

“Sovereign Wealth Fund “Samruk-Kazyna” JSC

Separate financial statements

*For the year ended December 31, 2013
with Independent auditors' report*

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Independent auditors’ report

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Independent auditors' report

To the Shareholder and Management of "Sovereign Wealth Fund "Samruk-Kazyna" JSC:

We have audited the accompanying separate financial statements of "Sovereign Wealth Fund "Samruk-Kazyna" JSC (the "Fund"), comprising the separate balance sheet as at December 31, 2013, the separate statement of comprehensive income, the separate statement of changes in equity and separate 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 separate financial statements

Management is responsible for the preparation and fair presentation of these separate 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 misstatements, whether due to fraud or errors.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate 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 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 separate financial statements.

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



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Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of "Sovereign Wealth Fund "Samruk-Kazyna" JSC as at December 31, 2013, and its separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Consolidated financial statements presented separately

Without qualifying our opinion, we draw attention to *Note 2* to the separate financial statements which states that the Fund is the parent entity of "Sovereign Wealth Fund "Samruk-Kazyna" JSC group and that the consolidated financial statements of "Sovereign Wealth Fund "Samruk-Kazyna" JSC group, prepared in accordance with International Financial Reporting Standards, have been issued separately. We have audited the consolidated financial statements of "Sovereign Wealth Fund "Samruk-Kazyna" JSC as at December 31, 2013 and for the year then ended and expressed an unqualified opinion thereon in our auditor's report dated April 25, 2014.

Ernst & Young LLP

Bakhtiyor Eshonkulov
Auditor / audit partner

Auditor qualification certificate
No. MΦ-0000099 dated August 27, 2012

April 25, 2014

Evgeny Zhemaletdinov
General director
Ernst and Young LLP

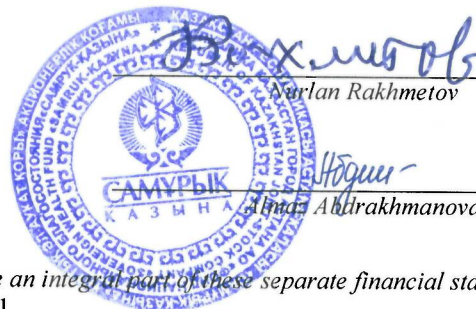
State audit license for audit activities on the territory of the Republic of Kazakhstan: series MΦЮ-2 No. 0000003 issued by the Ministry of finance of the Republic of Kazakhstan on July 15, 2005

SEPARATE BALANCE SHEET

As at December 31

<i>In millions of tenge</i>	Notes	2013	2012
Assets			
Non-current assets			
Property, plant and equipment		454	468
Intangible assets		588	931
Investments in subsidiaries	5	2,993,877	3,231,412
Investments in associates	6	18,455	18,455
Loans issued	7	611,631	657,400
Amounts due from credit institutions	8	346,152	361,780
Other non-current financial assets	9	12,171	124,194
Long-term bank deposits	10	196,680	204,553
Deferred tax asset	21	9,120	3,037
Other non-current assets		54	201
		4,189,182	4,602,431
Current assets			
Corporate income tax prepaid		14,206	13,734
Loans issued	7	193,788	110,081
Amounts due from credit institutions	8	41,160	32,760
Other current financial assets	9	24,558	26,124
Assets related to call/put options		46,376	47,429
Short-term bank deposits	10	321,735	159,923
Other current assets	11	19,902	27,939
Cash and cash equivalents	12	103,508	432,972
		765,233	850,962
Assets classified as held for sale	5	155,576	-
Total assets		5,109,991	5,453,393
Equity and liabilities			
Equity			
Share capital	13	4,484,676	4,409,314
Revaluation reserve for available-for-sale investments		(2,159)	(595)
Accumulated losses		(971,945)	(557,989)
Total equity		3,510,572	3,850,730
Non-current liabilities			
Borrowings	14	1,255,978	1,295,007
Amounts due to the Government	15	197,216	185,704
Financial guarantee liabilities	16	30,725	31,724
		1,483,919	1,512,435
Current liabilities			
Borrowings	14	106,712	81,764
Amounts due to the Government	15	331	198
Financial guarantee liabilities	16	6,420	5,956
Liabilities under call/put options		46	32
Other current liabilities		1,991	2,278
		115,500	90,228
Total equity and liabilities		5,109,991	5,453,393

Finance director – Member of the Management Board



Aurlan Rakhmetov

Alma Abdrakhmanova

Chief accountant


The accounting policies and notes on pages 6 to 42 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME


For the year ended December 31

<i>In millions of tenge</i>	Notes	2013	2012
Interest income	17	83,659	61,510
Interest expenses	18	(89,894)	(91,423)
Dividend income		89,716	341,520
Gross profit		83,481	311,607
General and administrative expenses	19	(23,824)	(15,967)
Finance income	20	42,527	58,667
Impairment of investments in subsidiaries	5	(71,717)	(154,287)
(Impairment loss)/gain on reversal of impairment of loans issued, bank deposits, amounts due from credit institutions and other current assets, net	7, 8, 10, 11	(469)	279,377
Impairment of assets classified as held for sale	5	(147,421)	-
Impairment of available-for-sale investments	9	-	(146,848)
Foreign exchange gain, net		1,017	1,273
(Loss)/gain from change in the value of options, net		(1,067)	11,365
Gain on disposal of financial assets	9	-	4,830
Other operating (expenses)/income, net		(2,030)	195
(Loss)/profit before income tax		(119,503)	350,212
Income tax expenses	21	(4,131)	(10,489)
Net (loss)/profit for the year		(123,634)	339,723
Other comprehensive (loss)/ income for the year, net of income tax			
Net (loss)/gain on revaluation of available-for-sale investments		(1,564)	125,738
Other comprehensive (loss)/income for the year subject to reclassification to profit or loss in subsequent periods		(1,564)	125,738
Total comprehensive (loss)/income for the year		(125,198)	465,461

Finance director – Member of the Management Board


 Marlan Rakhmetov

Chief accountant


 Almaz Abdрахmanova

The accounting policies and notes on pages 6 to 42 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS

For the year ended December 31

<i>In millions of tenge</i>	Notes	2013	2012
Cash flows from operating activities			
(Loss)/profit before income tax		(119,503)	350,212
Adjustments for:			
Depreciation and amortisation		308	285
Impairment of investments in subsidiaries	5	71,717	154,287
Impairment loss/(gain on reversal of impairment) of loans issued, bank deposits, amounts due from credit institutions and other current assets, net	7, 8, 10, 11	469	(279,377)
Finance income	20	(42,527)	(58,667)
Impairment of assets classified as held for sale	5	147,421	–
Impairment of available-for-sale investments	9	–	146,848
Loss/(gain) from change in the value of options, net		1,067	(11,365)
Gain on disposal of financial assets		–	(4,830)
Unrealized foreign exchange (gain)/loss		(808)	295
Other adjustments		–	476
Operating cash flows before changes in working capital		58,144	298,164
Change in loans issued		(213,454)	(257,102)
Change in amounts due from credit institutions		7,595	(203,889)
Change in other current and non-current assets		9,053	(24,973)
Change in borrowings and amounts due to the Government		(13,282)	117,444
Change in other current liabilities		1,863	27
Cash flows from operating activities		(150,081)	(70,329)
Income tax paid		(11,066)	(10,826)
Interest received		31,963	50,687
Net cash flows used in operating activities		(129,184)	(30,468)
Cash flows from investing activities			
(Placement)/withdrawal of bank deposits, net	10	(152,367)	122,987
Acquisition of shares and interest in subsidiaries and associate	5	(325,023)	(277,653)
Purchase of property, plant and equipment and intangible assets		(125)	(296)
Proceed from sale of investments in subsidiaries	5	–	150,035
Proceeds from sale of financial assets, net		–	29,508
Net cash flows (used in)/from investing activities		(477,515)	24,581
Cash flows from financing activities			
Dividends paid to the Shareholder	13	(9,077)	(159,113)
Other distributions to the Shareholder	13	(8,008)	(9,126)
Contributions to the share capital	13	39,320	12,000
Amounts received from the Government	15	255,000	143,196
Net cash flows from/(used in) financing activities		277,235	(13,043)
Net change in cash and cash equivalents		(329,464)	(18,930)
Cash and cash equivalents, at the beginning of the period		432,972	451,902
Cash and cash equivalents, at the end of the period	12	103,508	432,972

The accounting policies and notes on pages 6 to 42 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS (continued)

NON-CASH TRANSACTIONS

Following significant non-cash transactions have been excluded from the separate statement of cash flows:

1. Property contributions and contributions of state-owned shares to the Fund share capital by the Shareholder (*Note 13*) and subsequent transfer of these assets to the Fund subsidiaries (*Note 5*).
2. Transfer to the Shareholder of subsidiaries (*Note 5*) and financial assets of the Fund (*Note 9*). These transactions with the Shareholder were recognised in the separate statement of changes in equity (*Note 13*).
3. Transfer of investments in subsidiary to assets classified as held for sale (*Note 5*).
4. Recognition of discount on loans issued and amounts due to the Government (*Note 7, 15*).
5. Transactions with the Shareholder (*Note 13*).

Finance director – Member of the Management Board



Nurlan Rakhmetov

Chief accountant



Almaz Abarakhmanova

The accounting policies and notes on pages 6 to 42 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended December 31

<i>In millions of tenge</i>	Notes	Share capital	Available- for-sale investments revaluation reserves	Accumulated losses	Total
As at December 31, 2011		4,050,383	(126,333)	(1,116,293)	2,807,757
Net profit for the year		–	–	339,723	339,723
Other comprehensive income		–	125,738	–	125,738
Total comprehensive income for the year		–	125,738	339,723	465,461
Contributions to the share capital	13	358,931	–	–	358,931
Gain on transactions with amounts due to the Government	15	–	–	394,267	394,267
Transactions with the Shareholder	13	–	–	1,630	1,630
Dividends to the Shareholder	13	–	–	(168,190)	(168,190)
Other distributions to the Shareholder	13	–	–	(9,126)	(9,126)
As at December 31, 2012		4,409,314	(595)	(557,989)	3,850,730
Net loss for the period		–	–	(123,634)	(123,634)
Other comprehensive loss		–	(1,564)	–	(1,564)
Total comprehensive loss for the year			(1,564)	(123,634)	(125,198)
Contributions to the share capital	13	75,362	–	–	75,362
Gain on initial recognition of amounts due to the Government	15	–	–	249,830	249,830
Transactions with the Shareholder	13	–	–	(411,142)	(411,142)
Dividends to the Shareholder	13	–	–	(9,077)	(9,077)
Other distributions to the Shareholder	13	–	–	(119,933)	(119,933)
As at December 31, 2013		4,484,676	(2,159)	(971,945)	3,510,572

Finance director – Member of the Management Board


 Nurlan Rakhmetov


 Chief accountant


 Almas Abarakhmanova

The accounting policies and notes on pages 6 to 42 are an integral part of these separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended December 31, 2013

1. GENERAL INFORMATION

“Sovereign Wealth Fund “Samruk-Kazyna” Joint Stock Company (the “Fund” or “Samruk-Kazyna”) was established on November 3, 2008 in accordance with the Decree of the President of the Republic of Kazakhstan dated October 13, 2008 and the resolution of the Government of the Republic of Kazakhstan dated October 17, 2008. The Fund was created by the merger of “Sustainable Development Fund “Kazyna” JSC (“Kazyna”) and “Kazakhstan Holding Company for State Assets Management “Samruk” JSC (“Samruk”) and the additional transfer to the Fund of ownership in certain entities owned by the Government of the Republic of Kazakhstan (the “Government” or the “State”). The founder of the Fund is the Government, in the name of the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan. The Government is the sole shareholder of the Fund (the “Shareholder”).

The overall objective of the Government during the merger of “Kazyna” and “Samruk” was to increase management’s efficiency and to optimise organisational structure of the Fund’s subsidiaries for them to achieve successfully their strategic objectives as set out in the respective Government programs and development plans.

Prior to February 22, 2012, the Fund’s activities were governed by the Law of the Republic of Kazakhstan “On National “Welfare Fund” No. 134-4 dated February 13, 2009. They were aimed at providing assistance in achieving stable development of the country economy, modernization and diversification of the economy, and improvement of efficiency of the Fund’s companies. According to the Law of the Republic of Kazakhstan enacted on February 1, 2012 “On Sovereign Wealth Fund” No. 550-IV, the Fund’s activities are focused on improving the sovereign wealth of the Republic of Kazakhstan by increasing long-term value of the Fund’s group companies and by effective management of the Fund’s group assets.

