CHAGALA GROUP LIMITED

Unaudited Interim Condensed
Consolidated Financial Statements

For the six months ended 30 June 2014

CONTENTS

Unaudited Interim Condensed Consolidated Statement

CHAGALA GROUP LIMITED

Interim Condensed Consolidated Statement of Financial Position

as at 30 June 2014 and 31 December 2013

In thousands of US Dollars	Note	30 June 2014 unaudited	31 December 2013 audited
Assets			
Non-current assets			
Property, plant and equipment	6	106,017	128,773
Intangible assets other than goodwill		57	104
Capital work-in-progress	6	768	764
Long-term prepayments	6	114	74
Due from related parties	24	1,012	427
Investment in associates	4,12	5,187	1,335
Restricted cash		15	28
Deferred tax asset	23	465	649
		113,635	**132,154**
Current assets			
Inventories	7	2,779	3,163
Accounts receivable	8	3,227	3,680
Taxes prepaid	9	1,043	1,387
Corporate income tax prepaid		939	1,241
Due from related parties	24	102	103
Other prepayments	10	474	449
Cash and cash equivalents	11	5,058	1,875
		13,622	**11,898**
Non-current assets held for sale	6	–	2,609
Total assets		**127,257**	**146,661**
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	12	8,503	8,503
Additional paid-in capital		80,293	80,293
Treasury shares	12	(529)	(612)
Retained earnings		(3,234)	(3,582)
Revaluation reserve, net of deferred tax	12	47,224	47,519
Other reserves	4,12	3,656	508
Foreign currency translation reserve		(44,743)	(27,763)
		91,170	**104,866**
Non-controlling interests		3,400	3,435
Total equity		**94,570**	**108,301**
Non-current liabilities			
Long-term borrowings	13	4,755	8,225
Bonds payable	16	11,696	13,853
Deferred tax liabilities	23	6,633	7,729
		23,084	**29,807**
Current liabilities			
Current portion of long-term borrowings	13	4,258	4,593
Derivative financial instruments	14	–	100
Short-term borrowings	15	1,519	–
Interest payable		210	282
Trade accounts payable	17	1,764	1,360
Advances from customers		541	579
Taxes payable	18	722	844
Due to related parties	24	120	25
Deferred revenue	4,12	-	662
Other payables and accruals	19	470	108
		9,603	**8,553**
Total liabilities		**32,687**	**38,360**
Total equity and liabilities		**127,257**	**146,661**

Chief Executive Officer Francisco Parrilla

Chief Financial Officer Margarita Kapustyanskaya

CHAGALA GROUP LIMITED

Interim Condensed Consolidated Statement of Profit or Loss

for the six months ended 30 June

In thousands of US Dollars	Note	2014 unaudited	2013 unaudited
Room and rent revenue	5	10,633	11,949
Food and beverages revenue	5	2,841	3,409
Other operating revenue	5	1,121	1,253
Total revenue		**14,595**	**16,611**
Utilities, cleaning and maintenance		(2,435)	(3,042)
Costs of food and beverages		(854)	(1,145)
Salaries and employee benefits	20	(4,329)	(4,926)
General and administrative expenses		(1,814)	(2,056)
Depreciation and amortization	6	(2,693)	(3,221)
Operating profit		**2,470**	**2,221**
Foreign exchange (gain)/ loss, net		(99)	8
Recovery of property, plant and equipment	6	9	–
Gain / (loss) on disposal of property, plant and equipment	6	10	(61)
Finance income	21	13	197
Finance costs	21	(1,262)	(2,002)
Other income		24	8
Other expenses	22	(432)	(17)
Profit before income tax expense		**733**	**354**
Income tax expense	23	(426)	(313)
Net profit for the period		**307**	**41**
Attributable to:			
Equity holders of the parent		342	117
Non-controlling interests		(35)	(76)
		307	**41**
Earnings per share (in US Dollars): basic and diluted, for profit for the period attributable to equity holders of the parent	12	0.00	0.00

Chief Executive Officer Francisco Parrilla

Chief Financial Officer Margarita Kapustyanskaya

CHAGALA GROUP LIMITED

Interim Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June

In thousands of US Dollars	Note	2014 unaudited	2013 unaudited
Net profit for the period		**307**	**41**
Other comprehensive income/(loss)			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation loss		(16,980)	(656)
Revaluation of property, plant and equipment	6	107	–
Income tax effect		(21)	–
Revaluation of property, plant and equipment, net of tax		**86**	–
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		**(16,894)**	**(656)**
Total comprehensive loss for the period, net of tax		**(16,587)**	**(615)**
Attributable to:			
Equity holders of the parent		(16,552)	(539)
Non-controlling interests		(35)	(76)
		(16,587)	**(615)**

