CHAGALA GROUP LIMITED

Unaudited Interim Condensed
Consolidated Financial Statements

For the six months ended 30 June 2016

CONTENTS

Unaudited Interim Condensed Consolidated Statement

CHAGALA GROUP LIMITED

Unaudited Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2016

In thousands of US Dollars	Note	30 June 2016 unaudited	31 December 2015 audited
Assets			
Non-current assets			
Property, plant and equipment	7	76,947	73,188
Intangible assets other than goodwill		157	115
Capital work-in-progress	7	333	2,265
Investment property	8	3,868	3,902
Investment in associates	4	3,529	3,529
Restricted cash		4	6
Deferred tax asset	22	166	121
		85,004	**83,126**
Current assets			
Inventories	9	1,407	1,363
Accounts receivable	10	2,396	2,816
Taxes prepaid	11	782	422
Corporate income tax prepaid		343	611
Due from related parties	23	479	2,065
Other prepayments	12	677	657
Cash and cash equivalents	13	2,580	1,791
		8,664	**9,725**
Total assets		**93,668**	**92,851**
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	14	8,503	8,503
Additional paid-in capital		80,293	80,293
Treasury shares	14	(253)	(378)
Retained earnings		1,322	20
Revaluation reserve, net of deferred tax	14	61,731	61,731
Foreign currency translation reserve		(85,527)	(85,638)
		66,069	**64,531**
Non-controlling interests	5	3,471	3,421
Total equity		**69,540**	**67,952**
Non-current liabilities			
Long-term borrowings	15	5,326	6,090
Deferred tax liabilities	22	7,658	7,664
Long-term advances from customers	18	679	916
		13,663	**14,670**
Current liabilities			
Current portion of long-term borrowings	15	1,632	1,779
Bonds payable	16	6,579	6,498
Interest payable		123	135
Trade accounts payable	17	593	597
Advances from customers	18	919	670
Taxes payable	19	334	464
Due to related parties	23	-	47
Other payables and accruals		285	39
		10,465	**10,229**
Total liabilities		**24,128**	**24,899**
Total equity and liabilities		**93,668**	**92,851**

Chief Executive Officer — Francisco Parrilla

Chief Financial Officer — Svetlana Mendesh

The accompanying notes on pages 6 to 22 are an integral part of these unaudited interim condensed consolidated statement.

CHAGALA GROUP LIMITED

Unaudited Interim Condensed Consolidated Income Statement

For the six months ended 30 June

In thousands of US Dollars	Note	2016 unaudited	2015 unaudited
Room and rent revenue	6	7,776	9,429
Food and beverages revenue	6	1,234	2,278
Other operating revenue	6	1,017	1,119
Total revenue		**10,027**	**12,826**
Utilities, cleaning and maintenance		(1,648)	(2,170)
Costs of food and beverages		(392)	(678)
Salaries and employee benefits	20	(2,844)	(4,209)
General and administrative expenses		(1,307)	(1,601)
Depreciation and amortization		(1,684)	(2,413)
Operating profit		**2,152**	**1,755**
Foreign exchange profit, net		44	1
Reversal of impairment/(impairment) of land and buildings	7	-	143
Loss on disposal of property, plant and equipment		1	-
Finance income	21	7	24
Finance costs	21	(720)	(1,162)
Other income		9	5
Other expenses		-	(38)
Profit before income tax expense		**1,493**	**728**
Income tax expense	22	(141)	(381)
Profit for the period		**1,352**	**347**
Attributable to:			
Equity holders of the parent		1,302	435
Non-controlling interests	5	50	(88)
		1,352	**347**
Earnings per share (in US Dollars): basic and diluted, for profit for the period attributable to equity holders of the parent	14	0.063	0.021

Chief Executive Officer — Francisco Parrilla

Chief Financial Officer — Svetlana Mendesh

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Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June