The Fund is a holding company with investments in state-owned enterprises and other entities listed in *Notes 5 and 6*.

The administrative address of the Fund: the Republic of Kazakhstan, Astana, Kunayev ave., 8.

These separate financial statements were authorized for issue by the Finance director – Member of the Management Board and Chief accountant of the Fund on April 25, 2014.

The Stabilization Plan

In order to maintain stability of the country’s economic and financial system during the global economic crisis the Government, by its resolution No. 1085 dated November 25, 2008, approved a Joint action plan of the Government, the National Bank and the Agency on regulation and supervision of financial market and financial organizations of the Republic of Kazakhstan on stabilization of the economy and financial system for 2009-2010 (the “Stabilization Plan”). The Stabilization Plan provided for certain measures aimed at the following:

- Stabilization of financial sector;
- Resolving real estate market issues;
- Small and medium business support;
- Development of agricultural sector;
- Implementation of innovation, industrial and infrastructure projects.

The Fund is the principal operator for the Government in the implementation of the Stabilization Plan.

Transfer of development institutions and other subsidiaries

In accordance with the minutes of the meeting No. 01-7.1 dated January 23, 2013 “On the results of the social-economic development of the Republic of Kazakhstan in 2012 and targets for the execution of the Strategy “Kazakhstan-2050” held with participation of the President of the Republic of Kazakhstan, the Government was instructed to execute transfer of the development institutions and financial organisations (Development Bank of Kazakhstan JSC, Kazyna Capital Management JSC, Export-Credit Insurance Corporation “KazExportGarant” JSC, Entrepreneurship Development Fund “Damu” JSC, Investment Fund of Kazakhstan JSC) to the newly established agency, 100% shares of which to be controlled by the Government, and transfer of SK Pharmacy LLP to the Ministry of healthcare of the Republic of Kazakhstan.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)**Transfer of development institutions and other subsidiaries (continued)**

In April 2013, in accordance with the trust management agreements with the right of full control, the Fund transferred its shares in the following subsidiaries to the government institutions: Ministry of regional development of the Republic of Kazakhstan – Entrepreneurship Development Fund “Damu” JSC, Ministry of industry and new technologies of the Republic of Kazakhstan – Development Bank of Kazakhstan JSC, Kazyna Capital Management JSC, Export-Credit Insurance Corporation “KazExportGarant” JSC, Investment Fund of Kazakhstan JSC, and Ministry of healthcare of the Republic of Kazakhstan – SK Pharmacy LLP. In May 2013, above mentioned trust management agreements with the government institutions were cancelled and the shares in the development institutions and financial organisations were transferred by the Fund based on the exchange agreement to the ownership of the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan which henceforth transferred them to “National Managing Holding “Baiterek” JSC (“Baiterek”). Baiterek was established in accordance with the resolution of the Government No. 516 dated May 25, 2013 “On measures for execution of the Decree of the President of the Republic of Kazakhstan No. 571 dated May 22, 2013 “On certain measures for optimization of the managing system over the development institutions, financial organizations and development of the national economy” (“the resolution of the Government”).

In July 2013, for the purposes of executing the resolution of the Government the Fund and the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan signed the exchange agreement whereby the title on shares and interest in all subsidiaries listed above and in “National Geological Company “Kazgeology” JSC were transferred to the state ownership in exchange for the state property in accordance with the list attached to the resolution of the Government. As disclosed earlier effective control over these subsidiaries was transferred initially to certain government organizations and then to Baiterek under the trust management agreements.

Restructuring of financial liabilities of BTA Bank JSC

In December 2012 BTA Bank JSC (“BTA”) completed the second restructuring process of its financial liabilities. Within the framework of restructuring plan the Fund undertook a number of measures aimed to support the restructuring of BTA, in particular:

Acquisition of shares

On December 21, 2012 the Fund acquired additionally issued common shares of BTA in the amount of 176,376 million tenge, using partially withdrawn funds placed at bank deposits and current account with this bank. As a result of this acquisition, the Fund increased its share in BTA from 81.48% to 97.28%. Moreover, the interest rate on the above deposit with the closing balance of 89,894 million tenge as at December 31, 2012 was decreased from 11% to 7%.

Issue of loan

On December 19, 2012 the Fund provided BTA with a loan in the amount of 239,771 million tenge maturing in 2024 with interest rate of 4%. The loan was financed from the proceeds from the bonds issue in the amount of 143,196 million tenge and own funds in the amount of 96,575 million tenge (*Note 8*).

Substantial modification of the bonds terms

In accordance with amendments to the terms of the bonds issued by the Fund and acquired by BTA the coupon rate was increased from 4% to 6% (*Note 14*).

Addendum to guarantee agreement

On December 20, 2012 the Fund changed commission on guarantee provided to the lenders of BTA. According to the changed terms, amount of commission was decreased from 2% to 0.125% per annum, starting from September 1, 2012.

Planned sale of shares of BTA

According to a number of documents signed between the Fund, Kazkommertzbank JSC (“KKB”) and Mr. Kenes Rakishev in December 2013 and January 2014, KKB and Mr. Kenes Rakishev each will acquire 46.5% shares of BTA with the aim of further merger of BTA and KKB in a single bank. The remaining 4.26% Fund’s shares of BTA will be transferred to KKB trust management based on which KKB will obtain control BTA till their merger.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)

Planned sale of shares of BTA (continued)

Recoverable amount from the deal, defined as 0.5 from the equity capital of BTA as at September 30, 2013 which was equal to 144,150 million tenge. An amount of 69,750 million tenge out of deal value will be paid after the deal is closed, while 74,400 million tenge will be paid during 3 (three) years after the deal is closed. The fair value of the recoverable amount taking into account the discount of deferred payments was equal to 132,088 million tenge. The first part of the payment will be made in cash as well as by 100% of shares of Shalkiya Zinc JSC from Mr. Rakishev’s side. The transaction will not be considered as completed until execution of several conditions precedent including approval of the deal by the relevant corporate authorities of the counterparties and by the government authorities as well as changes in banking legislation of the Republic of Kazakhstan that will allow KKB to make investments more than 10% of its equity. In addition, the counterparties agreed to cooperate to return doubtful assets of BTA. Completion of the transaction is expected in the second quarter of 2014.

Taking into account the above and the fact that the Government and the National Bank of the Republic of Kazakhstan will assist the counterparties to solve several critical conditions according to the Memorandum of Understanding, the investments into BTA in these separate financial statements were classified as assets classified as held for sale in accordance with the requirements of IFRS 5.

Planned sale of shares of Temirbank JSC and Alliance Bank JSC

In December 2013 the Fund and Mr. Bulat Utemuratov signed an agreement on sale by the Fund of 79,88% common shares of Temirbank JSC (“Temirbank”) and 16% of common and preferred shares of Alliance Bank JSC (“Alliance Bank”) with the aim of subsequent merger of Temirbank and Alliance Bank in a single bank. Transaction completion is scheduled by the end of 2014. This deal also depends on several conditions precedent including adoption of necessary corporate decisions, changes in banking legislation of the Republic of Kazakhstan specifying reorganization procedure of the banks, obtaining necessary approvals from the National Bank of the Republic of Kazakhstan and other state bodies. Management assesses completion of the transaction as highly probable. Also due to the fact that all common shares of Temirbank are available for sale in their present condition and subject only to the terms that are usual and customary for sales of investment in banks, the investments in this subsidiary were classified as an asset held for sale. The investments in Alliance Bank do not meet the requirements of IFRS 5 in respect of classification as an asset held for sale as at December 31, 2013 because the controlling interest (51% of common and preferred shares) still remains with the Fund. The fair value of the expected recoverable amount from sale of shares of Temirbank exceeds the carrying amount of the Fund’s investments in this subsidiary.

2. BASIS OF PREPARATION

These separate financial statements have been prepared on a historical cost basis, except as described in the accounting policies and notes to these separate financial statements. The Fund maintains its accounting records in Kazakhstan tenge (“tenge” or “KZT”). All values in these separate financial statements are rounded to the nearest million, except when otherwise indicated.

These separate financial statements are prepared in accordance with requirements of legislation of Republic of Kazakhstan.

These separate financial statements were prepared in addition to the consolidated financial statements for the year ended December 31, 2013. The consolidated financial statements were approved for issue by the Finance director – Member of the Management Board and Chief accountant of the Fund on April 25, 2014.

Statement of compliance

These separate financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by International Accounting Standard Board (“IASB”).

The preparation of separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in *Note 4*.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)**Foreign currency translation***Functional and presentation currency*

The separate financial statements are presented in tenge, which is the functional and presentation currency of the Fund's separate financial statements.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are accounted for in the separate statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets measured at the fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

Exchange rates

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange (“KASE”) are used as official currency exchange rates in the Republic of Kazakhstan.

As at December 31, 2013 and 2012 the currency exchange rate of KASE was 154.06 tenge and 150.74 tenge to 1 US dollar, respectively. These rates were used to translate monetary assets and liabilities denominated in US dollars as at December 31, 2013 and 2012. The currency exchange rate of KASE as at April 25, 2014 was 182.01 tenge to 1 US dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Changes in accounting policies and disclosures**

The accounting policies applied in preparation of these separate financial statements are consistent with those applied in preparation of the separate financial statements for the year ended 31 December 2012, except for the adoption of new and amended Standards.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it has rights, to variable returns from its involvement with the investee or is exposed to the risk related to change and has the ability to affect those returns through its power over the investee. According to IFRS 10 definition of control an investor controls an investee when following criteria are met: (a) an investor has power over an investee; (b) the investor has right to variable returns from its involvement with the investee or is exposed to the risk related to its change; (c) the investor has the ability to use its power over the investee to affect the amount of the investor's variable returns. IFRS 10 did not have an effect on the separate financial statements of the Fund.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. IFRS 11 did not have an effect on the separate financial statements of the Fund.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements of IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. IFRS 12 did not have an effect on the separate financial statements of the Fund.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Changes in accounting policies and disclosures (continued)***IFRS 13 Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not introduce changes to the determination when entities must use the fair value but provides guidance regarding measurement of fair value as per IFRS, when use of fair value is required or permitted in accordance with other standards within IFRS. IFRS 13 determines a fair value as the output price. According to IFRS 13 instructions, the Fund re-analyzed its policies with respect to measurement of fair value, in particular, the applied source data for measurement, such as, for example the risk of failure to fulfil liabilities taken into account in assessing the fair value of liabilities. IFRS 13 also requires additional disclosures to be made.

The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Fund. Where necessary, additional information is disclosed in separate notes on assets and liabilities for which fair value was determined.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time (for example, net income from hedging of net investments, foreign exchange differences upon translation of financial statements of foreign operations, net change in hedging of cash flows and net expenses or income on financial assets available for sale) must be presented separately from items that will never be reclassified (for example, actuarial income and expenses on defined benefit plans and revaluation of land and buildings). The amendment affects only presentation of information in the separate financial statements and has no impact on the Fund's separate financial position or performance.

Amendment to IAS 1 Clarification of the Requirement for Comparative Information

This amendment clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required for one comparative period. The amendment clarifies that it is not necessary to present the corresponding notes to the opening balance sheet as at January 1, 2012 presented in cases when the Company applies an accounting policy retrospectively, makes retrospective restatements and reclassifies items in its financial statements. The amendment affects presentation only and has no impact on the Fund's separate financial position or performance.

IAS 19 Employee Benefits (Revised 2011)

The IASB issued numerous amendments to IAS 19. They range from fundamental changes (such as removing the corridor mechanism and the concept of expected returns on plan assets) to simple clarifications and re-wording. Changes in IFRS 19 did not have an effect on the separate financial statements of the Fund.

Amendment to IFRS 16 Impairment of Assets – Disclosure of Recoverable Value for Non-Financial Assets

These amendments remove unintended consequences for disclosures in accordance with IAS 36, associated with IFRS 13 coming into force. Besides, these amendments require disclosing the recoverable value of assets or CGUs on which the impairment loss was recognized or recovered during the reporting period. These amendments apply retrospectively with respect to annual reporting periods beginning on or after January 1, 2014, whereby early application is permitted in case application of IFRS 13. The Fund early adopted these amendments to IFRS 36 in the current reporting period since disclosure of amended/additional information is useful as it was supposed by IFRS board.