Chief Executive Officer — Francisco Parrilla

Chief Financial Officer — Margarita Kapustyanskaya

CHAGALA GROUP LIMITED

Interim Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June

In thousands of US Dollars	Note	2014 unaudited	2013 unaudited
Cash flows from operating activities			
Profit before income tax expense		733	354
Adjustments for:			
Depreciation	6	2,656	3,142
Amortization		37	79
Unrealized foreign exchange gain		(88)	(22)
Change in allowance for doubtful debts		(92)	–
Finance income	21	(13)	(197)
Finance costs	21	1,262	2,002
(Gain)/loss on disposal of property, plant and equipment		(10)	61
Recovery of property, plant and equipment	6	(9)	–
Cash from operations before working capital changes		**4,476**	**5,419**
(Increase)/decrease in operating assets:			
Inventories		(131)	433
Accounts receivable		(55)	(555)
Amounts due from related parties		(661)	(496)
Other assets		32	535
Increase/(decrease) in operating liabilities:			
Accounts payable		609	(17)
Amounts due to related parties		124	(66)
Other payables		536	470
Cash generated from operations		**4,930**	**5,723**
Interest paid		(1,145)	(1,791)
Income taxes paid		(109)	(219)
Net cash provided by operating activities		**3,676**	**3,713**
Cash flows from investing activities			
Purchases of property, plant and equipment		(891)	(676)
Proceeds from disposal of property, plant and equipment		1,389	354
Acquisition of associates	4,12	(516)	(334)
Acquisition of intangible assets		(7)	–
Net cash used in investing activities		**(25)**	**(656)**
Cash flows from financing activities			
Repayment of long-term borrowings		(1,722)	(2,083)
Transaction costs		–	(5)
Payment for termination of derivative financial instruments	14	(100)	–
Receipt/(repayment) of short-term borrowings	15,27	1,519	(665)
Shares sale	12	40	–
Repurchase of shares	12	(40)	–
Dividends paid	12	(400)	–
Net cash used in financing activities		**(703)**	**(2,753)**
Net increase in cash and cash equivalents		2,948	304
Effect of exchange rate changes on cash and cash equivalents		235	(5)
Cash and cash equivalents at the beginning of the period	11	1,875	754
Cash and cash equivalents at the end of the period	**11**	**5,058**	**1,053**

Chief Executive Officer — Francisco Parrilla

Chief Financial Officer — Margarita Kapustyanskaya

CHAGALA GROUP LIMITED

Interim Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June

	Attributable to equity holders of the parent									
In thousands of US Dollars	**Share capital**	**Additional paid in capital**	**Treasury shares**	**Revaluation reserve**	**Foreign currency translation reserve**	**Retained earnings**	**Other reserves**	**Total**	**Non-controlling interests**	**Total equity**
As at 1 January 2014 (audited)	**8,503**	**80,293**	**(612)**	**47,519**	**(27,763)**	**(3,582)**	**508**	**104,866**	**3,435**	**108,301**
Profit/(loss) for the period	–	–	–	–	–	342	–	342	(35)	307
Other comprehensive income/(loss)	–	–	–	86	(16,980)	–	–	(16,894)	–	(16,894)
Total comprehensive income/(loss)	**–**	**–**	**–**	**86**	**(16,980)**	**342**	**–**	**(16,552)**	**(35)**	**(16,587)**
Other movements	–	–	–	(381)	–	381	–	–	–	–
Shares repurchase (Note 12)	–	–	(40)	–	–	–	–	(40)	–	(40)
Shares cancellation (Note 12)	–	–	(0.150)	–	–	–	–	(0,150)	–	(0.150)
Shares sale	–	–	123	–	–	–	–	123	–	123
Dividends paid (Note 12)	–	–	–	–	–	(400)	–	(400)	–	(400)
Other operations with shareholders (Note 12)	–	–	–	–	–	25	–	25	–	25
Investments in associates (Note 4,12)	–	–	–	–	–	–	3,148	3,148	–	3,148
As at 30 June 2014 (unaudited)	**8,503**	**80,293**	**(529)**	**47,224**	**(44,743)**	**(3,234)**	**3,656**	**91,170**	**3,400**	**94,570**

	Attributable to equity holders of the parent									
In thousands of US Dollars	**Share capital**	**Additional paid in capital**	**Treasury shares**	**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/(loss) for the year	–	–	–	–	–	117	–	117	(76)	41
Other comprehensive loss	–	–	–	–	(656)	–	–	(656)	–	(656)
Total comprehensive loss/(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**

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.

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

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 and the shareholding is dispersed without control by one party.

A listing of the Group's subsidiaries and associates as at 30 June 2014 is as follows:

Entities	Country of residence	City	Percentage Ownership
Subsidiaries			
Chagala Cooperatief U.A. (the "Coop")	Netherlands	Amsterdam	100%
Chagala Riverside B.V.	Netherlands	Amsterdam	100%
Chagala International Holding B.V. (the "BV")	Netherlands	Amsterdam	100%
Caspi Limited LLP	Republic of Kazakhstan	Atyrau	100%
Aktau Development Company LLP	Republic of Kazakhstan	Aktau, Bautino	100%
Chagala Management LLP	Republic of Kazakhstan	Almaty	100%
Bayan Limited LLP	Republic of Kazakhstan	Uralsk	100%
Chagala Zere Malls LLP	Republic of Kazakhstan	Almaty	100%
Chagala Aksai LLP	Republic of Kazakhstan	Aksai	50.1%
Seventh Sense Group LLP	Republic of Kazakhstan	Almaty	100%
Associates			
Arrowhead B.V. (Note 4)	Netherlands	Amsterdam	30%
Itasia Engineering LLP (Note 4)	Republic of Kazakhstan	Almaty	49%
Compass Chagala Holding B.V.	Netherlands	Amsterdam	49%

2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements are presented in US Dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated.

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 2013.

2.2 New standards, interpretations and amendments adopted by the Group

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 consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The nature and the impact of each new standard or amendment is described below:

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 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 did not impact the financial position or performance of the Group.

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 did not impact the financial position or performance of the Group.

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 did not impact the financial position or performance of the Group. The Group treats all investments in associates under equity method.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. While the Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities.