In thousands of US Dollars	Note	2016 unaudited	2015 unaudited
Profit for the period		**1,352**	**347**
Other comprehensive income / (loss)			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation income / (loss)	14	111	(1,776)
Revaluation of property, plant and equipment	7	-	544
Income tax effect	22	-	(109)
Revaluation of property, plant and equipment, net of tax		**-**	**435**
Net other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods		**111**	**(1,341)**
Total comprehensive income / (loss) for the period, net of tax		**1,463**	**(994)**
Attributable to:			
Equity holders of the parent		1,413	(844)
Non-controlling interests	5	50	(150)
		1,463	**(994)**

Chief Executive Officer — Francisco Parrilla

Chief Financial Officer — Svetlana Mendesh

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CHAGALA GROUP LIMITED

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June

In thousands of US Dollars	Note	2016 unaudited	2015 unaudited
Cash flows from operating activities			
Profit before income tax expense		1,493	728
Adjustments for:			
Depreciation	7	1,666	2,390
Amortisation		18	23
Unrealised foreign exchange loss/(gain)		(20)	(149)
Change in allowance for doubtful debts		(2)	(5)
Finance income	21	(7)	(24)
Finance costs	21	720	1,162
Accrual of share based payments reserve	14	84	95
Loss on disposal of property, plant and equipment		(1)	-
(Reversal of impairment)/impairment loss on land and buildings	7	-	(143)
Cash from operations before working capital changes		**3,951**	**4,077**
(Increase)/decrease in operating assets:			
Inventories		(42)	(5)
Accounts receivable		425	(1,056)
Amounts due from related parties		317	(57)
Other assets		(376)	20
Increase/(decrease) in operating liabilities:			
Accounts payable		(5)	(549)
Advances from customers		9	(46)
Amounts due to related parties		(47)	(332)
Other payables		186	605
Cash generated from operations		**4,418**	**2,657**
Interest paid		(659)	(1,028)
Income taxes paid		-	(34)
Net cash provided by operating activities		**3,759**	**1,595**
Cash flows from investing activities			
Loans issued to related parties		-	(150)
Purchases of property, plant and equipment		(2,038)	(1,500)
Proceeds from disposal of property, plant and equipment		2	-
Acquisition of intangible assets		(59)	(96)
Net cash used in investing activities		**(2,095)**	**(1,746)**
Cash flows from financing activities			
Repayment of long-term borrowings		(1,411)	(1,284)
Receipt of long-term borrowings		500	550
Repayment of short-term borrowings		-	(370)
Receipt of short-term borrowings		-	1,652
Transaction costs		(4)	(49)
Sale of shares	14	41	51
Dividends		-	(1,212)
Net cash used in financing activities		**(874)**	**(662)**
Net increase / (decrease) in cash and cash equivalents		790	(813)
Effect of exchange rate changes on cash and cash equivalents		(1)	50
Cash and cash equivalents at the beginning of the year	13	1,791	2,522
Cash and cash equivalents at the end of the period	**13**	**2,580**	**1,759**

Chief Executive Officer Francisco Parrilla

Chief Financial Officer Svetlana Mendesh

The accompanying notes on pages 6 to 22 are an integral part of these unaudited interim condensed consolidated statement.

CHAGALA GROUP LIMITED

Unaudited 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 2016	8,503	80,293	(378)	61,731	(85,638)	20	-	64,531	3,421	67,952
Profit / (loss) for the period	-	-	-	-	-	1,302	-	1,302	50	1,352
Other comprehensive income /(loss)	-	-	-	-	111	-	-	111	-	111
Total comprehensive income / (loss)	-	-	-	-	111	1,302	-	1,413	50	1,463
Sale of shares (Note 14)	-	-	125	-	-	-	-	125	-	125
Dividends	-	-	-	-	-	-	-	-	-	-
As at 30 June 2016	8,503	80,293	(253)	61,731	(85,527)	1,322	-	66,069	3,471	69,540