The Fund has not early adopted any other standards, interpretations or amendments that has been issued but is not yet effective.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Standards and interpretations issued but not yet effective**

Standards and interpretations accepted but not yet effective up to the date of issuance of the separate financial statements are listed below. The Fund intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments

IFRS 9 (current version) reflecting the results of the first phase of the IFRS Board’s work on the replacement of IAS 39 applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but Amendments to IFRS 9 *Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to January 1, 2015. In subsequent phases, the IFRS Board will address hedge accounting and impairment of financial assets. The Fund will assess the effect of this standard on the amounts disclosed in the separate financial statements in conjunction with the other phases, when issued, to present a comprehensive picture.

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

These amendments are effective for annual periods beginning on or after January 1, 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The Fund does not expect that this amendment will be applicable since neither of subsidiaries of the Fund does not meet the definition of an investment company in accordance with IFRS 10.

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of “currently has a legally enforceable right to offset”. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments become effective for annual periods beginning on or after January 1, 2014. The adoption of these amendments are not expected to have any impact on the separate financial position or performance of the Fund.

IFRIC 21 Obligatory Payments

IFRIC 21 clarifies that the company recognizes obligatory payments liability only when there is an event involving their payment. In case of obligatory payment, which is required in case of reaching the minimum threshold value, the interpretation bans recognition of an expected liability until reaching the established minimum threshold value. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. IFRIC 21 is not expected to have any impact on the separate financial position or performance of the Fund.

Amendments to IAS 39 Novation of Derivative Instruments and Continuation of Hedging Accounting

These amendments provide for an exemption from the requirement for discontinuation of hedge accounting in a case when the novation of a derivative determined as hedging instrument meets the established criteria. These amendments become effective for annual periods beginning on or after January 1, 2014. These amendments will be taken into account when considering new operations.

Investments in subsidiaries, joint ventures and associates

The Fund’s investments in its subsidiaries, joint ventures and associates are accounted for at cost, less any impairment losses. Associate is an entity in which the Fund has significant influence and which is neither subsidiary nor joint venture of the Fund.

Impairment of non-financial assets

At each reporting date, the Fund assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the Fund makes an estimate of its recoverable amount. An asset group’s recoverable amount is the higher of its fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Impairment of non-financial assets (continued)**

An assessment is made at each reporting date to identify any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated by the Fund. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. That increased amount cannot exceed the recoverable amount or the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the separate statement of comprehensive income.

The following criteria are also applied in assessing impairment of specific assets:

Investments in subsidiaries, joint ventures and associates

The Fund determines at each reporting date whether there is any objective evidence that the investment in subsidiaries, associates and joint ventures is impaired. If impairment indicators exist, the Fund conducts impairment test and calculates impairment loss as difference between the recoverable value and carrying amount of investments.

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives. The Fund determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

The Fund's financial assets include cash and cash equivalents, bank deposits, trade and other receivables, loan issued, amounts due from credit institutions, investments available for sale and other receivables. The subsequent measurement of financial assets depends on their classification as follows:

Amounts due from credit institutions, loans and other receivables

Amounts due from credit institutions, loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement such financial assets are carried at amortized cost using the effective interest rate (EIR) method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the separate statement of comprehensive income. Losses arising from impairment are recognized as a separate line in the separate statement of comprehensive income.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Fund has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the separate statement of comprehensive income. The losses arising from impairment are recognized as a separate line in the separate statement of comprehensive income.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognized as other comprehensive income in the available-for-sale investments revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to impairment loss in the separate statement of comprehensive income and removed from the available-for-sale investment revaluation reserve.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial assets (continued)***Fair value determination*

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques include cash flow discounting models, reference to the current fair value of another instrument that is substantially the same, option valuation models or other valuation models.

Derecognition*Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized on the separate balance sheet when:

- the rights to receive cash flows from the asset have expired;
- the Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass through” arrangement; or the Fund has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Fund’s continuing involvement in the asset.

In that case, the Fund also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Impairment of financial assets*Amounts due from credit institutions, loans to customers and bank deposits*

For amounts due from credit institutions, loans and bank deposits carried at amortized cost the Fund first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The present value of estimated future cash flows is discounted at the financial assets’ original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Impairment of financial assets (continued)***Amounts due from credit institutions, loans to customers and bank deposits (continued)*

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the separate statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the initial rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of revenue in the separate line of the separate statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been sold or has been transferred to the Fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit and losses in the separate statement of comprehensive income.

Investments available-for-sale

If there is objective evidence that the cost may not be recovered, an available-for-sale equity security is considered to be impaired. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below cost.

If an available-for-sale equity security is impaired, any further declines in the fair value at subsequent reporting dates are recognized as impairment. Therefore, at each reporting date, for an equity security that was determined to be impaired, additional impairment is recognized for the difference between the fair value and the original cost basis, less any previously recognized impairment.

Non-current assets classified as held for distribution to the Shareholder

Assets are classified as non-current assets held for transfer to the Shareholder if they meet the following criteria:

- are available for immediate transfer in their current condition;
- there is a firm intention to ensure their planned transfer;
- actions have been taken to execute the plan;
- there is a high possibility of making a transfer, and it is expected that the transfer will be made within 1 (one) year from classification.

Non-current assets classified as held for transfer to the Shareholder have been presented separately in the separate financial statements within current assets category on the face of the separate balance sheet.

Non-current assets (or disposal groups) classified as held for transfer to the Shareholder are measured at the lower of carrying amount and fair value less costs to transfer.

Non-current asset that ceases to be classified as held for transfer to the Shareholder is measured at the lower of:

- its carrying amount before the asset (or disposal group) was classified as held for transfer to the Shareholder, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for transfer to the Shareholder, and
- its recoverable amount at the date of the subsequent decision not to transfer.

Value added tax (VAT)

The tax authorities permit the settlement of sales and purchases VAT on a net basis. VAT receivable represents VAT on domestic purchases net of VAT on domestic sales. Export sales are zero-rated.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash on demand deposits, other short-term highly liquid investments with original maturities of 3 (three) months or less.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial liabilities***Initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate. The Fund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Fund's financial liabilities include trade and other payables, borrowings, amounts due to the Government, financial guarantee contracts and other liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and amounts due to the Government

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the separate statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in interest expenses in the separate statement of comprehensive income.

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Fund having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to Government and credit institutions and are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the separate statement of comprehensive income over the period of the borrowings using the effective interest method. If the Fund purchases its own debt, it is removed from the separate balance sheet and the difference between the carrying amount of the liability and the consideration paid is recognized in interest income.

Debt securities issued

Debt securities issued represent bonds issued by the Fund. They are accounted for according to the same principles used for loans and amounts due to the Government.

Financial guarantee contracts

Financial guarantee contracts issued by the Fund are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

Options arising on investments acquisition

While acquiring investments the Fund issues to a third party a call option on acquired interest in the business, the Fund assesses whether being a party to such option gives to a third party access to benefits and risks associated with ownership of such interest.

If a call-option does not provide a third party with access to benefit and risk of ownership of an interest, a call option is not accounted for the purpose of determination of Fund's significant influence.

Fair value of the liability for the Fund under the option is recognized as a part of acquired investments. The financial liability is subsequently measured in accordance with the requirements of IAS 39. Changes in the fair value of a financial liability as well as any income or loss related to the settlement of these options are recorded directly in separate statement of comprehensive income.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Derivative financial instruments**

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in the separate statement of comprehensive income unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the separate statement of comprehensive income depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is classified as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 (twelve) months and it is not expected to be realized or settled within 12 (twelve) months. Other derivatives are classified as current assets or current liabilities.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Fund and the amount of revenue can be reliably measured.

Interest and similar income and expenses

Interest income on financial instruments, except for interest income on placement of temporarily excess cash, represent income from operating activity of the Fund and is disclosed as interest income. Interest income on placement of temporarily excess cash is disclosed as finance income.

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

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

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

Dividends

Dividends income is recognized when the Fund's right to receive the payment is established.

Expense recognition

Expenses are recognized as incurred and are reported on the accrual basis in the separate financial statements in the period to which they relate.

Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognized in the separate statement of comprehensive income except to the situations when it relates to items charged or credited directly to equity, in which case it is recognized in equity.

Current income tax expense is the expected tax payable on the taxable profit for the year and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Equity***Share capital*

Common shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is charged to retained earnings.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed in the separate financial statements when they are proposed before the reporting date or proposed or declared after the reporting date but before the separate financial statements are authorised for issue.

Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the separate financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the separate financial statements. Where an inflow of economic benefits is probable, they are disclosed.

Offsetting

Assets and liabilities are only offset and reported at the net amount in the separate balance sheet when there is a legally enforceable right to offset the recognized amounts and the Fund intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Subsequent events

Post-year-end events that provide additional information on the separate financial position of the Fund that existed at the reporting date (adjusting events) are reflected in the separate financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of the separate financial statements of the Fund requires management to make judgments, estimates and assumptions that affect the reported in the separate financial statements amounts of revenue, expenses, assets and liabilities, and disclosure of contingent liabilities and assets at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the separate balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value reported in the separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (continued)*Allowance for impairment of loans issued, amounts due from credit institutions and deposits*

The Fund reviews its individually significant loans issued, amounts due from credit institutions and deposits at each reporting date to assess the need of recognizing impairment loss in the profit and losses. In particular, management judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Fund makes judgement about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Due to the deterioration of the financial position, relative limited liquidity and negative financial results of BTA for 2011, the Fund recognized an impairment loss on amounts due from credit institutions and bank deposits placed with this bank as at December 31, 2011 in the amount of 36,999 million tenge and 245,068 million tenge, respectively. In 2012 the Fund reversed full amount of previously recognized impairment loss on these assets (*Note 8 and 10*) due to the completion of the second restructuring of the financial liabilities of BTA (*Note 1*) and improvements in its financial position.

Taxation

In assessing tax risks, management considers the known areas of non-compliance with tax legislation as a probable obligation which the Fund would not appeal or does not believe it could successfully appeal, if additional taxes will be accrued by tax authorities. Such determinations involve significant judgment and are subject to changes as a result of changes in tax legislation and regulations, amendments to the taxation terms, the determination of expected outcomes from pending tax proceedings and current outcome of ongoing compliance audits by tax authorities. Uncertainties related to taxation, are disclosed in *Note 24*.

Deferred tax assets

Deferred tax assets were recognized for all allowances on doubtful debts and other liabilities to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved, as well as successful application of tax planning strategies. The unrecognized deferred tax assets were equal to 6,651 million tenge as at December 31, 2013 (2012: 5,561 million tenge).

Impairment of investments in subsidiaries

Impairment exists when the carrying amount of an investment in subsidiary exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. In 2013, the Fund recognized impairment of investments in subsidiaries in the total amount of 71,717 million tenge (2012: 154,287 million tenge) (*Note 5*).

