CHAGALA GROUP LIMITED

Unaudited Interim Condensed
Consolidated Financial Statements

For the six months ended 30 June 2013

CHAGALA GROUP LIMITED

CONTENTS

Pages

Unaudited Condensed Consolidated Interim Financial Statements

CHAGALA GROUP LIMITED

Condensed Consolidated Interim Statement of Financial Position

as at 30 June 2013 and 31 December 2012

In thousands of US Dollars	Note	30 June 2013 unaudited	31 December 2012 audited
ASSETS			
Non-Current Assets			
Property, plant and equipment, net	6	134,472	138,563
Intangible assets other than goodwill		143	220
Capital work-in-progress		787	827
Long-term prepayments		52	94
Investment in an associate	3	811	22
Restricted cash		37	43
Deferred tax asset		875	912
		137,177	**140,681**
Current Assets			
Inventories	7	3,511	3,968
Trade accounts receivable, net		5,690	5,166
Taxes prepaid		1,747	2,404
Corporate income tax prepaid		1,281	1,207
Other prepayments		601	498
Cash and cash equivalents	10	1,053	754
Due from related parties outside the Group	13	790	296
		14,673	**14,293**
TOTAL ASSETS		**151,850**	**154,974**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	11	8,503	8,503
Additional paid-in capital		80,293	80,293
Retained earnings		(3,916)	(4,260)
Revaluation reserve, net of deferred tax		46,974	47,201
Other reserves	11	508	508
Foreign currency translation reserve		(26,409)	(25,753)
		105,953	**106,492**
Non-controlling interests		**3,519**	**3,595**
TOTAL EQUITY		**109,472**	**110,087**
Non-Current Liabilities			
Long-term borrowings	8	10,908	13,062
Bonds payable	9	13,924	13,900
Derivative financial instruments		391	581
Deferred tax liabilities		7,678	7,588
Other non-current liabilities		236	236
		33,137	**35,367**
Current Liabilities			
Current portion of long-term borrowings	8	4,153	4,178
Short-term borrowings		1,807	2,487
Interest payable		324	280
Trade accounts payable		1,325	1,328
Advances from customers		333	656
Taxes payable		719	347
Corporate income tax payable		13	13
Other payables and accruals		543	140
Due to related parties outside the Group	13	24	91
		9,241	**9,520**
TOTAL LIABILITIES		**42,378**	**44,887**
TOTAL EQUITY AND LIABILITIES		**151,850**	**154,974**

Chief Executive Officer — Francisco Parrilla

Chief Financial Officer — Margarita Kapustyanskaya

CHAGALA GROUP LIMITED

Condensed Consolidated Interim Income Statement

for the six months ended 30 June

In thousands of US Dollars	Note	2013 unaudited	2012 unaudited
Room and rent revenue	4	11,949	11,113
Food and beverages revenue	4	3,409	2,949
Other operating revenue	4	1,253	1,309
TOTAL REVENUE		**16,611**	**15,371**
Utilities, cleaning and maintenance		(3,042)	(2,569)
Costs of food and beverages		(1,145)	(1,137)
Salaries and employee benefits		(4,926)	(4,841)
General and administrative expenses		(2,056)	(2,273)
Depreciation and amortization	4	(3,221)	(4,094)
Operating Profit		**2,221**	**457**
Foreign exchange gain / (loss)		8	(100)
Impairment of capital work-in-progress, goodwill and intangible assets		-	-
Gain / (loss) on disposal of property, plant and equipment	4	(61)	3
Finance income		197	75
Finance costs		(2,002)	(1,818)
Other gain / (loss)		(9)	2
Profit / (loss) before income tax expense		**354**	**(1,381)**
Income tax expense	5	(313)	(96)
Net profit / (loss) for the period		**41**	**(1,477)**
Attributable to:			
Equity holders of the parent		117	(1,372)
Non-controlling interests		(76)	(105)
		41	**(1,477)**
Earnings/(loss) per share (in US Dollars): basic and diluted, for profit / (losses) for the year attributable to equity holders of the parent	11	0.00	(0.02)