	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 2015	8,503	80,293	(529)	47,734	(44,109)	(1,147)	508	91,253	3,393	94,646
Profit / (loss) for the period	-	-	-	-	-	435	-	435	(88)	347
Other comprehensive income /(loss)	-	-	-	497	(1,776)	-	-	(1,279)	(62)	(1,341)
Total comprehensive income / (loss)	-	-	-	497	(1,776)	435	-	(844)	(150)	(994)
Sale of shares (Note 14)	-	-	146	-	-	-	-	146	-	146
Dividends	-	-	-	-	-	(1,212)	-	(1,212)	-	(1,212)
As at 30 June 2015	8,503	80,293	(383)	48,231	(45,885)	(1,924)	508	89,343	3,243	92,586

Chief Executive Officer — Francisco Parrilla

Chief Financial Officer — Svetlana Mendesh

The accompanying notes on pages 6 to 22 are an integral part of these unaudited interim condensed consolidated statement.

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 a 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 ("LSE"), and successfully floated 57.9% of its ordinary shares. GDR's of the Company were publicly traded and the shareholding was dispersed with no single party able to exercise control.

Based on the decision made at the Annual General Shareholder Meeting the Company changed its listing on the LSE from GDRs to Shares. The admission to trading of the Company's GDRs on the London Stock Exchange was voluntarily cancelled on 30 October 2015.

On 18 November 2015 the issued share capital of the Company consisting of 21,250,000 ordinary shares has been admitted, with a standard listing, to the Official List of the United Kingdom Listing Authority and to trading on the London Stock Exchange Plc's main market for listed securities under the TIDM code "CGLO".

A listing of the Group's subsidiaries and associates as at 30 June 2016 and 31 December 2015 is as follows:

			Percentage ownership and voting	
Entities	**Country of residence**	**City**	**30 June 2016**	**31 December 2015**
Subsidiaries				
Chagala Cooperatief U.A. (the "Coop")	Netherlands	Amsterdam	100%	100%
Chagala International Holding B.V. (the "BV")	Netherlands	Amsterdam	100%	100%
Starion Holdings B.V.	Netherlands	Amsterdam	100%	100%
Caspi Limited LLP	Republic of Kazakhstan	Atyrau	100%	100%
Kurmangazy Development LLP	Republic of Kazakhstan	Uralsk	70%	70%
Aktau Development Company LLP	Republic of Kazakhstan	Aktau, Bautino	100%	100%
Chagala Management LLP	Republic of Kazakhstan	Almaty	100%	100%
Bayan Limited LLP	Republic of Kazakhstan	Uralsk	100%	100%
Chagala Aksai LLP	Republic of Kazakhstan	Aksai	50.1%	50.1%
Compass Chagala Holding B.V. (Note 3)	Netherlands	Amsterdam	-	100%
Compass Atyrau LLP (Note 3)	Republic of Kazakhstan	Atyrau	100%	100%
Compass Parkview LLP (Note 3)	Republic of Kazakhstan	Almaty	100%	100%
Compass Group Holdings (Kazakhstan) Limited (Note 3)	Hong Kong	Hong Kong	100%	100%
Compass Group Management (Kazakhstan) Limited (Note 3)	Hong Kong	Hong Kong	100%	100%
Compass Offices Holdings LLP (Note 3)	Republic of Kazakhstan	Almaty	100%	100%
Compass Offices Management LLP (Note 3)	Republic of Kazakhstan	Almaty	100%	100%
Compass Offices PV LLP (Note 3)	Republic of Kazakhstan	Almaty	100%	100%
Associates				
Arrowhead B.V. (Note 6)	Netherlands	Amsterdam	30%	30%
Itasia Engineering LLP (Note 4)	Republic of Kazakhstan	Almaty	49%	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 2015 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 thousands ($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 as at 31 December 2015.

2.2 Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2016.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the income statement;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to the income statement or retained earnings, as appropriate.

2.3 Changes in accounting policy and disclosures

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 2015.

