROFIT BEFORE INCOME TAX		49,170	46,171
Income tax expense	6	(14,933)	(14,090)
NET PROFIT		34,237	32,081
TOTAL COMPREHENSIVE INCOME		34,237	32,081

On behalf of the Management:

Zhakupova Zhanna
Executive Director

25 April 2014
Almaty, Kazakhstan

Smazhanova Dinara
Chief Accountant

25 April 2014
Almaty, Kazakhstan

The notes on pages 9-37 form an integral part of these financial statements.

ASIAN CREDIT FUND MICROCREDIT ORGANIZATION LIMITED LIABILITY COMPANY

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013
(in thousand of Kazakhstani tenge)

	Notes	31 December 2013	31 December 2012
ASSETS:			
Cash and cash equivalents	7	55,870	31,758
Due from banks	8	504,258	448,465
Loans to customers	9	924,184	680,107
Property and equipment	10	20,638	14,233
Intangible assets	11	4,672	2,662
Current tax assets		173	4,726
Inventory		704	530
Other assets	12	14,108	15,796
TOTAL ASSETS		1,524,607	1,198,277
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks and other financial institutions	13, 16	1,379,114	1,082,227
Unused vacation reserve		4,786	4,062
Other liabilities		11,973	17,491
Total liabilities		1,395,873	1,103,780
EQUITY:			
Charter capital	14	195,922	195,922
Accumulated deficit		(67,188)	(101,425)
Total equity		128,734	94,497
TOTAL LIABILITIES AND EQUITY		1,524,607	1,198,277

On behalf of the Management:

Zhakupova Zhanna
Executive Director

25 April 2014
Almaty, Kazakhstan

Smazhanova Dinara
Chief Accountant

25 April 2014
Almaty, Kazakhstan

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ASIAN CREDIT FUND MICROCREDIT ORGANIZATION LIMITED LIABILITY COMPANY

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013
(in thousand of Kazakhstani tenge)

	Charter capital	Accumulated deficit	Total equity
As at 31 December 2011	195,922	(133,506)	62,416
Comprehensive income for the period	-	32,081	32,081
As at 31 December 2012	195,922	(101,425)	94,497
Comprehensive income for the period	-	34,237	34,237
As at 31 December 2013	195,922	(67,188)	128,734

On behalf of the Management:

Zhakupova Zhanna
Executive Director

25 April 2014
Almaty, Kazakhstan

Smazhanova Dinara
Chief Accountant

25 April 2014
Almaty, Kazakhstan

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ASIAN CREDIT FUND MICROCREDIT ORGANIZATION LIMITED LIABILITY COMPANY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013
(in thousand of Kazakhstani tenge)

	Notes	Year ended 31 December 2013	Year ended 31 December 2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		49,170	46,171
Adjustments for:			
Accrual of interest income		(2,467)	(2,752)
Accrual of interest expense		2,241	1,287
Provision for impairment losses on interest bearing assets	4	17,712	5,824
Provision for vacations and bonuses		724	9
Foreign exchange loss		3,203	2,466
Depreciation and amortization	5	5,398	6,351
Gain on disposal of property and equipment		(1,072)	(2,425)
Cash flows from operating activities before changes in operating assets and liabilities		74,909	56,931
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Due from banks		(56,284)	(55,378)
Loans to customers		(258,831)	(66,689)
Inventory		(174)	1,503
Other assets		1,688	(2,839)
Increase/(decrease) in operating liabilities:			
Due to banks		13,818	(37,774)
Other liabilities		(5,518)	13,585
Cash outflow from operating activities before taxation		(230,392)	(90,661)
Income tax paid		(10,380)	(16,775)
Net cash outflow from operating activities		(240,772)	(107,436)

ASIAN CREDIT FUND MICROCREDIT ORGANIZATION LIMITED LIABILITY COMPANY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)
(in thousand of Kazakhstani tenge)

	Notes	Year ended 31 December 2013	Year ended 31 December 2012
CASH FLOWS FROM INVESTMENT ACTIVITIES:			
Purchase of property and equipment	10	(11,221)	(6,395)
Purchase of intangible assets	11	(2,592)	(1,800)
Proceeds on sale of property and equipment		1,072	5,518
Net cash outflow from investment activities		(12,741)	(2,677)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from due to banks and other financial institutions		986,632	342,757
Repayments of due to banks and other financial institutions		(698,895)	(206,359)
Net cash inflow from financing activities		287,737	136,398
Effect of changes in foreign exchange rate on cash and cash equivalents		(10,112)	(6,329)
NET INCREASE IN CASH AND CASH EQUIVALENTS		24,112	19,956
CASH AND CASH EQUIVALENTS, at the beginning of the year	7	31,758	11,802
CASH AND CASH EQUIVALENTS, at the end of the year	7	55,870	31,758