Chief Executive Officer Francisco Parrilla

Chief Financial Officer Margarita Kapustyanskaya

CHAGALA GROUP LIMITED

Condensed Consolidated Interim Statement of Comprehensive Income

for the six months ended 30 June

In thousands of US Dollars	Note	2013 unaudited	2012 unaudited
Net profit/(loss) for the period		**41**	**(1,477)**
Other comprehensive income/(loss):			
Foreign currency translation gain/(loss)		(656)	(1,006)
Other comprehensive gain/(loss), net of tax		-	(47)
Total comprehensive income/(loss) for the period, net of tax		**(615)**	**(2,530)**
Attributable to:			
Equity holders of the parent		(539)	(2,425)
Non-controlling interests		(76)	(105)
		(615)	**(2,530)**

Chief Executive Officer — Francisco Parilla

Chief Financial Officer — Margarita Kapustyanskaya

CHAGALA GROUP LIMITED

Condensed Consolidated Interim Statement of Cash Flows

for the six months ended 30 June

In thousands of US Dollars	Note	2013 unaudited	2012 unaudited
Cash flows from operating activities			
Profit/(loss) before income tax expense		354	(1,381)
Adjustments for:			
Depreciation		3,142	3,960
Amortization		79	135
Unrealized foreign exchange loss/(gain)		(22)	(234)
Reversal of allowance for doubtful debts		-	(2)
Finance costs		2,002	1,818
Finance (income)		(197)	(75)
Accrual of share based payments reserve	15	-	5
Loss/(gain) on disposal of property, plant and equipment		61	(3)
Cash from operations before working capital changes		**5,419**	**4,228**
(Increase) / decrease in operating assets:			
Inventories		433	(452)
Trade accounts receivable		(555)	95
Amounts due from related parties, other than loans		(196)	(126)
Prepayments and other receivables		535	(165)
Increase / (decrease) in operating liabilities:			
Accounts payable		(17)	(271)
Amounts due to related parties, other than loans		(66)	(59)
Other payables		470	1,258
Cash generated from operations		**6,023**	**4,508**
Interest paid		(1,791)	(1,571)
Income taxes paid		(219)	(460)
Net cash provided by operating activities		**4,013**	**2,478**
Cash flows from investing activities			
Loans provided to related parties during the period		(300)	-
Purchases of property, plant and equipment		(676)	(1,290)
Proceeds from disposal of property, plant and equipment		354	-
Long term investments	3	(334)	-
Acquisition of intangible assets		-	(40)
Net cash used in investing activities		**(956)**	**(1,330)**
Cash flows from financing activities			
Repayment of borrowings		(2,083)	(15,068)
Receipt of long-term borrowings		-	14,520
Receipt / (repayment) of short-term borrowings		(665)	113
Expenses related to loan		(5)	(182)
Payment of dividends		-	-
Net cash used in financing activities		**(2,753)**	**(617)**
Net increase in cash and cash equivalents		**304**	**530**
Effect of exchange rate changes on cash and cash equivalents		(5)	(6)
Cash and cash equivalents at the beginning of the period	10	754	1,839
Cash and cash equivalents at the end of the period	**10**	**1,053**	**2,363**

Chief Executive Officer — Francisco Parrilla

Chief Financial Officer — Margarita Kapustyanskaya

CHAGALA GROUP LIMITED

Condensed Consolidated Interim Statement of Changes in Equity

for the six months ended 30 June

In thousands of US Dollars — **Attributable to equity holders of the parent**

	Share Capital	Additional paid in Capital	Revaluation Reserve	Foreign Currency Translation Reserve	Retained Earnings	Other Reserves	Total	Non-controlling interests	Total Equity
As at 1 January 2013 (audited)	**8,503**	**80,293**	**47,201**	**(25,753)**	**(4,260)**	**508**	**106,492**	**3,595**	**110,087**
Profit for the period	-	-	-		117	-	117	(76)	41
Other comprehensive income	-	-	-	(656)	-	-	(656)	-	(656)
Total comprehensive income	**-**	**-**	**-**	**(656)**	**117**	**-**	**(539)**	**(76)**	**(615)**
Other movements	-	-	(227)	-	227	-	-	-	-
As at 30 June 2013 (unaudited)	**8,503**	**80,293**	**46,974**	**(26,409)**	**(3,916)**	**508**	**105,953**	**3,519**	**109,472**