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

IFRS 9 *Financial Instruments*

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes.* The core principle of the new standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. IFRS 15 is effective for annual reporting periods beginning on or after 1January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

IFRS 16 Leases

IFRS 16 replaces the current guidance for the lease accounting, including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard cancels a currently used dual lessee accounting model. This model requires classification of the lease as on-balance finance lease and off-balance operating lease. It will be replaced by a single accounting model, which implies that the lease is recognised on balance and is similar to the current accounting of the finance lease. For lessors the currently used accounting rules will be preserved in general – the lessors will continue classifying the lease as finance lease and operating lease. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted provided that IFRS 15 Revenue from Contracts with Customers is also applied. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

3 ACQUISITIONS, FORMATIONS AND MERGERS

Mergers in 2016

On 27 May 2016 Compass Chagala Holding B.V., being a 100% subsidiary of the Group as a result of acquisition dated 16 December 2015, was merged with another 100% subsidiary of the Group, Chagala International Holding B.V.

Formations in 2015

In May 2015 the Group through its subsidiary Caspi Limited LLP established a joint venture – Kurmangazy Development LLP with National Company "Social Entrepreneurial Corporation "Oral" with the Caspi Limited's share participation of 70%. The Group has a control over the established company and includes it in its consolidated financial statements. The principal activities of the joint venture are refurbishment and further lease of the office building in Uralsk.

Additions in 2015

On 16 December 2015 the Group increased its aggregate interest in Compass Chagala Holding BV from 49% up to 100% and became the sole shareholder. A cash contribution comprised USD 1.

On 16 December 2015 the Group acquired 100% of the shares of Compass Group Holdings (Kazakhstan) Limited and Compass Group Management (Kazakhstan) Limited, respectively, as established and registered in compliance with the laws of the Hong Kong for a cash contribution of USD 1. Acquired Compass Group Holdings (Kazakhstan) Limited and Compass Group Management (Kazakhstan) Limited have 100% of the shares in three subsidiaries: Compass Offices Holdings LLP, Compass Offices PV LLP and Compass Offices Management LLP as established and registered in compliance with the laws of the Republic of Kazakhstan. The main activities of the acquired companies is operation of serviced offices and meeting rooms.

Mergers in 2015

On 28 December 2015 Seventh Sense Group LLP, being a 100% subsidiary of the Group, was merged with another 100% subsidiary of the Group, Chagala Management LLP.

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 on the construction of Saraishyk Residential Complex and supermarket development in Atyrau. The Complex is located near Chagala properties and comprises 4 blocks of two and three bedroom apartments covering an area of circa 14,000 square meters. The apartment block was finished in September 2014. The supermarket was completed in March 2015. Crossbow LLP has purchased an office building in Almaty. The six floor building contains 5,156 square meters of useable 'A' class office space and is being leased to external clients.

In 2015 Arrowhead B.V. incurred net losses, of which the share of the Group constituted USD 850 thousand and was booked at the Group's consolidated income statement (2014: USD 263 thousand).

Itasia Engineering LLP

The Group has a 49% interest in Itasia Engineering LLP (or "Itasia"), which is involved in the construction of properties and provision of capital repair services for the Group. Itasia is a legal entity established under the laws of the Republic of Kazakhstan.

In 2015 Itasia incurred net losses and total comprehensive loss, of which the share of the Group constituted USD 15 thousand (2014: USD 5 thousand). The Group did not recognise the net losses on Itasia in the Statement of Comprehensive Income due to zero value of the investment. As at 31 December 2015 the amount of unrecognised Group's share of Itasia's net losses equals to USD 54 thousand (2014: USD 39 thousand).

5 MATERIAL PARTLY-OWNED SUBSIDIARY

Chagala Aksai LLP

Financial information of the Group's subsidiary that has a material non-controlling interests, Chagala Aksai LLP, is provided below.