Impairment of assets classified as held for sale

Non-current assets classified as held for sale should be measured at the lower of its carrying amount and fair value less costs to sell. 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. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

In 2013 the Fund recognized a loss on impairment of assets classified as held for sale in the amount of 147,421 million tenge (2012: nil) (*Note 5*).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

5. INVESTMENTS IN SUBSIDIARIES

The following table represents investments in subsidiaries of the Fund, their activity, country of incorporation or location, as well as the Fund’s share in these subsidiaries:

<i>In millions of tenge</i>	Activity	Country	December 31, 2013	December 31, 2012	Ownership	
					December 31, 2013	December 31, 2012
“National Company “Kazakhstan Temir Zholy” JSC	Cargo and passengers railway transportation	Kazakhstan	1,078,596	835,476	100.00%	100.00%
“National Company “KazMunayGas” JSC	Oil and gas industry	Kazakhstan	947,531	928,806	100.00%	100.00%
“Samruk-Energy” JSC	Production and transportation of heat and electricity	Kazakhstan	263,651	254,652	100.00%	100.00%
“National Mining Company “Tau-Ken Samruk” JSC	Development of mining industry of RK	Kazakhstan	211,546	7,862	100.00%	100.00%
“National Atomic Company “KazAtomProm” JSC	Uranium production	Kazakhstan	147,275	147,275	100.00%	100.00%
“Alliance Bank” JSC	Bank services	Kazakhstan	142,075	142,075	67.00%	67.00%
“Kazakhstan Electricity Grid Operating Company” JSC (“KEGOC”)	Electricity transmission	Kazakhstan	113,532	113,129	100.00%	100.00%
“Kazakhtelecom” JSC	Fixed line telecommunication	Kazakhstan	88,733	88,733	51.00%	51.00%
“United Chemical Company” JSC	Development of chemical industry of RK	Kazakhstan	62,365	40,428	100.00%	100.00%
“Real Estate Fund “Samruk-Kazyna” JSC	Stabilization of real estate market	Kazakhstan	31,851	31,851	100.00%	100.00%
“Kazpost” JSC	Postal and financial services	Kazakhstan	11,648	9,564	100.00%	100.00%
“National Company “Kazakhstan Engineering” JSC	Engineering and defense industry	Kazakhstan	9,850	9,850	100.00%	100.00%
“Air Astana” JSC	Passengers air transportation	Kazakhstan	7,276	7,276	51.00%	51.00%
“International Airport Aktobe” JSC	Airport services	Kazakhstan	6,029	6,029	100.00%	100.00%
“Samruk-Kazyna Invest” LLP	Professional services on investment projects	Kazakhstan	3,427	1,151	100.00%	100.00%
“Airport Pavlodar” JSC	Airport services	Kazakhstan	1,454	1,454	100.00%	100.00%
“Samruk-Kazyna Contract” LLP	Project management	Kazakhstan	1,284	2,193	100.00%	100.00%
“International Airport Atyrau” JSC	Airport services	Kazakhstan	1,196	1,196	100.00%	100.00%
“Kazakh Research Institute named after Chokin” JSC	Research and development	Kazakhstan	219	219	50.00%	50.00%
“KOREM” JSC	Operator of electricity market	Kazakhstan	161	161	100.00%	100.00%
“Karagandagiproshakht and K” LLP	Design works	Kazakhstan	6	6	90.00%	90.00%

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

5. INVESTMENTS IN SUBSIDIARIES (continued)

<i>In millions of tenge</i>	Activity	Country	Ownership	
			December 31, 2013	December 31, 2012
KGFI IM	Financial transactions	Cayman Islands	-	-
KGFI Management	Financial transactions	Cayman Islands	-	-
KGFI SLP	Financial transactions	Cayman Islands	-	-
“BTA Bank” JSC	Bank services	Kazakhstan	-	1,320,026
“Development Bank of Kazakhstan” JSC	State investment activity	Kazakhstan	-	312,614
“Kazyna Capital Management” JSC	Creation of investment funds	Kazakhstan	-	69,444
“Entrepreneurship Development Fund “Damu” JSC	Development of small entrepreneurship	Kazakhstan	-	67,771
“Investment Fund of Kazakhstan” JSC	Assistance in realization of the strategy of industrial and innovation development	Kazakhstan	-	33,268
“Temirbank” JSC	Bank services	Kazakhstan	-	23,488
Export-Credit Insurance Corporation KazExportGarant JSC	Insurance services	Kazakhstan	-	11,270
“National Geological Company “Kazgeology” JSC	Geological exploration services	Kazakhstan	-	8,586
“East Kazakhstan Regional Energy Company” JSC	Electricity transmission	Kazakhstan	-	7,723
“SK Pharmacy” LLP	Purchase of medicine within the limits of guaranteed medical aid to population	Kazakhstan	-	700
Less: impairment provision			(135,828)	(1,252,864)
			2,993,877	3,231,412

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

5. INVESTMENTS IN SUBSIDIARIES (continued)*Changes in investments in subsidiaries*

On February 1, 2013 the Fund acquired 29.8221% of the charter capital of “Kazzinc” LLP through acquisition of 100% of ownership interest in the charter capital of “Logic Business” LLP, “Logic Invest Capital” LLP and “Investment House “Dana” LLP, each owning 9.9407% ownership interest in “Kazzinc” LLP for the total amount of 248,838 million tenge (value of each company is 82,946 million tenge). The consideration for the acquisition was paid by using proceeds received from the placement of the Fund’s bonds (*Note 15*). In August 2013 the Fund transferred its interest in these companies into the share capital of “NMC “Tau-Ken Samruk” JSC.

On March 14, 2013 the Fund transferred 100% shares in “East-Kazakhstan Regional Energy Company” JSC with the carrying amount of 7,723 million tenge into the share capital of “Samruk-Energy” JSC.

On December 12, 2013 the Fund completed the transfer of 100% share in “National Company “Aktau International Sea Trade Port” JSC with the carrying amount of 26,234 million tenge into the share capital of “National Company “Kazakhstan Temir Zholy” JSC (*Note 13*)

During 2013 the Fund made the following contributions:

- to the share capital of “National Company “Kazakhstan Temir Zholy” JSC in the amount of 30,311 million tenge. Contributions were made in cash received from the Republican budget in the amount of 30,000 million tenge and in the form of property contribution in the amount 311 million tenge (*Note 13*);
- to the share capital of “National Company “KazMunayGas” JSC in the amount of 18,725 million tenge. Contributions were made in cash received from the Republican budget in the amount of 8,917 million tenge and in the form of property contribution in the amount 9,808 million tenge (*Note 13*);
- to the share capital of “United Chemical Company” LLP in the amount of 21,937 million tenge. Contributions were made in cash, including 17,062 million tenge provided in the Stabilization Plan of the Government in accordance with the minutes of the State committee for the management of the National Fund № 17-5/И-380 dated April 5, 2012 and № 17-5/И-788 dated October 7, 2013. Cash in the amount of 4,875 million tenge was provided for the contribution to the share capital from the Fund’s own funds;
- to the share capital of “National Mining Company “Tau-Ken Samruk” JSC, “Samruk-Kazyna Invest” LLP, “Kazpost” JSC, “Samruk-Kazyna Contract” LLP, KEGOC in the total amount of 15,331 million tenge. Contributions were made in cash.

During 2013 the Fund provided loans to “National Company “Kazakhstan Temir Zholy” JSC with interest rates below market rates (*Note 7*), where discount in the amount of 186,575 million tenge calculated as the difference between the fair value and nominal amount was recognised as an increase in the investment in the subsidiary.

During 2013 the Fund recognized financial guarantees issued in the favor of “Samruk-Energy” JSC and “Development Bank of Kazakhstan” JSC. The fair value of financial guarantees was equal to 1,212 million tenge and 808 million tenge, respectively, and was recognized as liabilities with corresponding increase in the investments in these subsidiaries.

In accordance with the minutes of the meeting held No. 01-7.1 dated January 23, 2013 “On the results of the social-economic development of the Republic of Kazakhstan in 2012 and targets for the execution of the Strategy “Kazakhstan-2050” with a participation of the President of the Republic of Kazakhstan, the Government of the Republic of Kazakhstan was instructed to execute transfer of the development institutions and financial organisations (Development Bank of Kazakhstan JSC, Kazyna Capital Management JSC, Export-Credit Insurance Corporation “KazExportGarant” JSC, Entrepreneurship Development Fund “Damu” JSC, Investment Fund of Kazakhstan JSC) to the Baiterek, 100% shares of which are controlled by the Government, and transfer of SK Pharmacy LLP to the Ministry of healthcare of the Republic of Kazakhstan.

In April 2013, in accordance with the trust management agreements with a right of full control, the Fund transferred its shares in its subsidiaries to the following government institutions: Ministry of regional development of the Republic of Kazakhstan – Entrepreneurship Development Fund “Damu” JSC, Ministry of industry and new technologies of the Republic of Kazakhstan - Development Bank of Kazakhstan JSC, Kazyna Capital Management JSC, Export-Credit Insurance Corporation “KazExportGarant” JSC, Investment Fund of Kazakhstan JSC, and Ministry of healthcare of the Republic of Kazakhstan – SK Pharmacy LLP. Thus, the Fund determined April 10, 2013 (for Entrepreneurship Development Fund “Damu” JSC, Development Bank of Kazakhstan JSC, Kazyna Capital Management JSC, Export-Credit Insurance Corporation “KazExportGarant” JSC, Investment Fund of Kazakhstan JSC) and April 30, 2013 (for SK Pharmacy LLP) as the effective dates of loss of control over subsidiaries. In May 2013, the above mentioned trust

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

5. INVESTMENTS IN SUBSIDIARIES (continued)*Changes in investments in subsidiaries (continued)*

management agreements with the government institutions were cancelled and the shares in the development institutions and financial organisations were transferred by the Fund based on the exchange agreement to the ownership of the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan which henceforth transferred them to the Baiterek (*Note 1*).

Moreover, on the basis of the exchange agreement signed between the Fund and the Shareholder, in August 2013 the Fund completed transfer into the state ownership 100% share in “National Geological Company “Kazgeology” JSC.

The carrying amount of the above investments in subsidiaries at the disposal date was equal to 411,142 million tenge.

The Fund derecognized and recorded the disposal of these subsidiaries as Transactions with the Shareholder in the separate statement of changes in equity in the total amount equal to cost of the investments in these subsidiaries (*Note 13*).

In accordance with the share purchase-sale agreement sale of the Fund’s shares in BTA and Temirbank is expected during 2014. As such the Fund classified investments in these banks as assets held for sale, with the carrying amount at the date of reclassification equal to 279,509 million tenge and 23,488 million tenge, respectively (*Note 1*).

2012*Investments in Karachaganak project*

On June 28, 2012 the Government, as represented by the Ministry of oil and gas and the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan, and the participants of the Karachaganak Project (“Consortium” or “KPO”) signed an agreement, according to which the Government acquired a 10% participation interest in KPO. The fair value of the 10% interest acquired was assessed as 2 billion US dollars (approximating 300 billion tenge), of which 150 billion tenge was paid by the Government in cash and the remaining portion through a settlement of tax liabilities. The Government established a new entity Final Production Sharing Agreement Interest Managing Company LLP (“FPSAIMC”) and contributed the newly acquired 10% interest in the project into FPSAIMC equity. Further, in accordance with the Government’s resolution No. 570 dated May 3, 2012, on June 28, 2012 the Fund received the Government’s 100% interest in FPSAIMC as a contribution to the Fund’s share capital with a fair value of 300,070 million tenge at the date of transaction.

On June 29, 2012 the Fund transferred FPSAIMC to “National Company “KazMunayGas” JSC (“NC KMG”) for consideration of 150,035 million tenge of NC KMG share capital and cash consideration of 150,035 million tenge, which was financed by a loan of 1 billion US dollars. In accordance with the loan agreement, the interest rate is LIBOR plus 3% times 1.25 per annum, and the principal is payable in equal monthly installments from cash inflows from the project within next 3 (three) years. Under the loan agreement NC KMG has undertaken to provide the collateral in the form of 5% participation interest in the Project to the Consortium. The loan is guaranteed by the Fund.

On June 28, 2012 the Fund paid dividends to the ultimate Shareholder in the amount of 159,113 million tenge, part of which in the amount of 150,035 million tenge was used by the Government to finance acquisition of the above-interest in KPO.

Impairment

In 2013 the Fund recognized an impairment loss on investments in “Logic Business” LLP, “Logic Invest Capital” LLP and “Investment House Dana” LLP in the amount of 55,344 million tenge. The recoverable amount of these investments was determined as their value in use.

In addition, in 2013 the Fund recognized an impairment loss on investments in BTA and Alliance Bank JSC in the amount of 14,830 million tenge and 1,543 million tenge, respectively (2012: 134,596 million tenge and 12,175 million tenge, respectively).

After the reclassification of the investments in BTA into assets held for sale, the Fund recognized loss in the amount of 147,421 million tenge, resulting from bringing the carrying amount of these investments to their fair value equal to the recoverable amount of these investments in accordance with the terms of share purchase-sale agreement (*Note 1*).

The recoverable amount of investments in BTA and Alliance Bank JSC was determined as their fair value less costs to sell.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

5. INVESTMENTS IN SUBSIDIARIES (continued)

Impairment (continued)

Information on accumulated impairment of investment in the subsidiaries as at December 31, 2013 and 2012 is presented as follows:

<i>In millions of tenge</i>	December 31, 2013	December 31, 2012
Alliance Bank JSC	135,828	134,285
BTA Bank JSC	-	1,025,686
Development Bank of Kazakhstan JSC	-	78,554
Investment Fund of Kazakhstan JSC	-	14,339
Impairment provision	135,828	1,252,864

6. INVESTMENTS IN ASSOCIATES

Investments in associates were presented as follows:

<i>In millions of tenge</i>	December 31, 2013	December 31, 2012
Associates		
Shekerbank	18,174	18,174
Astana-Finance JSC	6,516	6,516
Maikainzoloto JSC	281	281
Less: impairment provision	(6,516)	(6,516)
	18,455	18,455

Activities of associates, countries of residence and the Fund’s share in these organizations is presented as follows:

Company	Activity	Country	% in share capital	
			December 31, 2013	December 31, 2012
Associates				
Shekerbank	Bank services	Turkey	21.93%	22.1%
Astana-Finance JSC	Finance organization	Kazakhstan	1.63%	5.52%
Maikainzoloto JSC	Gold production	Kazakhstan	25.00%	25.00%

Acquisition of shares in Shekerbank

On March 16, 2012 the Fund acquired 222,148,406 shares (22.1%) of Turkish bank Shekerbank from BTA Securities JSC (a subsidiary of BTA).