In thousands of US Dollars — **Attributable to equity holders of the parent**

	Share Capital	Additional paid in Capital	Revaluation Reserve	Foreign Currency Translation Reserve	Retained Earnings	Other Reserves	Total	Non-controlling interests	Total Equity
As at 1 January 2012 (audited)	**8,503**	**80,293**	**49,788**	**(23,602)**	**19,848**	**474**	**135,304**	**4,334**	**139,638**
Profit for the period	-	-	-		(1,372)	-	(1,372)	(105)	(1,477)
Other comprehensive income	-	-	(2)	(1,006)	(45)	-	(1,053)	-	(1,053)
Total comprehensive income	**-**	**-**	**(2)**	**(1,006)**	**(1,417)**	**-**	**(2,425)**	**(105)**	**(2,530)**
Other movements	-	-	-	-	-	5	5	(311)	(306)
As at 30 June 2012 (unaudited)	**8,503**	**80,293**	**49,786**	**(24,608)**	**18,431**	**479**	**132,884**	**3,918**	**136,802**

Chief Executive Officer — Francisco Parrilla

Chief Financial Officer — Margarita Kapustyanskaya

1 CORPORATE INFORMATION

Chagala Group Limited (the “Company” or “Parent”) was incorporated as a private company in the British Virgin Islands (“BVI”) on 20 February 2006. The Company was formed for the principal purpose of acting as the parent company of the group of subsidiaries based in the Republic of Kazakhstan.

The principal activities of the Company and its controlled subsidiaries (collectively referred to as the “Group”) consist of (i) ownership and management of hotels, serviced apartments, office accommodation and other commercial properties (ii) restaurant operations and (iii) development of commercial real estate in Western Kazakhstan.

On 27 February 2007 the Company listed its Global Depository Receipts (“GDRs”), each representing four ordinary shares, through an initial public offering (“IPO”) on the London Stock Exchange, and successfully floated 57.9% of its ordinary shares. Shares of the Company are publicly traded.

The Company’s registered address is c/o Offshore Incorporations Limited, PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

During 2010 Chagala Group Limited established a Netherlands structure where two new companies were established: Chagala Cooperatief U.A. (the “Coop”) and Chagala International Holding B.V. (the “BV”) under Chagala Group Limited to facilitate the Group reorganization. On 31 December 2011 the Share Premium Agreement was signed between Chagala Group Limited, the Coop and the BV where the Kazakh subsidiaries will be transferred by Chagala Group Limited to the BV on behalf of the Coop as a contribution in kind by way of share premium contribution. As a result, the BV holds the equity in the group of Kazakh. There was no significant impact on the consolidated financial statement as the result of the performed reorganization procedures.

The Kazakh entities transferred by Chagala Group Limited to the BV and related share of voting interest are as follows:

Kazakh entities	Region	Percentage Ownership
Chagala Management LLP	Almaty	100%
Chagala Zere Malls LLP	Almaty	100%
Caspi Limited LLP	Atyrau	100%
Aktau Development Company LLP	Aktau (Bautino)	100%
Bayan Limited LLP	Uralsk	100%
Chagala Aksai LLP	Aksai	50.1%
Seventh Sense Group LLP	Almaty	100%

On February 2012 Chagala International Holding BV bind agreement to co-invest in a joint venture with leading international fund manager ADM Capital and create company Arrowhead B.V. located in Holland with 30% and 70% respectively. On 16 April Arrowhead B.V. created company Crossbow LLP with 100% ownership and located in Almaty. On 11 September Arrowhead B.V. created company Flecha LLP with 100% ownership and located in Atyrau.