Proportion of equity interest held by non-controlling interests:

	Country of residence	30 June 2016 unaudited	31 December 2015 audited
Chagala Aksai LLP	Republic of Kazakhstan	49.90%	49.90%

Amounts allocated to material non-controlling interest:

In thousands of US Dollars	30 June 2016 unaudited	31 December 2015 audited
Accumulated balances of material non-controlling interest	3,482	3,436
Profit allocated to material non-controlling interest for the period	46	43

Kurmangazy Development LLP

Financial information of the Group's subsidiary established in 2015 that has a material non-controlling interests, Kurmangazy Development LLP, is provided below.

Proportion of equity interest held by non-controlling interests:

	Country of residence	30 June 2016 unaudited	31 December 2015 audited
Kurmangazy Development LLP	Republic of Kazakhstan	30%	30%

Amounts allocated to material non-controlling interest:

In thousands of US Dollars	30 June 2016 unaudited	31 December 2015 audited
Accumulated balances of material non-controlling interest	(11)	(15)
Profit / (loss) allocated to material non-controlling interest for the period	4	(17)

6 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised 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 2016 *In thousands of US Dollars*	**Room and rent**	**Food and beverages**	**Other**	**Adjustments and eliminations**	**Total operations**
Revenue					
Sales to external customers	7,776	1,234	1,017	–	10,027
Internal sales	1,178	187	6	(1,371)	–
Total revenue	**8,954**	**1,421**	**1,023**	**(1,371)[1]**	**10,027**
Results					
Depreciation and amortization	(1,233)	(151)	(148)	(152)	(1,684)
Reversal of impairment/ (impairment) of land and buildings	–	–	–	–	–
Gain on disposal of property, plant and equipment	1	–	–	–	1
Finance costs, net	(720)	–	–	7	(713)
Other income/(expenses), net	–	–	–	53	53
Segment profit/(loss)	**3,821**	**323**	**723**	**(3,374)[2]**	**1,493**

1. Internal sales are eliminated on consolidation.
2. Profit for the operating segments does not include general and administrative expenses (USD 1,307 thousand) and salaries and employee benefits of administrative employees (USD 1,975 thousand).

Six months ended 30 June 2015 *In thousands of US Dollars*	**Room and rent**	**Food and beverages**	**Other**	**Adjustments and eliminations**	**Total operations**
Revenue					
Sales to external customers	9,429	2,278	1,119		12,826
Internal sales	1,072	443	–	(1,515)	–
Total revenue	**10,501**	**2,721**	**1,119**	**(1,515)[1]**	**12,826**
Results					
Depreciation and amortization	(1,847)	(111)	(172)	(283)	(2,413)
Reversal of impairment/ (impairment) of land and buildings	882	(155)	(584)	–	143
Loss on disposal of property, plant and equipment	–	–	–	–	–
Finance costs, net	(1,138)	–	–	–	(1,138)
Other income/(expenses), net	–	–	–	(32)	(32)
Segment profit/(loss)	**4,714**	**486**	**256**	**(4,728)[2]**	**728**

1. Internal sales are eliminated on consolidation.
2. Profit for the operating segments does not include general and administrative expenses (USD 1,766 thousand) and salaries and employee benefits of administrative employees (USD 2,146 thousand).

7 PROPERTY, PLANT AND EQUIPMENT

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

For the six months ended 30 June 2016 *In thousands of US Dollars*	Land	Buildings	Furniture and equipment	Capital work-in-progress	Total
Net carrying amount at 1 January	**8,858**	**61,691**	**2,639**	**2,265**	**75,453**
Additions	–	36	169	3,088	3,293
Transfers	150	4,060	856	(5,066)	–
Depreciation charge for the period	–	(1,059)	(563)	–	(1,622)
Translation reserve	21	90	(1)	(46)	156
Net carrying amount at 30 June	**9,029**	**64,818**	**3,100**	**333**	**77,280**
Gross book value	9,029	73,611	29,625	333	112,598
Accumulated depreciation	–	(8,793)	(26,525)	–	(35,318)
Net carrying amount at 30 June	**9,029**	**64,818**	**3,100**	**333**	**77,280**

Additions in capital work-in-progress represent mainly construction expenses incurred under the Uralsk office building reconstruction done by subsidiary of the Group - Kurmangazy Development LLP.