Change in ownership in Astana Finance JSC

In 2013 the Fund’s participation interest in ownership of Astana Finance JSC decreased to 1.63% due to the additional issue of shares by this company on January 17, 2013.

7. LOANS ISSUED

As at December 31, loans issued comprised of the following:

<i>In millions of tenge</i>	December 31, 2013	December 31, 2012
Loans issued to third parties and related companies	516,587	505,584
Loans issued to subsidiaries	280,170	254,513
Bonds issued by third and related parties	1,680	954
Interest accrued	19,109	18,690
Less: impairment provision	(12,127)	(12,260)
Total loans issued	805,419	767,481
Less: current portion	(193,788)	(110,081)
Non-current portion	611,631	657,400

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

7. LOANS ISSUED (continued)

As at December 31 the ageing analysis of loans issued is as follows:

<i>In millions of tenge</i>	December 31, 2013	December 31, 2012
Loans, on which no impairment indicators were identified		
Neither past due nor impaired	803,295	766,159
Past due but not impaired:		
- overdue from 90 to 180 days	-	732
- overdue from 180 to 360 days	1,534	-
- overdue over 360 days	590	590
Total overdue loans issued	2,124	1,322
Total loans issued	805,419	767,481

Loans issued to third parties and related companies

Kazakhmys Finance Plc

On January 24, 2013 the Fund provided a loan to Kazakhmys Finance Plc in the amount of 200 million US dollars (equivalent to 30,812 million tenge at the exchange rate as at December 31, 2013) with maturity of 12 (twelve) years. The annual interest rate of the loan is calculated as a basic rate equalled to 6 months LIBOR plus 4.80%. This loan was provided for the development of Zhomart copper field. The loan was provided from the proceeds received under the credit facility of State China Development Bank in January 2013 (*Note 14*).

Elorda Damu LLP

On December 25, 2013 Elorda Damu LLP made earlier repayment of the loan received in 2012 in the amount of 20,000 million tenge.

Loans issued to subsidiaries

“National Company “Kazakhstan Temir Zholy” JSC

On January 31, 2013 the Fund concluded a loan agreement with “National Company “Kazakhstan Temir Zholy” JSC whereby the Fund provided a loan in the amount of 118,346 million tenge, maturing in 2062 and with the interest rate of 0.1% per annum. This loan was provided to finance the construction of “Zhezkazgan-Beineu” and “Arkalyk-Shubarkol” railways.

On March 7, 2013 the Fund concluded a loan agreement with “National Company “Kazakhstan Temir Zholy” JSC whereby the Fund provided a loan of 24,673 million tenge, maturing in 2038 and with the interest rate of 0.75% per annum to finance renewal of railway carriers of “Passenger Transportation” JSC.

On July 23, 2013 and December 28, 2013 the Fund signed loan agreements with “National Company “Kazakhstan Temir Zholy” JSC whereby the Fund provided loans in the amount of 51,298 million tenge and 8,166 million tenge, respectively, with the maturity date in 2062 and interest rate of 0.1% for financing the construction of “Zhezkazgan – Beineu” railways.

These loans were provided using cash of the National Fund in accordance with minutes of the meeting of the State commission on economy modernization issues of the Republic of Kazakhstan No. 17-5/II-380 dated April 5, 2012 and No. 17-5/II-10 dated January 30, 2013.

At initial recognition these loans were measured at fair value, which comprised 15,908 million tenge, using the appropriate market interest rates. The difference between the nominal amount of the loans and their fair value in the amount of 186,575 million tenge was recognised as the increase in the investments in “National Company “Kazakhstan Temir Zholy” JSC (*Note 5*).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

7. LOANS ISSUED (continued)

Loans issued to subsidiaries (continued)

“Real Estate Fund “Samruk-Kazyna” JSC

In 2012 the Fund concluded a revolving credit line (with a limit of 99,053 million tenge) with “Real Estate Fund “Samruk-Kazyna” JSC. In 2013 the Fund provided additional tranches in the total amount of 28,100 million tenge, maturing on July 31, 2022, to finance housing construction projects within the framework of the Program “Affordable housing-2020”, approved by the resolution of the Government No. 821 dated June 21, 2012. These loans were provided using cash of the National Fund in accordance with the minute of the meeting of the State commission on economy modernization issues of the Republic of Kazakhstan No. 17-5/И-380 dated April 5, 2012 and considering the redistribution of the funds in accordance with the minute of the meeting of the State commission on economy modernization issues of the Republic of Kazakhstan No. 17-5/11-10 dated January 30, 2013.

In accordance with the credit facility terms, the Fund has a right to demand an early repayment of the loans from “Real Estate Fund “Samruk-Kazyna” JSC any time of the year, and “Real Estate Fund “Samruk-Kazyna” JSC is obliged to make an early repayment on demand of the Fund. Therefore, the Fund classifies these loans as short-term.

In 2013 “Real Estate Fund “Samruk-Kazyna” JSC made partial earlier repayment of the loans in the amount of 4,335 million tenge.

8. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprised the following:

<i>In millions of tenge</i>	December 31, 2013	December 31, 2012
10 largest local banks	268,195	266,215
Other local credit institutions	110,793	123,172
Interest accrued	8,324	5,153
Total amounts due from credit institutions	387,312	394,540
Less: current portion	(41,160)	(32,760)
Non-current portion	346,152	361,780

<i>In millions of tenge</i>	December 31, 2013	December 31, 2012
Ratings above BB+	23,454	23,531
Ratings from B to BB-	109,253	118,380
Rating B-	9,940	12,825
Rating lower than B-	163,114	141,767
No rating	81,551	98,037
	387,312	394,540

As at December 31, 2013 and 2012 the Fund had no past due or impaired amounts due from credit institutions.

Amounts due from credit institutions mainly represent funds placed with banks and other financial institutions to finance activities approved within the framework of the Stabilization Plan.

The total amount returned during 2013 is equal to 28,989 million tenge, including return of funds by “Entrepreneurship Development Fund “Damu” JSC in the amount of 20,778 million tenge (2012: 49,730 million tenge and 42,892 million tenge, respectively).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

8. AMOUNTS DUE FROM CREDIT INSTITUTIONS (continued)

As at December 31, 2013 amounts due from credit institutions were mainly represented by loans provided to the following financial entities:

- “Entrepreneurship Development Fund “Damu” JSC in the amount of 55,170 million tenge (2012: 72,638 million tenge) in order to finance small and medium business, of which 32,360 million tenge (2012: 44,690 million tenge) were the amounts placed under the Stabilization Plan (*Note 1*). These loans had interests rates of 4.51% – 7% per annum;
- “Development Bank of Kazakhstan” JSC to decrease financing costs of investment projects in priority segments of economy and to decrease funding costs on finance leases and to stimulate the export of Kazakhstani locomotives in the amount of 2,850 million tenge, 17,301 million tenge and 3,304 million tenge, respectively (2012: 2,659 million tenge, 16,542 million tenge and nil, respectively);
- To the second tier banks for refinancing mortgage loans, construction of housing in Astana and Almaty and provision of intermediary housing loans in the amount of 109,310 million tenge (2012: 116,346 million tenge), 53,366 million tenge (2012: 53,661 million tenge) and 26,381 million tenge (2012: 25,399 million tenge), respectively. A portion of amounts provided to the second tier banks for refinancing mortgage loans and construction of residential housing in Astana and Almaty in the amount of 162,676 million tenge (2012: 170,007 million tenge) represents funds placed under the Stabilization Plan. These loans had interest rates of 3.74%-7.28% per annum.

2012

BTA Bank JSC

On December 19, 2012 the Fund entered into a loan agreement with BTA whereby the Fund provided a loan in the amount of 239,771 million tenge with interest rate of 4% and maturing in 2024. The loan was provided for the settlement of compensation, payable per the procedure prescribed in the Information memorandum, and for overall purposes as part of the second restructuring of the financial liabilities of BTA. The loan was financed by the proceeds from the bonds in the amount of 143,196 million tenge (*Note 15*) and own funds of 96,575 million tenge.

At initial recognition, the loan was measured at fair value amounting to 105,672 million tenge using an applicable market interest rate. Difference between nominal value of the loan and its fair value in the amount of 134,099 million tenge was recognized as an increase in investments in BTA.

Impairment of amounts due from credit institutions

Due to the deterioration of the financial position, relative limited liquidity and negative financial results of BTA for 2011, the Fund recognized an impairment loss on amounts due from credit institutions placed with this bank as at December 31, 2011 of 36,999 million tenge. In 2012 the Fund reversed the full amount of previously recognized impairment loss on these assets due to the completion of the second restructuring of the financial liabilities of BTA and improvement in its financial position.

9. OTHER FINANCIAL ASSETS

As at December 31 financial assets comprised the following:

<i>In millions of tenge</i>	December 31, 2013	December 31, 2012
Financial assets available-for-sale		
Equity securities of Kazakhmys Plc	–	111,925
Equity securities of Kazkommertsbank JSC	23,237	24,828
Equity securities of Halyk Bank of Kazakhstan JSC (“Halyk Bank”)	1,025	1,028
Debt securities	12,467	12,537
Total other financial assets	36,729	150,318
Less: current portion	(24,558)	(26,124)
Non-current portion	12,171	124,194

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

9. OTHER FINANCIAL ASSETS (continued)

In accordance with the option agreements concluded by the Fund and major shareholders upon the acquisition of shares of Kazkommertsbank JSC and Halyk Bank of Kazakhstan JSC in 2009, the major shareholders obtained the right to re-acquire shares of these banks owned by the Fund at any time during a period from the first till fifth anniversary of the acquisitions (call options). The options became exercisable in the first half of 2010, which resulted in a loss by the Fund of its significant influence over these banks. Accordingly, the Fund lost significant influence over these associates and reclassified respective investments into financial assets available for sale.

On May 28, 2012, Holding Group ALMEX JSC and Halyk Bank of Kazakhstan JSC signed an agreement on assignment of a right of demand option agreement related to preferred shares of Halyk Bank of Kazakhstan JSC.

In accordance with this agreement on June 29, 2012 and July 5, 2012 Halyk Bank of Kazakhstan JSC realized its right for partial execution of the option and re-acquired 150,000,000 and 40,000,000 of its preferred shares at the price of 179.94 tenge per share and 180.21 tenge per share, respectively. Value of acquisition was equal to 34,199 million tenge.

After sale of preferred shares of Halyk Bank of Kazakhstan JSC with a fair value at the disposal date of 34,273 million tenge, the Fund ceased recognition of the relevant option obligation on purchase of preferred shares, the fair value of which on the disposal date was equal to 3,509 million tenge.

In addition, unrealized gain of 1,395 million tenge on revaluation of available-for-sale investments on the preferred shares of Halyk Bank of Kazakhstan JSC was reclassified from revaluation reserve for available-for-sale investments into net profit for the period. Resulting net gain on disposal of financial assets was recorded in the separate statement of comprehensive income in the amount of 4,830 million tenge.

In 2012 the Fund recognized an impairment loss on equity instruments of Kazakhmys Plc and Kazkommertsbank JSC in the amount of 86,103 million tenge and 60,745 million tenge, respectively (2013: nil).

As at June 6, 2013 the Fund transferred the common shares of Kazakhmys Plc (58,876,793 shares) to the state ownership, by their transfer to the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan, in accordance with the resolution of the Government No. 521dsp dated May 28, 2013.

Fair value of equity securities of Halyk Bank of Kazakhstan JSC and Kazkommertsbank JSC as at December 31, 2013 and December 31, 2012 was determined based on published quotations from the active market.