On 19 June 2012 Chagala International Holding BV created Regus Chagala LLP with 100% ownership. New company will develop real estate market of Atyrau. On 24 June 2013 Regus Chagala LLP was renamed to Seventh Sense Group LLP.

24,95% shares of Itasia Engineering was purchased by Chagala International Holding B.V. in 10 December 2012.

A listing of the Group’s associates as at 30 June 2013 is as follows:

Associates	Region	Percentage Ownership
Arrowhead B.V.	Netherlands	30%
Itasia Engineering LLP	Almaty	24.95%

2 BASIS OF Preparation AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

2.2 New standards, interpretations and amendments thereof, adopted by the Company

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations as of 1 January 2013, noted below:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 Employee Benefits (Revised)
The IASB has issued numerous amendments to IAS 19. These 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. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 *Joint Arrangements,* and IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 *Investments in Associates,* has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013 and will have no impact to the Group.

IFRS 1 Government Loans – Amendments to IFRS 1
These amendments require first-time adopters to apply the requirements of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance,* prospectively to government loans existing at the date of transition to IFRS. The amendments are effective for annual periods on or after 1 January 2013 and will have no impact on the Group.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation — Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The application of this new standard will not impact the financial position or performance of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements
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 (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will not impact the financial position or performance of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3 INVESTMENT IN ASSOCIATES

The Group has a 30% interest in Arrowhead B.V. (or "ABV"), which is involved in the development of commercial and residential properties in the Republic of Kazakhstan. ABV is a legal entity established under the laws of the Netherlands. In 2012 ABV created two subsidiaries, 100% owned by the entity: Flecha LLP was created on 11 September 2012 with the main activity in Atyrau; Crossbow LLP was created on 16 April 2012 with the main activity in Almaty. Additional investments were made in ABV during six months ended 30 June 2013 to the total amount of USD 789 thousand, includng USD 334 thousand in cash and USD 455 thousand by the way of transfer of land plot from Caspi Limited LLP to Flecha LLP.

The Group has a 24.95% interest in Itasia Engineering LLP (or "Itasia"), which is involved in the construction of properties for the Group. Itasia is a legal entity established under the laws of the Republic of Kazakhstan. The Group has a commitment to acquire an additional 24.05% interest in Itasia during 2013 for the cash contribution of USD 49. The aggregate interest will constitute 49%.

4 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on services rendered and has two reportable operating segments: room and rent operations and food and beverages operations. Other operating segments which are mainly represented by sport and leisure and technical support services are not material to the Group and are aggregated under 'Other' caption in tables below.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements except for certain costs and expenses which are not allocated to segments.

The following table presents information regarding the Group's business segments:

Six months ended 30 June 2013 (unaudited)	Room and rent	Food and beverages	Other	Adjustments and eliminations	Total operations
In thousands of US Dollars					
Revenue					
Sales to external customers	11,949	3,409	1,253	-	16,611
Internal sales	724	322	-	(1,046)[1]	-
Total revenue	**12,673**	**3,731**	**1,253**	**-**	**16,611**
Results					
Depreciation and amortization	(2,698)	(278)	(143)	(102)	(3,221)
Revaluations recognized in the income statement	-	-	-	-	-
Impairment of capital work-in-progress, goodwill and intangible assets	-	-	-	-	-
Loss on disposal of property, plant and equipment	(57)	(4)	-	-	(61)
Finance costs, net				(1,805)	(1,805)
Other loss, net	-	-	-	(1)	(1)
Segment profit / (loss)	**4,774**	**394**	**558**	**(5,372)[2]**	**354**

1. Internal sales are eliminated on consolidation.
2. Profit for the operating segments does not include general and administrative expenses (USD 2,056 thousand) and salaries and employee benefits (USD 1,408 thousand).