Transfers from capital work-in-progress to buildings and furniture and equipment mainly connected with the completion of the Uralsk office project in May 2016.

2015 *In thousands of US Dollars*	Land	Buildings	Furniture and equipment	Capital work-in-progress	Total
Net carrying amount at 1 January	**11,435**	**84,889**	**5,079**	**1,658**	**103,061**
Additions	223	1,244	1,564	2,798	5,829
Revaluations recognised in the statement of other comprehensive income	3,721	13,800	–	–	17,521
Reversal of impairment/(impairment)	10	2,370	–	(138)	2,242
Transfer to investment property	–	(704)	–	–	(704)
Disposals	–	(52)	(91)	–	(143)
Transfers	(142)	1,162	7	(1,027)	–
Depreciation charge for the period	–	(2,225)	(1,745)	–	(3,970)
Translation reserve	(6,389)	(38,793)	(2,175)	(1,026)	(48,383)
Net carrying amount at 31 December	**8,858**	**61,691**	**2,639**	**2,265**	**75,453**
Gross book value	8,858	69,425	28,601	2,265	109,149
Accumulated depreciation	–	(7,734)	(25,962)	–	(33,696)
Net carrying amount at 31 December	**8,858**	**61,691**	**2,639**	**2,265**	**75,453**

Transfers from capital work-in-progress to buildings and furniture and equipment mainly represent finished project - Social club and Central store in Atyrau.

During 2015 the management transferred two restaurant buildings to investment property group due to the change in purpose of use. Both restaurants were leased to third parties.

Capital work-in-progress

The Group develops real estate properties in Western Kazakhstan.

In the second half of 2015 the Group started the reconstruction of an office building in Uralsk city through its subsidiary, Kurmangazy Development LLP. The project was completed in the middle of 2016.

The carrying amount of capital work-in progress as at 30 June 2016 and 31 December 2015 is as follows:

In thousands of US Dollars	30 June 2016 unaudited	31 December 2015 audited
Caspi Limited LLP		
Office building in Atyrau city	333	338
Other	–	49
Kurmangazy Development LLP		
Office building in Uralsk city	–	1,878
	333	**2,265**

8 INVESTMENT PROPERTY

In 2015 the Group reclassified two restaurant buildings in Atyrau from property, plant and equipment to investment property, which were rented out under operational lease contracts to third parties for a period of at least 5 years.

In 2014 the Group reclassified land plots from property, plant and equipment to investment property, due to a change in the expected future use of these land plots. As at 30 June 2016 such land plots have no specific purpose or development.

In thousands of US Dollars	30 June 2016 unaudited	31 December 2015 audited
Net carrying amount at 1 January	**3,902**	**4,913**
Transfer from property, plant and equipment	–	704
Change in the fair value	–	686
Translation reserve	(34)	(2,401)
Net carrying amount of investment property	**3,868**	**3,902**

9 INVENTORIES

As at 30 June 2016 and 31 December 2015, inventories consisted of the following:

In thousands of US Dollars	30 June 2016 unaudited	31 December 2015 audited
Housekeeping goods	505	511
Materials	200	208
Restaurant and kitchen supplies	190	191
Food and beverages	65	71
Spare parts	72	70
Stationery and office equipment	43	37
Working clothes	26	25
Other	306	250
	1,407	**1,363**

Inventories recognised as an expense are as follows:

	For the six months ended 30 June	
In thousands of US Dollars	2016	2015
Cost of sales – Food and Beverages	392	678
Repairs and maintenance	189	190
Housekeeping goods	114	164
Staff meals	80	160
Replacement costs	65	75
Other	35	131
	875	**1,398**

10 ACCOUNTS RECEIVABLE

As at 30 June 2016 and 31 December 2015, accounts receivable consisted of the following:

In thousands of US Dollars	30 June 2016 unaudited	31 December 2015 audited
Trade accounts receivable	2,446	2,849
	2,446	**2,849**
Allowance for doubtful debts	(50)	(33)
	2,396	**2,816**

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 (27%) and Tenge (73%) (31 December 2015: 40% and 60% accordingly).