10. BANK DEPOSITS

Bank deposits comprised the following:

<i>In millions of tenge</i>	December 31, 2013	December 31, 2012
10 largest local banks	399,737	284,155
Other local credit institutions	113,100	73,198
Interest accrued	5,578	7,123
Total bank deposits	518,415	364,476
Less: current portion	(321,735)	(159,923)
Non-current portion	196,680	204,553

<i>In millions of tenge</i>	December 31, 2013	December 31, 2012
Ratings above BB+	20,302	29,957
Ratings from B to BB-	244,700	190,012
Rating B-	99,076	54,115
Ratings lower than B-	152,625	89,894
No rating	1,712	498
	518,415	364,476

Placement of temporary excess cash

Within the policy of managing temporary excess cash, the Fund places deposits with second tier banks.

As at December 31, 2013 the weighted average rate for the long-term deposits was 8.03% per annum (December 31, 2012: 7.81%), weighted average rate for the short-term bank deposits was 7.88% per annum (December 31, 2012: 7.74%).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

10. BANK DEPOSITS (continued)

Impairment of deposits placed with BTA Bank

Due to the deterioration of the financial position, relative limited liquidity and negative financial results of BTA for 2011 the Fund recognized an impairment loss on bank deposits placed with this bank in the amount of 245,068 million tenge. In 2012 the Fund reversed the full amount of previously recognized impairment loss on these assets due to the completion of the second restructuring of the financial liabilities of BTA and improvement in its financial position.

11. OTHER CURRENT ASSETS

As at December 31 other current assets comprised the following:

<i>In millions of tenge</i>	December 31, 2013	December 31, 2012
Dividends receivable	14,681	23,996
Other accounts receivable	7,694	6,075
Other	1,277	1,487
Less: impairment provision	(3,750)	(3,619)
	19,902	27,939

12. CASH AND CASH EQUIVALENTS

As at December 31 cash and cash equivalents comprised the following:

<i>In millions of tenge</i>	December 31, 2013	December 31, 2012
Current accounts with banks – tenge	58,863	301,829
Current accounts with banks – US dollars	1,946	29,998
Current accounts with banks – euro	1,154	602
Term bank deposits – tenge	41,545	100,543
	103,508	432,972

As at December 31, 2013, the weighted average interest rate on most current accounts placed with Kazakhstani banks is equal to 0.001% (2012: 0.1%). Term deposits are placed for varying periods between 1 (one) day and 3 (three) months depending on the cash requirements of the Fund. As at December 31, 2013 the weighted average interest rate on term deposits with banks is equal to 4.01% (2012: 0.77%).

Total cash balances on bank accounts include funds allocated from the State budget and the National Fund for the Government programs. As at December 31, 2013, these cash balances were accumulated on the accounts with the National Bank and were equal to 85 billion tenge (2012: 395 billion tenge), including:

- 54 billion tenge – National Fund’s amounts, received under the Stabilization Plan (2012: 247 billion tenge);
- 2 billion tenge – amounts from the State budget received to provide financing to projects implemented by the Fund (2012: 6 billion tenge);
- 29 billion tenge – the Fund’s remaining cash balance required for its operating and investing activities (2012: 142 billion tenge).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

13. EQUITY

Share capital

During 2013 and 2012 the Fund issued common shares, which were contributed as follows:

Payment for shares	Number of shares authorized and issued	Par value per share, in tenge	Share capital in millions of tenge
As at December 31, 2011	3,480,637,455		4,050,383
Contribution of state-owned shares	418,402	40,600; 46,000; 100,000; 282,174; 1,000,000;	311,903
In-kind contributions	350,282	23,156; 72,800; 80,000; 90,092; 93,549;	35,028
Cash contributions	120,000	100,000	12,000
As at December 31, 2012	3,481,526,139	100,000	4,409,314
Cash contributions	39,320	901,000; 1,000,000	39,320
Contribution of state-owned shares	27,073	1,000; 1,000,000	26,234
In-kind contributions	9,809	422,451; 615,921; 1,000,000	9,808
As at December 31, 2013	3,481,602,341		4,484,676

As at December 31, 2013, 3,481,602,341 shares were fully paid (2012: 3,481,526,139 shares).

2012

In accordance with the Law of the Republic of Kazakhstan “On Republican budget for 2012-2014” dated November 24, 2011, in 2012 the Shareholder made cash contribution to the Fund share capital in the amount of 12,000 million tenge. This amount is aimed to finance projects implemented by the subsidiaries.

In accordance with the resolution of the Government No. 570 dated May 3, 2012, on June 28, 2012 the Fund received 100% interest in FPSAIMC with the fair value of 300,070 million tenge as at the date of the transaction.

In accordance with the resolution of the Government No. 822 dated July 18, 2011, on April 19, 2012 the Fund received the Government’s shares in “Arkagas” JSC with the fair value of 4,110 million tenge as at the date of the transaction.

In accordance with the resolution of the Government No. 543 dated April 28, 2012, on December 20, 2012 the Fund received the Government’s 100% shares in “East Kazakhstan Regional Energy Company” JSC with the fair value of 7,723 million tenge as at the date of the transaction.

In 2012, the Shareholder contributed property to the Fund share capital in the total amount of 35,028 million tenge, according to the resolution of the Government No. 939 dated September 14, 2010 “On certain issues of the state property” and the resolution of the Government No. 660 dated August 6, 2007 “Separate issues of energy service in Almaty and Astana oblast”.

2013

In accordance with the Law of the Republic of Kazakhstan No. 54-V dated November 23, 2012 “On Republican budget for 2013-2015” with amendments in the Law of the Republic of Kazakhstan No. 146-V dated November 29, 2013 “On Republican budget for 2013-2015”, in 2013 the Shareholder made cash contribution to the Fund share capital in the amount of 39,320 million tenge. This amount is aimed to finance projects implemented by the subsidiaries (*Note 5*).

In accordance with the resolution of the Government No. 1539 dated December 4, 2012, on July 18, 2013 the Fund received 100% shares in “National Company “Aktau International Sea Trade Port” with the fair value of 26,234 million tenge as at the date of the transaction (*Note 5*).

In accordance with the resolution of the Government No. 939 dated September 14, 2010 “On some issues of state property”, in 2013 the Shareholder made in-kind contribution to the Fund share capital in the total amount of 9,808 million tenge (*Note 5*).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**13. EQUITY (continued)****2013 (continued)***Transactions with the Shareholder*

In accordance with the resolution of the Government and exchange agreement concluded between Fund and State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan in 2013, the Fund transferred to the state ownership shares and interests in subsidiaries (Development Bank of Kazakhstan JSC, Kazyna Capital Management JSC, Export-Credit Insurance Corporation “KazExportGarant” JSC, Entrepreneurship Development Fund “Damu” JSC, Investment Fund of Kazakhstan JSC, SK Pharmacy LLP and National Geological Company “Kazgeology” JSC). The transfer of shares and interest was performed in accordance with the orders covered by the minutes No. 01-7.1 dated January 23, 2013 “On the results of the social-economic development of the Republic of Kazakhstan in 2012 and targets for the execution of the Strategy “Kazakhstan-2050” of the meeting held with a participation of the President of the Republic of Kazakhstan (Note 5).

The carrying amount of these investments in subsidiaries on the disposal date was equal to 411,568 million tenge.

In addition, in accordance with the other exchange agreements concluded between the Shareholder and the Fund in 2010 and 2011, in 2013 the Shareholder transferred property to the Fund with the fair value of 426 million tenge (2012: 1,630 million tenge).

In 2013 as a result of the above operations, the Fund recognised Transactions with the Shareholder in the total amount of 411,142 million tenge directly in the separate statement of changes in equity (2012: 1,630 million tenge).

Other distributions to the Shareholder

On June 6, 2013 the Fund transferred common shares of Kazakhmys Plc (58,876,793 shares) to the state ownership, by their transfer to the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan (Note 9). Disposal of these financial assets was recognised as a distribution to the Shareholder in the amount of 111,925 million tenge in the separate statement of changes in equity.

In 2013 based on the orders of the Shareholder, the Fund financed various social projects for the total amount of 8,008 million tenge (2012: 9,126 million tenge). This financing was recognised as a distribution to the Shareholder in the separate statement of changes in equity.

Dividends to the Shareholder

On October 16, 2013 the Fund paid dividends to the Shareholder in the amount of 9,077 million tenge based on results for 2012 according to the resolution of the Government No. 1060 dated October 5, 2013 (2012: 159,113 million tenge).

Book value of shares

In accordance with the decision of the Exchange Board of the Kazakhstan Stock Exchange dated October 4, 2010 financial statements shall disclose book value per share (common and preferred) as at the reporting date, calculated in accordance with the KASE rules.

<i>In millions of tenge</i>	December 31, 2013	December 31, 2012
Total assets	5,109,991	5,453,393
Intangible assets	(588)	(931)
Total liabilities	(1,599,419)	(1,602,663)
Net assets for common shares	3,509,984	3,849,799
Number of common shares as at December 31	3,481,602,341	3,481,526,139
Book value per common share, tenge	1,008	1,106

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

14. BORROWINGS

Borrowings, including interest payable, comprised the following as at December 31

<i>In millions of tenge</i>	December 31, 2013	December 31, 2012
Bonds issued, purchased by subsidiaries:		
- BTA Bank JSC	656,322	652,978
- Alliance Bank JSC	106,820	106,260
- National Company “KazMunayGas” JSC	41,811	41,600
- Temirbank JSC	3,048	3,048
- Samruk Energy JSC	223	-
Bonds issued, purchased by other companies	150,942	150,440
Loans received	403,524	422,445
Total borrowings	1,362,690	1,376,771
Less: amounts due for settlement within 12 months	(106,712)	(81,764)
Amounts due for settlement after 12 months	1,255,978	1,295,007

As at December 31 borrowings, including interest payable, comprised the following currencies

<i>In millions of tenge</i>	December 31, 2013	December 31, 2012
Tenge-denominated borrowings	959,166	954,326
US dollar-denominated borrowings	403,524	422,445
	1,362,690	1,376,771

Bonds issued

In 2013 Development Bank of Kazakhstan JSC acquired Fund’s bonds in the total amount of 21,600 million tenge. Maturity of bonds is 50 years with coupon rate of 0.01% per annum. At the initial recognition bonds were measured at their fair value in the amount of 648 million tenge using an applicable market interest rate. The sale was performed simultaneously with the acquisition of the bonds of Development Bank of Kazakhstan JSC for the same compensation and the same terms.

In 2012 in accordance with the amendments made to the bond issue prospectus of the Fund where bonds were acquired by BTA and Alliance Bank JSC, the coupon rate on these bonds was increased from 4% to 6%. In accordance with IFRS 39 the Fund performed an extinguishment of the original liability under these bonds with the total carrying amount of 612,267 million tenge and recognition of a new liability with the fair value of 750,000 million tenge. Difference of 137,733 million tenge was recognized as an increase in investments in these subsidiaries.

Loans received

Credit facility of State China Development Bank

On June 22, 2009 the master finance agreement for opening credit facility for 3 billion US dollars was signed between the Fund, State China Development Bank and Development Bank of Kazakhstan JSC, acting as an operator. According to this agreement, State China Development Bank shall provide US dollar-denominated long-term loans to the Fund in the amount of 3 billion US dollars with an interest rate of six-month LIBOR plus 4.3%. Loans are provided for support and development of industrial production and other trade between China and Kazakhstan. In 2013, the Fund obtained tranches in the amount of 200 million US dollars, equivalent to 30,144 million tenge as at the date of receipt, under this credit facility (2012: 1,200 million US dollars and 179,305 million tenge, respectively). The purpose of the tranches obtained in 2013 is provision of loans to Kazakhmys Finance Plc for development of Zhomart copper field (*Note 7*). As at December 31, 2013 total carrying amount of this credit facility was equal to 403,524 million tenge (2012: 422,445 million tenge).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

15. AMOUNT DUE TO THE GOVERNMENT

As at December 31 amounts due to the Government comprised of the following:

<i>In millions of tenge</i>	December 31, 2013	December 31, 2012
Bonds purchased by the National Bank of the Republic of Kazakhstan using the funds of the National Fund	71,302	63,056
Bonds purchased by the National Bank of the Republic of Kazakhstan	59,867	59,207
Other loans from the Government	66,378	63,639
Total amounts due to the Government	197,547	185,902
Less: current portion	(331)	(198)
Non-current portion	197,216	185,704

2013

In January 2013 the Fund placed 255,000,000 coupon bonds, with nominal value of 1,000 tenge per bond for the total amount of 255,000 million tenge with maturity of 50 years and coupon interest of 0.01% per annum. All bonds were purchased by the National Bank of the Republic of Kazakhstan using the funds of the National Fund of the Republic of Kazakhstan based on the trust management agreement. These bonds were initially recognized at their fair value, calculated using market interest rates applicable to the Fund as at the date of the bonds’ placement and subsequently carried at amortised cost. Difference between nominal value of the bonds and their fair value in the amount of 249,828 million tenge was recognized in the separate statement of changes in equity.