Six months ended 30 June 2012 (unaudited)	Room and rent	Food and beverages	Other	Adjustments and eliminations	Total operations
In thousands of US Dollars					
Revenue					
Sales to external customers	11,113	2,949	1,309	-	15,371
Internal sales	117	82	-	(199)[1]	-
Total revenue	**11,230**	**3,031**	**1,309**	**-**	**15,371**
Results					
Depreciation and amortization	(3,349)	(389)	(218)	(139)	(4,094)
Revaluations recognized in the income statement	-	-	-	-	-
Impairment of capital work-in-progress, goodwill and intangible assets	-	-	-	-	-
Loss on disposal of property, plant and equipment	2	1	-	-	3
Finance costs, net	(1,082)	-	-	(761)	(1,843)
Other income, net	-	-	-	2	2
Segment profit / (loss)	**2,168**	**210**	**822**	**(4,581)[2]**	**(1,381)**

1. Internal sales are eliminated on consolidation.
2. Profit for the operating segments does not include general and administrative expenses (USD 2,273 thousand) and salaries and employee benefits (USD 1,410 thousand).

The following table presents operating assets of the Group's operating segments as at 30 June 2013 and 31 December 2012:

Operating assets	Room and rent	Food and beverages	Other	Adjustments and eliminations	Total operations
In thousands of US Dollars					
At 30 June 2013 (unaudited)	**124,508**	**8,696**	**2,761**	**15,885**[1]	**151,850**
At 31 December 2012 (audited)	**130,409**	**7,548**	**1,235**	**15,782**[2]	**154,974**

1. Segment assets do not include property, plant and equipment, inventories and long term prepayments (USD 8,547 thousand), intangible assets other than goodwill (USD 143 thousand), investment in associates (USD 811 thousand), restricted cash (USD 37 thousand), deferred tax assets (USD 875 thousand), taxes prepaid (USD 1,747 thousand), corporate income tax prepaid (USD 1,281 thousand), due from related parties (USD 790 thousand), other prepayments (USD 601 thousand) and cash and cash equivalents (USD 1,053 thousand) as these assets are managed on a group basis.
2. Segment assets do not include property, plant and equipment for administrative purposes (USD 8,950 thousand), intangible assets other than goodwill (USD 220 thousand), investment in associates (USD 22 thousand), restricted cash (USD 43 thousand), deferred tax assets (USD 912 thousand), inventories related to apartments for sale (USD 476 thousand), taxes prepaid (USD 2,404 thousand), corporate income tax prepaid (USD 1,207 thousand), due from related parties (USD 296 thousand), other prepayments (USD 498 thousand) and cash and cash equivalents (USD 754 thousand) as these assets are managed on a group basis.

The following table presents operating liabilities of the Group's operating segments as at 30 June 2013 and 31 December 2012:

Operating liabilities	Room and rent	Food and beverages	Other	Adjustments and eliminations	Total operations
In thousands of US Dollars					
At 30 June 2013 (unaudited)	**1,820**	**451**	**166**	**39,941**[1]	**42,378**
At 31 December 2012 (audited)	**1,844**	**462**	**54**	**42,527**[2]	**44,887**

1. Segment liabilities do not include long- and short-term borrowings (USD 16,868 thousand), bonds payable (USD 13,924 thousand), derivative financial instruments (USD 391 thousand), deferred tax liabilities (USD 7,678 thousand), interest payable (USD 324 thousand), taxes payable (USD 719 thousand), corporate income tax payable (USD 13 thousand) and due to related parties (USD 24 thousand) as these liabilities are managed on a group basis.
2. Segment liabilities do not include long- and short-term borrowings (USD 19,727 thousand), bonds payable (USD 13,900 thousand), derivative financial instruments (USD 581 thousand), deferred tax liabilities (USD 7,588 thousand), interest payable (USD 280 thousand), taxes payable (USD 347 thousand), corporate income tax payable (USD 13 thousand) and due to related parties (USD 91 thousand) as these liabilities are managed on a group basis.

5 INCOME TAX

Income tax expense for the six months ended 30 June comprised the following:

In thousands of US Dollars	2013 unaudited	2012 unaudited
Income tax expense – current	148	96
Deferred income tax expense / (benefit)	165	-
Income tax expense	**313**	**96**

6 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013 the Group spent USD 666 thousand (2012: USD 8,610 thousand, where USD 7,865 thousand are related to Town Houses) on acquisition of property, plant and equipment.