On behalf of the Management:

Zhakupova Zhanna
Executive Director

25 April 2014
Almaty, Kazakhstan

Smazhanova Dinara
Chief Accountant

25 April 2014
Almaty, Kazakhstan

The notes on pages 9-37 form an integral part of these financial statements.

1. ORGANISATION

Asian Credit Fund Microcredit Organization Limited Liability Company ("the Company") was registered on 27 October 2005 under the number 73630-1910-TOO and carrying out its activities in the territory of the Republic of Kazakhstan. On 26 June 2009, the Company was re-registered in connection with the decision of Participant on acceptance of a new Participant-Mercy Corps (re-registration number 73630-1910-TOO).

The Company carries out its activity according to the Civil code of the Republic of Kazakhstan, the Law Republic of Kazakhstan # 392-II "About microcredit organizations" dated 06 March 2003 (last amended and supplemented on 10 February 2011 # *406-IV*), Charter and Constituent documents of the Company.

According to the Charter, the main activities of the Company are:

1. Granting of micro-credits in cash form on terms of repayment, term and recurrency in the amount not exceeding the size of eight thousand multiple monthly rated index, established by the law of the Republic of Kazakhstan on the national budget for appropriate financial year per one borrower;
2. Investing of temporary available assets into governmental securities, corporate securities, deposits of second level banks and in other ways which do not contradict with the laws of the Republic of Kazakhstan;
3. Closing transactions with collateral which was provided as collateral security for a microcredit in the manner stipulated by the laws of the Republic of Kazakhstan;
4. Sale of its property;
5. Rendering consulting services in connection with microcredit activity; and
6. Providing training on a free of charge basis.

A predominant purpose of the Company is the comprehensive assistance in developing and strengthening of small and medium-size business in Kazakhstan, as well as development of entrepreneurial culture with an emphasis on relationship establishment and strengthening thereof between entrepreneurs and financial institutions.

The overall goal of the Company is accomplishment of the Company activity, gaining of net profit and its use in interest of Participants.

The Company is located at 189 D, Tole bi St., Almaty, the Republic of Kazakhstan.

The Company's operations are administered in the head office, which is located in Almaty. As at 31 December 2013 and 2012, the Company had 3 branches in the Republic of Kazakhstan in Semei, Karaganda and Taraz.

As at 31 December 2013 and 2012, the Company had 92 and 82 employees, respectively.

Participatory shares in the Company are distributed in the following way:

Member	Country of activity carrying out	Share of participation 2013	2012	Type of activity
Public Fund Asian Credit Fund	Republic of Kazakhstan	40%	40%	Granting micro credits to the businessmen of small and medium scale business
Mercy Corps	USA	60%	60%	Rendering of assistance on economical development

The Company's shares in the charter capital are not proportional to contributions made. Recalculation of the Company participatory shares in the charter capital is as follows:

- Mercy Corps: contribution amount – KZT 77,488 thousand, share in the charter capital – 60%;
- Public Fund Asian Credit Fund: contribution amount – KZT 118,434 thousand, share in the charter capital – 40%;

As at 31 December 2013 and 2012, the ultimate shareholder of the Company is Mercy Corps.

These financial statements were approved by the Management of the Company on 25 April 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

These financial statements have been prepared on the assumption that the Company is a going concern and will continue in operation for the foreseeable future.

These financial statements are presented in thousands of Kazakhstani tenge ("KZT"), unless otherwise stated. These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 19.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Functional currency

Items included in the financial statements of the Company are measured using the currency of the primary of the economic environment in which the entity operates ("the functional currency"). The functional currency of the parent of the Company is the Kazakhstan tenge ("KZT"). The presentational currency of the financial statements of the Company is the KZT. All values are rounded to the nearest thousand KZT, except when otherwise indicated.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

The principal accounting policies are set out below.

Recognition of interest income and expense

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.

Recognition of revenue – other

Recognition of fee and commission income and expense

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the statement of comprehensive income over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in profit or loss on expiry. Loan servicing fees are recognized as revenue as the services are provided. All other commissions are recognized when services are provided or received.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts and advances to banks with original maturities within three months, which may be converted to cash within a short period of time and thus are considered liquid.