Offsetting Financial Assets and Financial Liabilities − Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments have no impact on the Group.

IFRIC Interpretation 21 Levies (IFRIC 21)

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

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

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group does not apply hedge accounting therefore these amendments are not applicable to the Group.

Amendments to IAS 36 Assets Impairment − Disclosures on Recoverable Amount for Non-Financial Assets

These amendments remove unintended consequences for disclosures in accordance with IAS 36, associated with IFRS 13 coming into effect. Besides, these amendments require disclosing the recoverable value of assets or CGU on which the impairment loss was recognized or recovered during the reporting period. Amendments require that the recoverable value of impaired non-financial assets should be disclosed if such value is based on the fair and should be applied retrospectively with respect to annual reporting periods beginning on or before 1 January 2014. These amendments are not expected to have any significant impact on the financial position or performance of the Group.

3 ACQUISITIONS AND FORMATIONS

Additions in 2014

In February 2014, the Group increased its aggregate interest in Itasia Engineering LLP up to 49% through a cash contribution of USD 0.045 thousand.

In February 2014, the Group incorporated a joint venture Compass Chagala Holding B.V. (or "CCH B.V.") with Compass Offices Management Limited. CCH B.V. is a legal entity established under the laws of the Netherlands with the main activity being the operation of serviced offices and meeting rooms. The Group has a 49% interest in CCH B.V. Two subsidiaries were created by CCH B.V. which are 100% owned by CCH B.V. Compass Parkview LLP was created in March 2014 with the main activity in Almaty. Compass Atyrau LLP was created in June 2014 with the main activity in Atyrau.

In April 2014 the Coop established a new subsidiary - Chagala Riverside B.V. (or "CR B.V."). CR B.V is a legal entity established under the laws of the Netherlands with the main activity being to acquire, exploit and operate different commercial property. The Group owns 100% of the entity.

Changes in 2013

Incorporated by the Group in 2012 Regus Chagala LLP was renamed to Seventh Sense Group LLP In June 2013.

4 INVESTMENT IN ASSOCIATES

Arrowhead B.V.

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 its main activity in Atyrau; Crossbow LLP was created on 16 April 2012 with its main activity in Almaty. Flecha LLP is working under construction of Saraishyk Residential Complex and a Supermarket for a local chain called Ideal in Atyrau. Both the Complex and the Supermarket are located near Chagala properties. The Complex presents 4 blocks of two and three bedroom apartments covering the area circa 18,000 square meters. The first apartment block is expecting to be finished within the third quarter of 2014. The Supermarket comprises an area of 2,000 sqm and 150 parking spaces. The Supermarket is expected to be competed in the fourth quarter of 2014. This is the first building of the Laguna Retail and Leisure Centre expected to be completed over a 5 year period. Crossbow LLP has completed the purchase of an existing office building in Almaty. The six floor building contains 5,156 square meters of useable 'A' class office space and was fully leased to external clients.

In 2013, the Group increased its investments in Arrowhead B.V. by USD 1,452 thousand, where USD 790 thousand relates to the fair value of the land contribution, and USD 662 thousand is the sales value of the right for access to engineering facilities near the land plot contributed. Since the Group will receive dividends from the joint venture, when it will be dissolved in 2018, the amount of USD 662 thousand should be presented in Other Reserves, while was mistakenly presented as Deferred Revenue in 2013.

In 2014 the Group plans to increase its investments in Arrowhead B.V. by USD 4,710 thousand by the end of July 2014, where USD 2,224 thousand relates to the fair value of the land contribution, and USD 2,486 thousand is the sales value of the right for access to engineering facilities near the land plot contributed. Since the Group will receive dividends from the joint venture, when it will be dissolved in 2018, the amount of USD 3,148 thousand, including the USD 662 thousand from 2013, was presented as Other Reserves. As at 30 June 2014 only USD 467 thousand related to the land contribution have been paid, the remaining amount USD 907 thousand is to be paid in July 2014.

Inasmuch as the investments in Arrowhead B.V. have long-term nature and no dividends will be received until the joint venture is dissolved in 2018, the Group decided not to recognize any share of net profit / (loss) until the dissolution.

Itasia Engineering LLP

As at 30 June 2014, the Group has a 49% 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. In addition to 24.95% interest, the Group acquired more 24.05% interest in Itasia in February 2014 for the cash contribution of USD 0.045 thousand. In 2013, Itasia incurred net losses and total comprehensive loss, of which the share of the Group constituted USD 34 thousand, which reduced the value of investment to zero. Since Itasia had no significant operations as of 30 June 2014 the Group has not accrued any share of net profit / (loss) for the six months ended 30 June 2014.

Compass Chagala Holdings B.V.

The Group has a 49% interest at Compass Chagala Holdings B.V. The Group contributed USD 49 thousand by cash.

Since CCH B.V. had no significant operations as of 30 June 2014 the Group has not accrued any share of net profit / (loss) for the six months ended 30 June 2014.