No amounts of borrowing costs were capitalized during the six months ended 30 June 2013 (2012: USD 413 thousand).

Assets with a net book value of USD 830 thousand were disposed of by the Group during the six months ended 30 June 2013 (2012: USD 74 thousand), resulting in a net loss on disposal of USD 61 thousand (2012: USD 3 thousand gain).

7 INVENTORIES

During the six months ended 30 June 2013, the Group wrote down USD 1,865 thousand of inventories that had been consumed by operations.

As at 31 December 2012 inventories included expenses in the amount of USD 476 thousand incurred by Caspi Limited LLP for development of the Sarayshyk project on behalf of an associate, Arrowhead B.V. These expenses were reimbursed in 2013.

8 LOANS AND BORROWINGS

As at the end of the period, long-term loans and borrowings comprised the following:

In thousands of US Dollars	**30 June 2013 unaudited**	**31 December 2012 audited**
Long-term borrowings:		
Kazinvestbank JSC	7,407	9,036
HSBC Bank Kazakhstan	3,501	4,026
	10,908	**13,062**
Current portion of long-term borrowings:		
Kazinvestbank JSC	3,153	3,172
HSBC Bank Kazakhstan	1,000	1,006
	4,153	**4,178**
Total long-term borrowings	**15,061**	**17,240**

Long-term loans and borrowings are repayable as follows:

In thousands of US Dollars	**30 June 2013 unaudited**	**31 December 2012 audited**
Current portion, including interest payable	**4,477**	**4,458**
Maturity between 1 and 2 years	5,154	4,681
Maturity between 2 and 5 years	5,754	8,381
Total long-term portion	**10,908**	**13,062**

Kazinvestbank JSC

On 5 September 2011 Caspi Limited LLP concluded a KZT denominated credit facility agreement with Kazinvestbank JSC in the amount of USD 9,232 thousand (equivalent to KZT 1,400 million) for financing the construction of Townhouses with maturity date 5 September 2016. As of June 30, 2012 it was fully drawn.

Additionally, in November 2012 Caspi Limited, Aktau Development Company and Bayan Limited concluded a joint agreement with Kazinvestbank JSC to open a KZT denominated non-revolving credit facility in the amount equivalent to USD 5,018 thousand (KZT 761 million) with maturity date November 2016. The purpose of the credit facility is refinancing of the borrowings from HSBC Bank and Raiffeisen Bank. In 2012 it was fully drawn.

The credit facility is secured as follows:

- Legal mortgages over immovable properties in favour of Kazinvestbank JSC (registered with related authority of the Republic of Kazakhstan);
- Assigned demand of receivables under existing contracts and future cash flows from the sale of services under existing contracts for the amount of USD 7,254 thousand (equivalent to KZT 1,100 million).
- Corporate guarantee issued by Chagala Group Limited.

HSBC Bank Kazakhstan

In December 2012, Caspi Limited, Aktau Development Company and Bayan Limited concluded a joint agreement with HSBC Bank Kazakhstan to open a KZT denominated non-revolving credit facility for the amount equivalent to USD 5,005 thousand (KZT 759 million) with maturity date December 2015. The purpose of the credit facility is refinancing of the borrowings from HSBC Bank and Raiffeisen Bank. In 2012 it was fully drawn. The interest rate is defined as refinancing interest rate plus 4%. In 2012 the effective interest rate was 10.77%.

As at 30 June 2013 the credit facility was secured by pledged immovable properties with a carrying amount of USD 13,304 thousand.

HSBC Bank and Raiffeisen Bank

On 12 June 2008, the Group entered into a credit facility agreement with HSBC Bank Kazakhstan JSC and Raiffeisen Zentralbank Osterreich AG. The total amount of the credit facility was USD 53,500 thousand. On 22 November 2010, the amended agreement was signed in order to decrease the total amount of the credit facility to USD 34,307 thousand and replace one of the lenders - Raiffeisen Zentralbank Osterreich AG with another lender - Raiffeisen Bank International AG.