Loans and receivables

Due from banks and other financial institutions, loans to customers, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- Disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans and receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss and other comprehensive income.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Write-off of loans and advances

Loans and advances are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Company and after the Company has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the statement of profit or loss and other comprehensive income in the period of recovery.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in comprehensive income and accumulated in equity is recognized in profit or loss and other comprehensive income.

On derecognition of a financial asset other than it is entirety (e.g. when the Company retains an option to repurchase part of the transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Company retains control), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss and other comprehensive income. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Other financial liabilities

Other financial liabilities, including due to banks and other financial institutions, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired. 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. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the statement of profit or loss and other comprehensive income.

Loans to customers

Loans to customers are non-derivative assets with fixed or determinable payments that are not quoted in an active market, other than those classified in other categories of financial assets.

Loans to customers granted by the Company are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the statement of profit or loss and other comprehensive income according to nature of the losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation and amortization.

Depreciation and amortization is charged on the carrying value of property, equipment and intangible assets, and is designed to write off assets over their useful economic lives. Depreciation and amortization is calculated on a straight line basis at the following annual prescribed rates:

Vehicles	25%
Machinery and equipment	15%-40%
Computer equipment	40%
Intangible assets	25%
Other	15%-40%

Capital expenditures for leasehold improvements are amortized over the shorter of the life of the related leased asset or the lease term. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount, impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from 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.

Current and deferred tax for the year

Current and deferred tax are recognised in the statement of profit or loss and other comprehensive income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Due to banks and other financial institutions

Due to banks and other financial institutions are initially recognized at fair value. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of profit or loss and other comprehensive income over the period of the borrowings, using the effective interest method.

Contingencies

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

Foreign currencies

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in the statement of profit or loss and other comprehensive income in the period in which they arise.

The exchange rates used by the Company in the preparation of the financial statements as at year-end are as follows:

	31 December 2013	31 December 2012
KZT/1 US Dollar	154.06	150.74
KZT/1 Kyrgyz som	3.13	3.18

Charter capital

Charter capital is recognized at historical cost.

Retirement obligations

In accordance with the requirements of the Kazakhstani legislation certain percentages of pension payments are withheld from total disbursements to staff to be transferred to pension funds, such that a portion of salary expense is withheld from the employee and instead paid to a pension funds on behalf of the employee. This expense is charged in the period in which the related salaries are earned. Upon retirement, all retirement benefit payments are made by the pension fund as selected by employees. The Company does not have any pension arrangements separate from the pension system of the Republic of Kazakhstan. In addition, the Company has no post-retirement benefits or other significant compensated benefits requiring accrual.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of loans and receivables

The Company regularly reviews its loans and receivables to assess for impairment. The Company's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Company considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Company's estimated losses and actual losses would require the Company to record provisions which could have a material impact on its financial statements in future periods.

The Company uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Company estimates changes in future cash flows based on past performance, past customer behaviour, observable data indicating an adverse change in the payment status of borrowers in a group, and 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. The Company uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

As at 31 December 2013 and 2012, gross loans to customers totalled KZT 972,567 thousand and KZT 716,074 thousand, respectively, and allowance for impairment losses amounted to KZT 48,383 thousand and KZT 35,967 thousand, respectively.

The allowances for impairment losses of financial assets in the financial statements have been determined on the basis of existing economic and political conditions. The Company is not in a position to predict what changes in conditions will take place in the Republic of Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

Application of new and revised International Financial Reporting Standards (IFRS)

Amendments to IFRSs affecting amounts reported in the financial statements

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

Standards affecting the financial statements

Amendments to IAS 1 Presentation of financial statements (amended June 2011)

The Company has applied the amendments to IAS 1 titled "Presentation of Items of Other Comprehensive Income" in advance of the effective date (annual periods beginning on or after 1 July 2012). The amendment increases the required level of disclosure within the statement of comprehensive income.

The impact of this amendment has been to analyze items within the statement of comprehensive income between items that will not be reclassified subsequently to profit or loss and items that will be reclassified subsequently to profit or loss in accordance with the respective IFRS standard to which the item relates. The financial statements have also been amended to analyze income tax on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of comprehensive income has been restated to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 do not result in any impact on profit or loss, comprehensive income and total comprehensive income.