5 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 2014 (unaudited)	**Room and rent**	**Food and beverages**	**Other**	**Adjustments and eliminations**	**Total operations**
In thousands of US Dollars					
Revenue					
Sales to external customers	10,633	2,841	1,121	–	14,595
Internal sales	1,150	566	–	(1,716)[1]	–
Total revenue	**11,783**	**3,407**	**1,121**	(1,716)	**14,595**
Results					
Depreciation and amortization	(2,340)	(180)	(97)	(76)	(2,693)
Recovery	4	–	–	5	9
Gain/(loss) on disposal of property, plant and equipment	15	(2)	(1)	(2)	10
Finance costs, net	(1,204)	–	–	(45)	(1,249)
Other expenses, net	(394)	–	–	(113)	(507)
Segment profit/(loss)	**2,824**	**539**	**655**	**(3,285)[2]**	**733**

1. Internal sales are eliminated on consolidation.
2. Profit for the operating segments does not include general and administrative expenses (USD 1,814 thousand) and salaries and employee benefits of administrative employees (USD 1,240 thousand).

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**	(1,046)	**16,611**
Results					
Depreciation and amortization	(2,698)	(278)	(143)	(102)	(3,221)
Loss on disposal of property, plant and equipment	(57)	(4)	–	–	(61)
Finance costs, net	–	–	–	(1,805)	(1,805)
Other expenses, 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).

6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and related accumulated depreciation consist of the following:

6m 2014 *In thousands of US Dollars*	**Land**	**Buildings**	**Furniture and equipment**	**Capital work-in-progress**	**Total**
Net carrying amount at 1 January	**16,140**	**104,182**	**8,451**	**764**	**129,537**
Additions	–	317	277	245	839
Revaluations recognized in the statement of comprehensive income	107	–	–	–	107
Recovery	9	–	–	–	9
Disposals	–	–	(273)	–	(273)
Transfers	–	54	63	(117)	–
Depreciation charge for the year	–	(1,279)	(1,377)	–	(2,656)
Depreciation on disposals	–		245	–	245
Translation reserve	(2,630)	(16,932)	(1,337)	(124)	(21,023)
Net carrying amount at 30 June	**13,626**	**86,342**	**6,049**	**768**	**106,785**
Gross book value	13,626	90,591	28,729	768	142,092
Accumulated depreciation	–	(4,249)	(22,680)	–	(35,307)
Net carrying amount at 30 June	**13,626**	**86,342**	**6,049**	**768**	**106,785**

2013 *In thousands of US Dollars*	**Land**	**Buildings**	**Furniture and equipment**	**Capital work-in-progress**	**Total**
Net carrying amount at 1 January	**19,506**	**107,982**	**11,075**	**827**	**139,390**
Additions	73	732	762	393	1,960
Revaluations recognized in the statement of comprehensive income	2	544	–	–	546
Impairment	–	–	–	(97)	(97)
Disposals	(783)	(3)	(266)	(28)	(1,080)
Transfers	–	202	113	(315)	–
Transfers to non-current assets held for sale	(2,300)	(309)	–	–	(2,609)
Depreciation charge for the year	–	(2,970)	(3,285)	–	(6,255)
Depreciation on disposals	–	–	221	–	221
Translation reserve	(358)	(1,996)	(169)	(16)	(2,539)
Net carrying amount at 31 December	**16,140**	**104,182**	**8,451**	**764**	**129,537**
Gross book value	16,140	107,152	29,999	764	154,055
Accumulated depreciation	–	(2,970)	(21,548)	–	(24,518)
Net carrying amount at 31 December	**16,140**	**104,182**	**8,451**	**764**	**129,537**

The Group recognized impairment for Capital work-in-progress in the amount of USD 97 thousand attributable to the project that is not going to be undertaken in the future.

Transfers from Capital work-in-progress to buildings and furniture and equipment mainly consist of the capital repair conducted during 2013.

Transfers to non-current assets held for sale include land and buildings contributed to associate Arrowhead B.V. during 2014.

Non-current assets held for sale

During six months ended 30 June 2014, the Group increased the investments in Arrowhead B.V. by the way of additional property (land and buildings) contributions in its charter capital. The land plot with the area of 2,722ha is located in Atyrau and had the carrying amount of USD 1,941 thousand as at 28 April 2014. Carrying amount of the buildings on the land plot was equal to USD 261 thousand as at 28 April 2014.

As at 31 December 2013, the Group presented these assets as non-current assets held for sale, measuring them at their carrying amounts being lower than their fair values less cost to sell.

Capital work-in-progress

The Group develops real estate properties in West Kazakhstan which are mainly related to Caspi Limited LLP. The New Office Building is expected to be completed in 2015-2016. The carrying amount of capital work-in progress as at 30 June 2014 and 31 December 2013 is as follows:

In thousands of US Dollars	**30 June 2014 unaudited**	**31 December 2013 audited**
Caspi Limited LLP		
New Office Building	611	748
Other	24	16
Other projects	133	–
	768	**764**

Capitalized borrowing costs

No borrowing costs were capitalized during the six months ended 30 June 2014 (2013: no).

Long-term prepayments

As at the end of the period, long-term prepayments are following:

In thousands of US Dollars	**30 June 2014 unaudited**	**31 December 2013 audited**
Prepayments for construction materials and works	53	13
Prepayments for intangible assets	32	–
Prepayments for furniture, fittings and equipment	29	61
	114	**74**

7 INVENTORIES

As at the end of the period, inventories consisted of the following:

In thousands of US Dollars	**30 June 2014 unaudited**	**31 December 2013 audited**
Housekeeping goods	799	1,022
Restaurant & kitchen supplies	357	406
Materials	429	484
Spare parts	225	258
Food and beverages	188	162
Stationery and office equipment	69	73
Working clothes	44	49
Apartments for sale	–	–
Other	668	709
	2,779	**3,163**

Inventories recognised as an expense during six months ended 30 June are as follows:

In thousands of US Dollars	**30 June 2014 unaudited**	**31 December 2013 audited**
Cost of sales − Food and Beverages	854	1,145
Repairs and maintenance	268	388
Housekeeping goods	195	222
Staff meals	185	206
Replacement costs	37	106
Other	159	205
	1,698	**2,272**

8 ACCOUNTS RECEIVABLE

As at 30 June 2014 and 31 December 2013, accounts receivable consisted of the following:

In thousands of US Dollars	30 June 2014 unaudited	31 December 2013 audited
Trade accounts receivable	3,258	3,655
Other	50	100
	3,308	**3,755**
Allowance for doubtful debts	(81)	(75)
	3,227	**3,680**

Accounts receivable are non-interest bearing and are generally on 7 to 30-day term. The Group's accounts receivable is denominated in US Dollars (23%) and Tenge (77%).

At 30 June 2014 the largest trade accounts receivable are from NCPOC representing 62% (at 31 December 2013: from NCPOC representing 54%) of total trade accounts receivable.

The movements in the allowance for doubtful debts were as follows:

In thousands of US Dollars	30 June 2014 unaudited	31 December 2013 audited
As at 1 January	**(75)**	**(62)**
Charge for the year	(25)	(15)
Write-offs	1	2
Translation difference	18	–
As at the end of the period	**(81)**	**(75)**

As at 30 June 2014 and 31 December 2013 the ageing analysis of accounts receivable is as follows:

			Past due but not impaired				
In thousands of US Dollars	Total	Neither past due nor impaired	<30 days	30-90 days	90-120 days	120-360 days	>360 days
30 June 2014	**3,227**	**2,166**	**792**	**197**	**56**	**16**	**–**
31 December 2013	3,680	2,571	825	205	69	10	–

See Note 25 on credit risk of trade receivables to understand how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

9 TAXES PREPAID

As at 30 June 2014 and 31 December 2013 taxes prepaid consisted of the following:

In thousands of US Dollars	30 June 2014 unaudited	31 December 2013 audited
VAT recoverable	976	1,311
Other taxes prepaid	67	76
	1,043	**1,387**

10 OTHER PREPAYMENTS

As at 30 June 2014 and 31 December 2013 other prepayments consisted of the following:

In thousands of US Dollars	30 June 2014 unaudited	31 December 2013 audited
Advances paid to suppliers	244	195
Other	240	266
	484	**461**
Impairment allowance	(10)	(12)
	474	**449**

As at 30 June 2014 and 31 December 2013 other prepayments were made in the following currencies:

In thousands of US Dollars	**30 June 2014 unaudited**	**31 December 2013 audited**
Tenge	446	390
US dollars	38	71
	484	**461**

11 CASH AND CASH EQUIVALENTS

As at the end of the periods, cash and cash equivalents consisted of the following::

In thousands of US Dollars	**30 June 2014 unaudited**	**31 December 2013 audited**
Cash in current bank accounts	5,019	1,847
Cash on hand	39	28
	5,058	**1,875**

Cash in current bank accounts does not earn interest.

At 30 June 2014 and 31 December 2013 cash and cash equivalents were denominated in the following currencies:

In thousands of US Dollars	**30 June 2014 unaudited**	**31 December 2013 audited**
US dollars	3,159	1,226
Tenge	1,878	639
Other currencies	21	10
	5,058	**1,875**

12 SHARE CAPITAL AND OTHER RESERVES

Ordinary shares issued and fully paid

At 31 December 2013 the authorised, issued and fully paid shares of the Group consist of 85,027,302 shares of USD 0.10 each (as at 31 December 2012: 85,027,302 shares of US Dollars 0.10 each).

Treasury shares

In December 2013 the Group announced Share Repurchase program, under which the Group offered to its shareholders an opportunity to sell their shares. The maximum share price offered by the Group was USD 0.2875.

As a result, in December 2013 the Group received 2,128,694 shares from Eagle Resource Holdings Limited for USD 592 thousand paid by cash. As at 31 December 2013 the shares were held by the Group as treasury shares.

In January 2014, following to Share Repurchase program, the Group repurchased 186,020 GDRs and 97,068 shares for USD 40 thousand paid by cash and USD 196 thousand offset against the unpaid debt.

In January 2014 cancellation of 1 500 shares were made with nominal value of US Dollars 0.10 each.

According to incentive bonus scheme, 450 000 shares were transferred to the Chief Executive Officer (CEO), Francisco Parrilla, at US Dollars 0.275 each. The scheme prescribed USD 83 thousand to be accrued as performance pay and USD 40 thousand to be paid in cash by CEO.

Dividends paid

In June 2014 dividends were paid to the shareholders in the amount USD 400 thousand.

In 2013 no dividends were declared for payments.

Dividends declared but not paid out to the shareholder in 2011 in the amount of USD 25 thousand were written off.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements from the functional to presentation currency.

Starting from February 11, 2014 the National Bank of Kazakhstan took a decision not to maintain the Tenge exchange rate at the same level. The exchange rate of Tenge in relation to other currencies descended. As at 30 June 2014 the exchange rate was equalled to 183.51 KZT for 1 USD (up from 153.61 KZT for 1 USD as of 31 December 2013).

Revaluation reserve and transfer for land and building due to disposal

The revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Nature and purpose of other reserves

Share-based payment plans

The Group grants options to its senior management and directors to subscribe ordinary shares in the Group. The options are granted under the established Chagala Group Limited share option scheme (the "Plan"). There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

No share options were granted or expired during the six months ended 30 June 2014.