As at 31 December 2011 the Group has fully drawn the credit facility with an outstanding balance of USD 25,730 thousand which was fully redeemed in 2012 by means of refinancing with KZT denominated borrowings from Kazinvestbank JSC, HSBC Bank Kazakhstan and issued Bonds. The unamortized part of costs related to arrangement of credit facility in the amount of USD 1,286 thousand as at 31 December 2011 was fully written-off to finance costs in 2012 with additional costs of USD 119 thousand and translation difference of USD 55 thousand. In 2012 the effective interest rate was 10.56% (2011: 10.56%).

As at 30 June 2013 the total notional amount of USD 16,356 thousand is under the interest rate swap agreements (31 December 2012: USD19,909 thousand) . The fair value of the interest rate swap instruments was recognized as a liability in the amount of USD 391 thousand as at 30 June 2013 (31 December 2012: USD 581 thousand) with respective charge to finance income. The Group monitors changes in market interest rates and plans to terminate the swap agreements at the favorable conditions.

9 BONDS PAYABLE

In March 2012 Caspi Limited LLP announced the placement on the Kazakhstan market of USD 14,836 thousand (equivalent to KZT 2,250 million) 5-year KZT denominated bond with a coupon rate of 10% per annum. The principal amount is payable in December 2016 and the interest is payable in semi-annual instalments. The bond proceeds were used for financing construction of residential and commercial real estate in the Republic of Kazakhstan, as well as for repayment of some liabilities to HSBC.

As at 30 June 2013 and 31 December 2012 bonds payable are as follows:

In thousands of US Dollars	**30 June 2013 unaudited**	**31 December 2012 audited**
Principal amount	14,836	14,926
Unamortised discount including arrangement fee (collectively, “discount”)	(912)	(1,026)
Carrying amount of bonds payable	**13,924**	**13,900**

10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

In thousands of US dollars	**30 June 2013 unaudited**	**31 December 2012 audited**
Cash in current bank accounts	996	694
Cash on hand	57	60
	1,053	**754**

11 SHARE-BASE PAYMENT

Ordinary shares issued and fully paid

At 30 June 2013 and 31 December 2012, the authorised, issued and fully paid shares of the Group consist of 85,027,302 shares of USD 0.10 each.

Nature and purpose of other reserves

Share-based payment plans

The options are granted under the established Chagala Group Limited share option scheme (the "Plan").The contractual term of each option granted is four years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

No options were granted during six months ended 30 June 2013.

On 3 May 2012 the Group granted options to its senior management to subscribe for 140,000 ordinary shares in the Group. Each of the options has an exercise price of USD 0.575 and must be exercised by 3 May 2016. The Company listed Global Depository Receipts which each represent 4 shares and accordingly, the exercise price is equivalent to USD 3.50 per GDR. The granted options were vested immediately at the grant date.

The fair value of the options is estimated at the grant date using the Black-Scholes-Merton pricing model, taking into accounts the terms and conditions upon which the instruments were granted. The main inputs to the model used for the Plan are: expected volatility – 50%; risk-free interest rate – 0.72%; weighted average share price – 0.6USD per share (at the grant date). The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

Earnings Per Share

Basic earnings per share are calculated by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	30 June 2013 unaudited	**30 June 2012 unaudited**
Weighted average number of ordinary shares outstanding (thousands)	85,027	85,027
Effect of dilution		
Share options (thousands)	-	-
Weighted average number of ordinary shares outstanding adjusted for the effect of dilution (thousands)	85,027	85,027
Profit/(loss) for the period attributable to equity holders of the parent (in thousand US Dollars)	41	(1,477)
Basic and diluted earnings per share, US Dollars	**0.00**	**(0.02)**

In 2013 and 2012 share options were not considered dilutive as the exercise price of the share options exceeded the average market price of ordinary shares during the years.