Funds received from the placement of these bonds were used to acquire 29.8221% ownership interest in “Kazzinc” LLP (Note 5).

2012

In 2012 the Fund placed 73,000,000 and 70,196,000 coupon bonds with nominal value of 1,000 tenge per bond for the total amount of 73,000 million tenge and 70,196 million tenge, respectively. The maturity of bonds is 50 years and 12 years, coupon rate 0.01% and 4% per annum, coupon shall be paid semiannually. These bonds were purchased by the National Bank of the Republic of Kazakhstan, of which bonds for the amount of 73,000 million tenge were purchased using the funds of the National Fund of the Republic of Kazakhstan based on the trust management agreement. All bonds were initially recorded at fair value calculated using market interest rates applicable to the Fund as at the date of bonds issue and subsequently are accounted for at amortized cost. The difference between nominal value of loans and their fair value in the amount of 82,646 million tenge was recognized in the separate statement of changes in equity.

Amounts received from issue of these bonds were used for provision of loan to BTA (Note 8) as part of its debt restructuring program.

In 2012 amendments and additions were registered to the bond issue prospectus of the Fund, where bonds were placed in 2009 and 2010 with nominal value of 850 billion tenge. According to these amendments, the maturities of the bonds were prolonged to 2062 and the coupon rates were reduced to 0.01%. The amendments resulted in a substantial modification of the terms of the initial bonds placement, and respectively, the extinguishment of the initial liability and the recognition of a new liability in accordance with IAS 39. Difference of 304,650 million tenge, between the fair value of the new liability and the carrying amount of the liability, was recognized in the separate statement of changes in equity.

In accordance with the Law of the Republic of Kazakhstan “On Republican budget for 2012-2014” dated November 24, 2011, on August 13, 2012 and November 22, 2012 the Fund received loans from the Ministry of finance of the Republic of Kazakhstan. Total amount of loans is 15,285 million tenge with interest rates from 0.15% to 0.5%. Loans were issued for the period from 10 to 25 years and are intended for the following purposes:

- providing loan to “National Company “Kazakhstan Temir Zholy” JSC in the amount of 2,155 million tenge with an interest rate not exceeding 0.75% per annum;
- providing loan to “Doszhan Temir Zholy” JSC in the amount of 3,130 million tenge. Interest rate on this loan should not exceed 0.5% per annum;
- providing loan to “Development Bank of Kazakhstan” JSC in the amount of 10,000 million tenge with an interest rate not exceeding 0.2% per annum.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

15. AMOUNT DUE TO THE GOVERNMENT (continued)

2012 (continued)

At initial recognition, the loans were measured at fair value amounting to 8,314 million tenge using an applicable market interest rate and subsequently accounted for at amortized cost. Difference between nominal value of loans and their fair value in the amount of 6,971 million tenge was recognized in the separate statement of changes in equity.

16. FINANCIAL GUARANTEE LIABILITIES

Movements in the financial guarantee liabilities comprised of the following:

<i>In millions of tenge</i>	2013	2012
As at January 1	37,680	28,936
Guarantees issued during the year	4,170	12,982
Amortization of financial guarantees liabilities	(5,627)	(4,717)
Changes in foreign currency rates	922	479
As at December 31	37,145	37,680
Less: current portion	(6,420)	(5,956)
Non-current portion	30,725	31,724

Financial guarantees liabilities include the Fund's liabilities on guarantees issued to financial institutions to fund operations and significant contracts of its subsidiaries (*Note 5*). The main part of guarantees are issued free of charge. Total outstanding amount of guarantees as at December 31, 2013 is equal to 2,658 million US dollars, 13,703 million tenge and 2,485 million Russian rubles (2012: 3,261 million US dollars, 10,613 million tenge and 2,130 Russian rubles, respectively).

17. INTEREST INCOME

Interest income for the year ended December 31 comprised the following:

<i>In millions of tenge</i>	2013	2012
Interest on loans issued	63,734	47,456
Unwinding of discount on loans issued	17,939	14,047
Interest on bonds	1,986	7
	83,659	61,510

18. INTEREST EXPENSES

Interest expenses for the year ended December 31 comprised the following:

<i>In millions of tenge</i>	2013	2012
Interest on bonds	61,668	45,684
Interest on borrowings	20,323	20,773
Unwinding of discount on financial liabilities	7,319	23,829
Loss on discounting of financial assets at initial recognition	584	1,137
	89,894	91,423

19. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended December 31 comprised the following:

<i>In millions of tenge</i>	2013	2012
Sponsorship and charitable donations	13,672	6,835
Personnel costs	3,329	2,576
Consulting services	1,685	2,048
Non-refundable VAT	513	788
Other	4,625	3,720
	23,824	15,967

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

19. GENERAL AND ADMINISTRATIVE EXPENSES (continued)

In 2013 the Fund provided sponsorships in accordance with the General action plan of the Fund on sponsorship and charity for 2013 (“Plan”). The sponsorships were provided to finance a number of projects, developed through the Corporate fund “SK-Astana”, which is the operator of financing sport federations in order to develop certain types of sports and projects, approved by the Plan. Furthermore, the sponsorships were provided to other various organizations for the purpose of project financing as approved by the Plan.

20. FINANCE INCOME

Finance income for the year ended December 31 comprised the following:

<i>In millions of tenge</i>	2013	2012
Interest on bank deposits	34,586	44,644
Amortisation of financial guarantees	6,442	12,666
Interest on current bank accounts	182	407
Other	1,317	950
	42,527	58,667

21. INCOME TAX EXPENSES

Income tax expenses for the year ended December 31 comprised the following:

<i>In millions of tenge</i>	2013	2012
Withholding tax	10,214	10,826
Deferred income tax benefit	(6,083)	(337)
	4,131	10,489

As at December 31, 2013 the Fund used official current income tax rate of 20% (2012: 20%).

A reconciliation of income tax expenses applicable to its loss / profit before income tax at the statutory income tax rate to actual income tax expenses was as follows:

<i>In millions of tenge</i>	2013	2012
(Loss)/profit before income tax	(119,503)	350,212
Statutory tax rate	20%	20%
Theoretical income tax (benefit)/expenses	(23,901)	70,042
Change in unrecognised deferred tax assets	1,090	4,469
Tax effect of permanent differences	26,942	(64,022)
Non-taxable income from dividends	(17,710)	(67,349)
Gain on reversal of impairment of amounts due from credit institutions and bank deposits	-	(56,185)
Impairment of assets classified as held-for-sale	29,484	-
Impairment of investments in subsidiaries	14,343	30,857
Impairment of available-for-sale investments	-	29,370
Loss/(gain) on changes in the value of options, net	213	(2,273)
Discounting and amortisation of discount on financial assets and financial liabilities	(1,577)	2,184
Charitable donations	2,512	1,123
Income from financial guarantees	(1,125)	(943)
Other permanent differences	802	(806)
Corporate income tax expenses presented in the separate statement of comprehensive income	4,131	10,489

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

21. INCOME TAX EXPENSES (continued)

Deferred tax balances, calculated by applying the statutory tax rates effective at the reporting date to the temporary differences between the tax basis of assets and liabilities and the amounts reported in the separate financial statements, are comprised of the following:

<i>In millions of tenge</i>	2013	2012
Deferred tax assets		
Loans issued	3,042	2,947
Borrowings	6,152	180
Deferred tax assets	9,194	3,127
Deferred tax liabilities		
Property, plant and equipment	(74)	(90)
Deferred tax liabilities	(74)	(90)
Net deferred tax assets	9,120	3,037

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

22. RELATED PARTY TRANSACTIONS

Related parties include entities of the Fund’s group and other entities controlled by the Government, the Fund’s key management personnel, other related parties. Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following table provides the total amount of transactions entered into with related parties during 2013 and 2012 and the related balances as at December 31, 2013 and 2012, respectively:

<i>In millions of tenge</i>		Due from related parties (Notes 7, 8, 11)	Due to related parties (Notes 14, 15)	Cash and deposits placed with related parties (Notes 10,12)
Other entities controlled by the Government	December 31, 2013	112,577	246,623	84,979
	December 31, 2012	49,417	188,676	395,060
Subsidiaries	December 31, 2013	469,797	808,362	219,354
	December 31, 2012	536,373	849,911	211,877
Associates and joint ventures of subsidiaries	December 31, 2013	16,115	-	-
	December 31, 2012	9,473	-	-

<i>In millions of tenge</i>		Dividends received	Purchases from related parties (Note 6)	Interest earned from related parties (Notes 17, 20)	Interest incurred to related parties (Note 18)
Other entities controlled by the Government	2013	-	-	8,397	13,326
	2012	-	-	782	17,955
Subsidiaries	2013	88,933	2,479	55,844	49,915
	2012	336,885	19,939	75,835	50,135
Associates and joint ventures of subsidiaries	2013	-	-	847	-
	2012	-	-	300	-
Other related parties	2013	-	-	-	-
	2012	-	-	-	-

Nature of transactions entered into with related parties during 2013 and 2012 is disclosed in the respective notes to separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

22. RELATED PARTY TRANSACTIONS (continued)

Total compensation to key management personnel included in the general and administrative expenses in the accompanying separate statement of comprehensive income was equal to 643 million tenge and 437 million tenge for the years ended December 31, 2013 and 2012, respectively. Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund’s principal financial liabilities consist of borrowings from credit institutions and the Government, bonds issued, financial guarantees and other accounts payable. The main purpose of these financial instruments is to raise financing for the Fund’s operations. The Fund’s financial assets comprise loans issued to subsidiaries and credit institutions, bank deposits, other financial assets, other accounts receivable, purchased bonds and state securities, cash and cash equivalents arising directly from its operating activity.

The Fund is exposed to market risk, interest rate risk, credit risk, currency risk and liquidity risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund’s exposure to interest risk relates primarily to the Fund’s debt obligations with variable interest rates (*Note 14*). At the same time a sensitivity of the Fund’s profit before income tax (through the impact on variable interest rate on loan) to the potential changes in interest rates, is insignificant due to the existence of loans with variable interest rates provided at the similar conditions and for the same amount (*Note 7*). There is no impact on the Fund’s equity.

Credit risk

Credit risk arising from the inability of a party to meet the terms of the Fund’s financial instrument contracts is generally limited to the amounts, if any, by which the counterparty’s obligations exceed the obligations of the Fund to that party. It is the Fund’s policy to enter into financial instruments with a diversity of creditworthy parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The Fund considers that its maximum exposure is reflected by the amount of loans issued (*Note 7*), amount due from credit institutions (*Note 8*), other financial assets (*Note 9*), bank deposits (*Note 10*), other current assets (*Note 11*), and cash and cash equivalents (*Note 12*), net of allowances for impairment recognized at the reporting date.

Concentrations of credit risk may arise from exposures to a single debtor or to groups of debtors having similar characteristics such that their ability to meet their obligations is expected to be affected by changes in economic or other conditions.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a regular basis and management of the Fund ensures that sufficient funds are available to meet any commitments as they arise.

The table below summarises the maturity profile of the Fund’s financial liabilities at December 31, 2013 and 2012 based on contractual undiscounted payments.

<i>In millions of tenge</i>	On demand	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	>5 years	Total
As at December 31, 2013						
Borrowings	76,267	27,152	49,498	472,534	1,705,985	2,331,436
Amounts due to the Government	-	24	3,403	19,386	1,373,642	1,396,455
Other current liabilities	-	-	-	-	-	-
Total	76,267	27,176	52,901	491,920	3,079,627	3,727,891

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

<i>In millions of tenge</i>	On demand	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	>5 years	Total
As at December 31, 2012						
Borrowings	53,338	22,654	53,664	465,650	1,758,000	2,353,306
Amounts due to the Government	–	24	3,246	19,866	1,120,445	1,143,581
Other current liabilities	–	2,278	–	–	–	2,278
Total	53,338	24,956	56,910	485,516	2,878,445	3,499,165

Currency risk

Except for current accounts with banks in foreign currency, the Fund attracts substantial amount of foreign currency denominated long-term borrowings and is thus exposed to currency risk.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currencies’ exchange rate, with all other variables held constant, of the Fund’s loss / profit before income tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Fund’s equity.