The following table illustrates the number and weighted average exercise prices (WAEP)* of, and movements in, share options during the year:

	30 June 2014		**31 December 2013**	
In US Dollars	**Number**	**WAEP**	**Number**	**WAEP**
As at 1 January	**1,500,000**	**0.824**	**1,500,000**	**0.824**
Granted	–	–	–	–
Expired	–	–	–	–
As at the end of the period	**1,500,000**	**0.824**	**1,500,000**	**0.824**

**The Company listed Global Depository Receipts which each represent 4 shares.*

The weighted average remaining contractual life for the share options outstanding as at 30 June 2014 was 0.54 years (as at 31 December 2013: 1.04 years).

Reserve for investments in associates

The Group increased its investments in Arrowhead B.V. by USD 6,162 thousand in the form of two land plots contribution. USD 3,014 thousand relates to the fair value of the land plots contribution, and USD 3,148 thousand is the sales value of the right for access to engineering facilities near the land plots contributed. Since the Group will receive dividends from the joint venture, when it will be dissolved in 2018, the amount of USD 3,148 thousand was presented in Other Reserves.

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 period.

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 period plus the weighted average number of ordinary shares that would be issued on the conversion of all the potential dilutive ordinary shares into ordinary shares.

	For the six months ended 30 June	
	2014	**2013**
Weighted average number of ordinary shares outstanding (thousands)	82,209	85,027
Effect of dilution		
Share options (thousands)	–	–
Weighted average number of ordinary shares outstanding adjusted for the effect of dilution (thousands)	**82,209**	**85,027**
Profit for the period attributable to equity holders of the parent (in thousands of US Dollars)	**342**	**117**
Basic and diluted earnings per share, US Dollars	**0.00**	**0.00**

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.

13 LONG-TERM BORROWINGS

As at 30 June 2014 and 31 December 2013 long-term borrowings comprised the following:

In thousands of US Dollars	Currency	30 June 2014 unaudited	31 December 2013 audited
Long-term borrowings			
Kazinvestbank JSC	KZT	3,515	5,756
HSBC Bank Kazakhstan	KZT	1,240	2,469
		4,755	**8,225**
Current portion of long-term borrowings			
Kazinvestbank JSC	KZT	2,605	3,112
HSBC Bank Kazakhstan	KZT	1,653	1,481
		4,258	**4,593**
Total long-term borrowings		**9,013**	**12,818**

Kazinvestbank JSC

In September 2011, Caspi Limited LLP concluded an agreement with Kazinvestbank JSC to open a KZT denominated non-revolving credit facility in the amount of KZT 1,400 million (equivalent to USD 9,114 thousand) for financing the construction of Townhouses with maturity date September 2016. In 2011 the credit facility was fully drawn. The interest rate for the first year is fixed at 9.5%, and the interest rate for the subsequent periods is defined as refinancing interest rate of National Bank of RK (refinancing interest rate) plus 2%, but in total not exceeding 12%. In 2013 the effective interest rate was 9.85%.

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 of KZT 761 million (equivalent to USD 4,954 thousand) 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 interest rate for the first year is fixed at 9.5%, and the interest rate for the subsequent periods is defined as refinancing interest rate plus 4%. In 2013 the effective interest rate was 10.84%.

As at 30 June 2014 the credit facilities are secured as follows:

- Pledged immovable properties with a carrying amount of USD 27,502 thousand;
- Assigned demand of receivables under existing contracts and future cash flows from the sale of services under existing contracts for KZT 1,100 million (equivalent amount of USD 5,994 thousand);
- 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 of KZT 759 million (equivalent to USD 4,941 thousand) 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 2013 the effective interest rate was 10.77%.

As of 30 June 2014, the credit facility was secured by pledged immovable properties with a carrying amount of USD 10,609 thousand.

14 DERIVATIVE FINANCIAL INSTRUMENTS

In 2008-2010, the Group entered into interest rate swap agreements to pay interest at fixed rates of 4.75%-5.75% in exchange for receiving interest at floating rates of 3-month LIBOR plus 2.67%-2.85%. As at 31 December 2013 the total notional amount of USD 4,673 thousand is under the interest rate swap agreements (31 December 2012: USD 19,909 thousand). The fair value of the interest rate swap instruments was recognized as a liability in the amount of USD 100 thousand as at 31 December 2013 with respective charge to finance income. Two swap agreements were terminated during 2013 with termination fees equaled to USD 232 thousand. Four swap agreements were terminated during January 2014 with termination fees equaled to USD 100 thousand.

15 SHORT-TERM BORROWINGS

In September 2011, Caspi Limited LLP entered into KZT denominated revolving credit line facility in the equivalent amount of USD 1,635 thousand (KZT 300 million) with HSBC Bank Kazakhstan JSC with original maturity date May 2012. The initial interest rate was fixed at 6.96%. In May 2012 the credit facility was extended to May 2013 with the change in the interest rate to 8.4%. In May 2013 the credit facility was extended to July 2014 with the interest rate equaled to 8.4%. As at 31 December 2013 the credit facility was fully paid.

During the six months ended 30 June 2014 Caspi Limited LLP used the credit facility in the amount USD 1,368 thousand as was fully repaid by 31 July 2014.