12 COMMITMENTS AND CONTINGENCIES

As at 30 June 2013 the Group had no material contractual commitments for the purchase of property, plant and equipment from third parties (31 December 2012: no material contractual commitments).

13 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The following table provides the total amount of transactions which have been entered into with related parties during the six month periods ending 30 June 2013 and 30 June 2012, as well as balances with related parties as at 30 June 2013 and 31 December 2012.

Statement of Financial Position

In thousands of US Dollars	**30 June 2013 unaudited**	**31 December 2012 audited**
Amounts due from related parties, including loans:		
Associates	779	229
Other related parties	11	67
	790	**296**
Amounts due to related parties, including loans:		
Associates	-	67
Other related parties	24	24
	24	**91**

The following table provides the loans outstanding from related parties as at 30 June 2013 and 31 December 2012:

In thousands of US Dollars	**30 June 2013 unaudited**	**31 December 2012 audited**
Loans to related parties:		
Associates	300	-
	300	**-**

The following table provides the interest received during the six months ended 30 June 2013 and 30 June 2012:

	For six months ended 30 June	
In thousands of US Dollars	**2013 unaudited**	**2012 unaudited**
Interest received:		
Associates	6	-
	6	**-**

Income Statement

In thousands of US Dollars	**For six months ended 30 June 2013 unaudited**	**For six months ended 30 June 2012 unaudited**
Sales to related parties:		
Associates	501	-
Other related parties	-	-
	501	**-**
Purchases from related parties:		
Associates	14	-
Other related parties	-	-
	14	**-**

Key Management Personnel

In thousands of US Dollars	**For six months ended 30 June 2013 unaudited**	**For six months ended 30 June 2012 unaudited**
Remuneration	467	508
Interest free short-term loans and advances provided to key management personnel	-	-

Key management personnel comprise members of the Management Board and Board of Directors of the Group, totalling eight persons as at 30 June 2013 (2012: nine). The total compensation to key management personnel is included in Salaries and employees benefits in the consolidated income statement.

Terms and conditions of transactions with related parties

The Group provides a 30% discount (applied to the RACK rates) on hotel services to related parties. Outstanding balances at year-end are interest free and settlement occurs via bank transfer. There were no guarantees provided for any related party payable.

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist of cash and short-term deposits as well as accounts receivable, loans, borrowings, accounts payable and derivatives. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk.

Market risk

Market risk is the risk that the fair values of future cash flows of financial instruments will fluctuate because of changes in market prices. Market prices comprise different types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings, bonds payable, deposits and derivative financial instruments.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates to the Group's long-term debt obligations with floating interest rates related to refinancing interest rate of National Bank of RK (refinancing interest rate).

In addition, as at 30 June 2013 the Group has interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts related to Libor calculated by reference to an agreed-upon notional principal amount of borrowings (Note 8). In 2012 the underlying borrowings were closed leaving the exposure to the risk due to change in LIBOR rate for still opened interest rate swaps.

As at 30 June 2013 the Group has not enter into any hedging instruments to mitigate any potential risks since management does not believe the interest rate risk associated with the borrowings is significant.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and foreign currency derivatives.

In 2012 the Group reduced the currency risk by means of refinancing US dollars denominated borrowings with KZT denominated borrowings and bonds payable.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate, with all the variables held constant, of the Group's profit before income tax.

Credit risk

The Group trades only with recognized, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from cash at bank, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of this instrument.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating in order to support its business and maximise shareholder value.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital. The Group's policy is to keep the gearing ratio below 50%.The debt includes borrowings, bonds payable and trade accounts payable. Capital includes equity attributable to the equity holders of the Group.

The debt-to-equity ratio at the year-end was as follows:

In thousands of US Dollars	**30 June 2013 unaudited**	**31 December 2012 audited**
Borrowings	16,868	19,727
Bonds payable	13,924	13,900
Trade accounts payable	1,325	1,328
Total debt	32,117	34,955
Equity	105,953	106,492
Debt-to-equity ratio	**0.30**	**0.33**