<i>In millions of tenge</i>	Increase/ (decrease) in currency rate	Effect on loss/profit before income tax
2013		
Euro	20.00%	337
	10.00%	168
US dollar	20.00%	11,413
	10.00%	5,706
2012		
Euro	10.77%	172
	(10.77%)	(172)
US dollar	1.57%	1,707
	(1.57%)	(1,707)

Capital management

The primary objective of the Fund’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize value of parties concerned. The Fund manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure the Fund may issue new shares or attract borrowings.

The Fund performs capital management through attracting financial resources at optimally advantageous conditions for further financing of its activity and to invest it for achieving strategic tasks assigned to the Fund. The process of capital management also includes regular monitoring of current conditions at the capital market, of cost of borrowed funds and risks related to the each class of capital.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Fund has established the equity to debt ratio which should not exceed a ratio of 4:1. This coefficient was satisfied during the reporting period and as at the reporting date.

Debt to equity ratio is presented as follows as of December 31:

<i>In millions of tenge</i>	2013	2012
Share capital	4,484,676	4,409,314
Reserves	(2,159)	(595)
Accumulated loss	(971,945)	(557,989)
Total equity	3,510,572	3,850,730
Total borrowings	1,599,419	1,602,663
Total assets	5,109,991	5,453,393
Debt to equity ratio	0.46	0.42

Fair value hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted market prices in active markets (unadjusted) for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable in the market, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Set out below is a comparison by category of carrying amounts and fair values of all of the Fund’s financial instruments presented at fair value in the separate balance sheet:

<i>In millions of tenge</i>	December 31, 2013	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets available-for-sale	36,729	36,729	-	-
Assets related to call/put options	46,376	-	46,376	-
Liabilities measured at fair value				
Liabilities under call/put options	(46)	-	(46)	-

<i>In millions of tenge</i>	December 31, 2012	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets available-for-sale	150,318	150,318	-	-
Assets related to call/put options	47,429	-	47,429	-
Liabilities measured at fair value				
Liabilities under call/put options	(32)	-	(32)	-

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value of financial instruments

The carrying amount of the financial instruments of the Fund as at December 31, 2013 and 2012 is a reasonable estimate of their fair value except for the financial instruments presented below:

<i>In millions of tenge</i>	2013				
	Carrying amount	Fair value	Fair value by level of assessment		
			Quotations in an active market (Level 1)	From the observed market (Level 2)	Based on the significant amount of unobserved (Level 3)
<i>Financial assets</i>					
Amounts due from credit institutions	387,312	390,144	-	390,144	-
Loans with fixed interest rate	401,498	394,964	-	394,964	-
<i>Financial liabilities</i>					
Borrowings with fixed interest rate	(959,166)	(989,543)	-	(989,543)	-
Amounts due to the Government and the National Bank	(197,547)	(157,359)	-	(157,359)	-
Financial guarantee liabilities	(37,145)	(33,227)	-	(33,227)	-

<i>In millions of tenge</i>	2012				
	Carrying amount	Fair value	Fair value by level assessment		
			Quotations in an active market (Level 1)	From the observed market (Level 2)	Based on the significant amount of unobserved (Level 3)
<i>Financial assets</i>					
Amounts due from credit institutions	394,861	385,649	-	385,649	-
Loans with fixed interest rate	383,614	374,635	-	374,635	-
<i>Financial liabilities</i>					
Borrowings with fixed interest rate	(954,325)	(967,531)	-	(967,531)	-
Amounts due to the Government and the National Bank	(185,902)	(140,382)	-	(140,382)	-
Financial guarantee liabilities	(37,680)	(34,515)	-	(34,515)	-

The fair value of the above mentioned financial instruments was calculated by discounting the expected cash flows at prevailing interest rates.

24. FINANCIAL AND CONTINGENT LIABILITIES

Contingent liabilities

The Fund assesses the likelihood of material liabilities and makes a corresponding provision in its separate financial statements only if it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated. No provision has been made in these separate financial statements for any of the contingent liabilities.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**24. FINANCIAL AND CONTINGENT LIABILITIES (continued)****Taxation**

Kazakhstan’s tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and republican tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan’s tax laws are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for 5 (five) calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan’s tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at December 31, 2013. As at December 31, 2013, management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Fund’s tax positions will be sustained.

Provisions against amounts due from BTA Bank JSC

In September 2010, the Astana city tax committee of the Ministry of finance of the Republic of Kazakhstan initiated comprehensive tax audit of the Fund’s activities for 2009. Based on the results of the tax audit, tax authorities raised a question on deductibility of provisions for corporate income tax purposes in 2009. The Fund has not agreed with the results of the tax audit and at the date of issue of the separate financial statements submitted an appeal to the Tax Committee.

The resolution of the Government No. 2275 dated December 30, 2009 approved the “Rules of allocation of assets and contingent liabilities to the category of doubtful and bad by the national management holding, and by legal entities that are mainly engaged in borrowing transactions and repurchase of rights of demand and 100% of voting shares (share of participation) of such entities belong to the national management holding, and they have the right to deduct provision (reserve) expenses against doubtful and bad assets, contingent liabilities, apart from assets and contingent liabilities provided in favour of related parties, or third parties on obligations of related parties (apart from assets and contingent liabilities of credit cooperatives)” (“Rules”).

In accordance with the Rules the Fund recognised and deducted for corporate income tax purposes provisions related to the amounts due from BTA of 177,352 million tenge (“provisions”).

The Fund’s management believes that as at December 31, 2013 its interpretation of applicable legislation (including Rules) is appropriate and the Fund’s position on deductibility of these provisions will be sustained. Accordingly, the Fund did not recognize any provisions associated with possible assessments due to the results of the tax audit.

Commitments on recycle use of anti-crisis funds

In accordance with the minutes of the meeting of the State commission on economy modernization issues of the Republic of Kazakhstan No. 17-5/И-380 dated April 5, 2012, No. 17-5/11-10 dated January 30, 2013 and No.17-5/И-788 dated October 7, 2013 the Fund is obliged to finance certain investment projects in the total amount of 540,752 million tenge during 2012-2014. Taking into account investments made in 2012 – 2013, the Fund’s commitments for 2014 as at December 31, 2013 are equal to 193,714 million tenge (December 31, 2012: 415,324 million tenge), including the following projects:

The Fund financing of a housing construction program – implementation of the “Available housing” program

In accordance with the resolution of the Government No. 821 dated June 21, 2012, the Fund and the National Fund are obliged to finance housing construction through “Real Estate Fund “Samruk-Kazyna” JSC. In accordance with the minutes of the meeting of the State commission on economy modernization issues of the Republic of Kazakhstan No. 17-5/11-10 dated January 30, 2013 the Fund redistributed an amount of 56,615 million tenge from “Available housing” program to the investment project “Construction of gas pipeline “West-North-Center” (through Kartaly-Tobol-Kokshetau-Astana). As at December 31, 2013 the Fund’s commitments allocated to finance the “Available housing-2020” program with redistribution effect were equal to 8,100 million tenge (December 31, 2012: 36,200 million tenge).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

24. FINANCIAL AND CONTINGENT LIABILITIES (continued)**Commitments on recycle use of anti-crisis funds (continued)***Implementation of the Fund's investment projects*

As at December 31, 2013, the Fund's commitments to finance other investment projects were equal to 185,614 million tenge (December 31, 2012: 379,124 million tenge).

In accordance with the minutes of the meeting of the State commission on economy modernization issues of the Republic of Kazakhstan No. 17-5/11-10 dated January 30, 2013 the Fund is obliged to finance investment project “Construction of gas pipeline “West-North-Center” (through Kartaly-Tobol-Kokshetau-Astana) for the total amount of 60,000 million tenge using its own funds and/or funds of NC KMG including 20,000 million tenge which are planned for allocation by NC KMG.

In accordance with the minutes of the Interagency committee on the development of oil and gas and energy sectors No. 17-5/07-145 dated April 19, 2013 implementation of the above project is suspended for 1 (one) year.

In addition, these funds and funds redistributed from the “Available housing” program are planned to be compensated from the Republican budget in 2014 by increasing the share capital of the Fund in the amount of 122,707 million tenge.

Commitments under investment projects out of funds from Republican budget

As at December 31, 2013 Fund's commitments on implementation of investment projects using funds from the Republican budget were equal to 2,030 million tenge (December 31, 2012: 6,030 million tenge).

Commitment on acquisition of Shekerbank shares

On January 25, 2012 the Fund signed an agreement to purchase 339,787,080 shares (33.98%) of the Turkish bank Shekerbank from BTA Securities JSC (a subsidiary of BTA). As at December 31, 2013 the Fund owns 219,310,353 shares (21.93%) (*Note 6*). Purchase of the remaining shares is not possible at the present time, due to an arrest of the shares of Shekerbank belonging to BTA Securities JSC related to a legal claim filed by Vakifbank T.A.O. against BTA.

25. SUBSEQUENT EVENTS*Sale of BTA shares*

On January 31, 2014 purchase-sale agreement of BTA shares was signed by the Fund and two buyers – KKB and Mr. Kenes Rakishev. The deal will not be considered as completed until execution of several conditions precedent (*Note 1*).

Sale of Temirbank and Alliance Bank shares

On March 5, 2014 the Government resolution regarding the alienation of the Fund shares of Temirbank and Alliance Bank was issued. As such one of the conditions precedent to complete this deal was satisfied (*Note 1*).

Other changes in investments in subsidiaries

During the first four months of 2014 the Fund made additional cash contributions to the share capital of its subsidiaries in the amount of 86,028 million tenge.

Loans issued

On January 16, 2014 the Fund signed a loan agreement with Samruk-Energy JSC, whereby the Fund provided a loan in the amount of 200,000 million tenge for the purpose of acquisition of 50% interest in Ekibastuzskaya GRES-1 LLP and 100% interest in Kazhydrotechenergo LLP. In accordance with the minutes of the meeting of the management of the National Fund of the Republic of Kazakhstan No. 01-7.9 dated April 11, 2013, this transaction was financed using cash of the National Fund.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

25. SUBSEQUENT EVENTS (continued)*Loans issued (continued)*

On April 9, 2014 the Fund provided an additional tranches to “Real Estate Fund “Samruk Kazyna” JSC in the amount of 5,000 million tenge for the purpose of financing housing construction projects under “Affordable housing – 2020” programme, which was approved by the resolution of the Government No. 821 dated June 21, 2012. In accordance with the minutes of the meeting of the State commission on economy modernization issues of the Republic of Kazakhstan No. 17-5/И-380 dated April 5, 2012, this transaction was financed using cash of the National Fund.

In January 2014, the Fund received an early repayment of loans provided to Kazakhmys Finance Plc for the purpose of development of Zhomart and Akbastau/Kosmurun copper fields in the amount of 400 million US dollars (equivalent to 61,808 million tenge converted using the exchange rate at the repayment date).

Amounts due to the Government

In January 2014, the Fund placed 300,000,000 coupon bonds in the nominal amount of 1,000 tenge per bond for the total amount of 300,000 million tenge with the maturity of 15 years and 3% coupon interest per annum. The bonds were acquired by the National Bank of the Republic of Kazakhstan. The funds received from the issue of these bonds in the amount of 200,000 million tenge were used for the purpose of acquisition of 50% interest in Ekibastuzskaya GRES-1 LLP and 100% interest in Kazhydrotechenergo LLP.

Borrowings

In January 2014, the Fund made an early partial repayment of the loans provided by the State China Development Bank for the purpose of development of Zhomart and Akbastau/Kosmurun copper fields in the amount of 400 million US dollars (equivalent to 61,904 million tenge converted using the exchange rate at the repayment date).

Tenge devaluation

On February 11, 2014 the tenge was devalued against the US dollar and other major currencies. The exchange rates before and after devaluation were 155.56 tenge per 1 US dollar and 184.5 tenge per 1 US dollar, respectively, which is close to 19% devaluation of tenge. Sensitivity of the Fund’s net profit before income tax to possible change in tenge / US dollar exchange rate is disclosed in *Note 23*. This sensitivity analysis demonstrates only possible effect of tenge devaluation if it has occurred as at December 31, 2013, with all other variables held constant.

Contributions to the share capital

In April 2014, the Shareholder made cash contributions to the share capital of the Fund in the amount of 54,500 million tenge.