In December 2011, Aktau Development Company LLP entered into USD denominated revolving credit line facility in the amount of USD 488 thousand (equivalent to KZT 75 million) with HSBC Bank Kazakhstan JSC with original maturity date November 2012. In November 2012 the credit line was extended to May 2013 and converted to KZT denominated credit line facility. The initial interest rate was fixed at 7.5%, which was changed to 8.4% based on the amended agreement. In May 2013 the credit facility was extended to July 2014 with the interest rate equaled to 8.4%. As at 31 December 2013 the credit facility was fully paid.

During the six months ended 30 June 2014 Aktau Development Company LLP used the credit facility in the amount USD 151 thousand as was fully repaid by 31 July 2014.

The credit facilities are used for financing working capital requirements and secured by the corporate guarantee of Chagala Group Limited and pledged immovable property with a carrying amount of USD 10,609 thousand.

16 BONDS PAYABLE

In March 2012, Caspi Limited LLP announced the placement on the Kazakhstan market 5-year KZT denominated bond in the amount equivalent to USD 12,261 thousand (KZT 2,250 million) 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 creditors, including the credit facility with HSBC Bank and Raiffeisen Bank.

Bonds payable movement is as follows:

In thousands of US Dollars	**30 June 2014 unaudited**	**31 December 2013 audited**
As at 1 January	**13,853**	**13,900**
Interest accrual	742	1,691
Transfer to interest payable	(638)	(1,479)
Translation difference	(2,261)	(259)
Carrying amount of bonds payable	**11,696**	**13,853**

17 TRADE ACCOUNTS PAYABLE

As at the end of the period, trade accounts payable consisted of the following:

In thousands of US Dollars	**30 June 2014 unaudited**	**31 December 2013 audited**
Supplies	1,751	1,345
Construction services	13	15
	1,764	**1,360**

Trade accounts payable are non-interest bearing and are normally settled on 30-day terms. The majority of trade payables are KZT denominated.

18 TAXES PAYABLE

As at 30 June 2014 and 31 December 2014 current taxes payable consisted of the following:

In thousands of US Dollars	**30 June 2014 unaudited**	**31 December 2013 audited**
VAT payable	568	673
Withholding tax payable in respect of import contracts	15	13
Other taxes	139	158
	722	**844**

19 OTHER PAYABLES AND ACCRUALS

As at 30 June 2014 and 31 December 2013 other payables major part of other payables and accruals represented payables to employees.

20 SALARIES AND EMPLOYEE BENEFITS

Salaries and employee benefits for the six months ended 30 June comprised the following:

In thousands of US Dollars	**For the six months ended 30 June** **2014 unaudited**	**2013 unaudited**
Payroll and related taxes	3,301	3,840
Benefits	1,028	1,086
	4,329	**4,926**

21 FINANCE INCOME/COSTS

For the six months period ended 30 June finance income comprised the following:

In thousands of US Dollars	**For the six months ended 30 June** **2014 unaudited**	**2013 unaudited**
Income on swap derivative instrument not designated as hedge	–	190
Other	13	7
	13	**197**

For the six months ended 30 June finance costs comprised the following:

In thousands of US Dollars	**For the six months ended 30 June** **2014 unaudited**	**2013 unaudited**
Interest expense on borrowings	1,145	1,770
Unwinding of bond discount	100	108
Other	17	124
	1,262	**2,002**

22 OTHER EXPENSES

For the six months ended 30 June other expenses comprised the following:

In thousands of US Dollars	**For the six months ended 30 June** **2014 unaudited**	**2013 unaudited**
Townhouses delay penalty	394	–
Other	38	17
	432	**17**

In 2012 the Group finished the Townhouses project and commissioned cottages into operations. Based on terms of the contract signed with NCPOC regarding Townhouses project commissioning delay fee was accrued by the Group.

23 INCOME TAX (BENEFIT)/EXPENSE

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

In thousands of US Dollars	**For the six months ended 30 June** **2014 unaudited**	**2013 unaudited**
Income tax expense − current	205	148
Deferred income tax expense	221	165
Income tax expense reported in the consolidated income statement	**426**	**313**

Reflected in the consolidated financial statements as at 30 June 2014 and 31 December 2013 as follows:

In thousands of US Dollars	**30 June 2014 unaudited**	**31 December 2013 audited**
Deferred tax assets	465	649
Deferred tax liabilities	(6,633)	(7,729)
Deferred tax liability, net	**(6,168)**	**(7,080)**

24 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 2014 and 30 June 2013, as well as balances with related parties as at 30 June 2014 and 31 December 2013.

Balances with related parties

In thousands of US Dollars	**30 June 2014 unaudited**	**31 December 2013 audited**
Amounts due from related parties, including loans		
Associates	1,114	530
Other related parties	–	–
	1,114	**530**
Amounts due to related parties		
Associates	119	–
Other related parties	1	25
	120	**25**

Amounts due from associates mainly represent advances paid for landscaping, construction works and capital repairs of equipment in the amount of USD 1,012 thousand (2013: 427).

Loans to Associates

As at 30 June 2014 and 31 December 2013 no loans to related parties were outstanding.

Related parties transactions

	For the six months ended 30 June	
In thousands of US Dollars	**2014 unaudited**	**2013 unaudited**
Associates		
Sales to related parties	147	501
Purchases from related parties	513	14

Sales transactions for the six months ended 30 June 2014 mainly include revenue from operational services provided by the Group to Arrowhead B.V. Purchases from related parties represent capital repair and technical materials provided by Itasia Engineering LLP.

Sales transactions for the six months ended 30 June 2013 include sales of inventories to associate Arrowhead B.V. in the amount of USD 476 thousand and revenue from operational services provided by the Group to Arrowhead B.V.

Key management personnel

	For the six months ended 30 June	
In thousands of US Dollars	**2014 unaudited**	**2013 unaudited**
Remuneration and compensation paid	384	467

Key management personnel comprise members of the Management Board and Board of Directors of the Group, totalling five persons during the six months ended 30 June 2014 (2013: eight). 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 does not provide any discount on hotel services to related parties. Outstanding balances at year-end are unsecured and interest free and settlement occurs via bank transfer. There were no financial guarantees provided for any related party payables.

25 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).

As of 31 December 2013, the Group had interest rate swaps, in which the Group agreed 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 14). In January 2014 swap agreements were closed.

As of 30 June 2014, approximately 41% of the Group's borrowings are at a floating interest rate (2013: 48%).

As of 30 June 2014, 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.

The following table demonstrates the sensitivity of a possible change in interest rates, with all other variables held constant, of the Group's profit before income tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

In thousands of US Dollars	**Increase/ decrease in basis points**	**Effect on profit before tax**
30 June 2014		
Refinancing interest rate	+100	(90)
	-100	90
31 December 2013		
Refinancing interest rate	+100	(128)
	-100	128
LIBOR	+100	47
	-100	(47)

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.

The devaluation of KZT took place in February 2014 after the National Bank of Kazakhstan took a decision not to maintain the Tenge exchange rate at the same level, reduce the volume of currency interventions and decrease participation in the formation of Tenge exchange rate. The National Bank will set an exchange rate band of the Tenge versus the US Dollar within the new rate of KZT 185 per 1 US Dollar +/- 3 KZT. Since borrowings held by the Group are dominated in KZT while the revenue the Group generates partly dominated in US Dollars, the impact of KZT devaluation will not influence the Group performance significantly.

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.

	30 June 2014		31 December 2013	
In thousands of US Dollars	**Increase/ decrease in exchange rate**	**Effect on profit before tax**	**Increase in exchange rate**	**Effect on profit before tax**
US Dollar	+10%	314	+30%	440
US Dollar	-10%	(384)	+10%	173

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. The maximum exposure is the carrying amount as disclosed in Note 8.

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.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits, borrowings and bonds payable.

The tables below summarises the maturity profile of the Group's financial liabilities as at 30 June 2014 and 31 December 2013 based on contractual undiscounted payments:

In thousands of US Dollars	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
As at 30 June 2014						
Borrowings	–	541	4,466	5,122	–	10,129
Bonds payable	–	–	1,226	13,487	–	14,713
Trade accounts payable	–	1,000	764	–	–	1,764
Due to related parties	–	120	–	–	–	120
Other payables and accruals	–	470	–	–	–	470
	–	**2,131**	**6,456**	**18,609**	**–**	**27,196**
As at 31 December 2013						
Borrowings	–	681	5,026	9,045	–	14,752
Bonds payable	–	–	1,465	17,577	–	19,042
Derivative financial instruments	–	100	–	–	–	100
Trade accounts payable	–	904	912	–	–	1,816
Due to related parties	25	–	–	–	–	25
Other payables and accruals	–	108	–	–	–	108
	25	**1,793**	**7,403**	**26,622**	**–**	**35,843**

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 2014 unaudited**	**31 December 2013 audited**
Borrowings	9,013	12,818
Bonds payable	11,696	13,853
Trade accounts payable	1,764	1,360
Total debt	**22,473**	**28,031**
Equity	**91,170**	**104,866**
Debt-to-equity ratio	**0.25**	**0.27**

Fair values

Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties according to arm's length conditions, other than in a forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is needed to arrive at a fair value, based on current economic conditions and the specific risks attributable to the instrument.

The carrying amount of cash, trade accounts receivable, accounts payable and other current monetary assets and liabilities approximates their fair value due to the short-term maturity of these financial instruments.

The fair value of borrowings and bonds payable is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities. The fair value approximates their carrying values gross of unamortised transaction costs.

The fair value of the derivative interest rate swap contracts are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument.

	Carrying amount		Fair value	
In thousands of US Dollars	**30 June 2014**	**31 December 2013**	**30 June 2014**	**31 December 2013**
Financial assets				
Trade accounts receivable	3,227	3,680	3,227	3,680
Due from related parties	1,114	530	1,114	530
Cash and cash equivalents	5,058	1,875	5,058	1,875
Financial liabilities				
Borrowings	9,013	12,818	9,013	12,818
Bonds payable	11,696	13,853	11,827	14,040
Interest payable	210	282	210	282
Derivative financial instruments	–	100	–	100
Trade accounts payable	1,764	1,360	1,764	1,360
Due to related parties	120	25	120	25
Other payables and accruals	470	108	470	108

Fair values hierarchy

The following table shows an analysis of the fair values of financial instruments recognised in the consolidated statement of financial position by level of the fair value hierarchy:

In thousands of US Dollars	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
30 June 2014				
Bonds payable	11,827	–	–	11,827
31 December 2013				
Bonds payable	14,040	–	–	14,040
Derivative financial instruments	–	100	–	100

26 EVENTS AFTER REPORTING PERIOD

As of 31 July 2014, the Group transferred USD 907 thousand to Arrowhead B.V. as the part of land plot contribution with fair value equalled to USD 4,710 thousand (Note 4).

As of 31 July 2014, short-term loan facility was fully repaid by the Group (Note 14).