At 30 June 2016 the largest trade accounts receivable are from North Caspian Operating Company ("NCOC") representing 53% (at 31 December 2015: from NCOC representing 65%) of total trade accounts receivable.

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

In thousands of US Dollars	30 June 2016 unaudited	31 December 2015 audited
As at 1 January	**(33)**	**(76)**
Change for the period	(17)	8
Write-offs	–	–
Translation reserve	–	35
As at the end of the period	**(50)**	**(33)**

As at 30 June 2016 and 31 December 2015 the ageing analysis of accounts receivable is as follows:

In thousands of US Dollars	Total	Neither past due nor impaired	Past due but not impaired 180-270 days	271-360 days	>360 days
30 June 2016	**2,396**	**2,376**	**18**	**2**	–
31 December 2015	2,816	2,809	5	2	–

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.

11 TAXES PREPAID

As at 30 June 2016 and 31 December 2015 taxes prepaid consisted of the following:

In thousands of US Dollars	30 June 2016 unaudited	31 December 2015 audited
VAT recoverable	748	398
Other taxes prepaid	34	24
	782	**422**

12 OTHER PREPAYMENTS

As at 30 June 2016 and 31 December 2015 other prepayments consisted of the following:

In thousands of US Dollars	30 June 2016 unaudited	31 December 2015 audited
Advances paid to suppliers	594	564
Other	83	93
	677	**657**

At 30 June 2016 and 31 December 2015 other prepayments were made in the following currencies:

In thousands of US Dollars	30 June 2016 unaudited	31 December 2015 audited
Tenge	572	534
US dollars	72	61
Euro	33	62
	677	**657**

13 CASH AND CASH EQUIVALENTS

As at 30 June 2016 and 31 December 2015 cash and cash equivalents consisted of the following:

In thousands of US Dollars	**30 June 2016 unaudited**	**31 December 2015 audited**
Cash in current bank accounts	2,056	1,280
Short-term deposit	503	500
Cash on hand	21	11
	2,580	**1,791**

Cash in current bank accounts does not earn interest. Short-term deposit is made for and earns interest at the respective short-term deposit rates.

At 30 June 2016 and 31 December 2015 cash and cash equivalents were denominated in the following currencies:

In thousands of US Dollars	**30 June 2016 unaudited**	**31 December 2015 audited**
US dollars	1,913	1,606
Tenge	651	145
Other currencies	16	40
	2,580	**1,791**

14 SHARE CAPITAL AND OTHER RESERVES

Ordinary shares issued and fully paid

During 2015 the Group performed consolidation of shares, transforming each 4 shares into 1 consolidated.

Based on the decision made at the Annual General Shareholder Meeting the Group changed its listing on the LSE from GDRs to Shares. The admission to trading of the Company's GDRs on the London Stock Exchange was voluntarily cancelled on 30 October 2015.

At 30 June 2016 the issued and fully paid shares of the Group consist of 21,250,000 shares of USD 0.40 each (as at 31 December 2015: 21,250,000 shares of USD 0.40 each).

Treasury shares

In April 2015 according to incentive bonus scheme, 124 600 consolidated shares (or 498 400 unconsolidated shares) were transferred to the management of the Group at an estimated fair value of US Dollars 0.293 each which was determined based on the quoted market price of one Company's GDR. The scheme prescribed USD 95 thousand to be accrued as performance pay and USD 51 thousand to be paid in cash.

Under the share consolidation taken place in September 2015, the number of treasury shares as of 31 December 2015 decreased to 498,533 shares. Batch of 25,810 shares was cancelled upon consolidation.

In June 2016 according to incentive bonus scheme, 101 191 shares were transferred to top management, at an estimated fair value of US Dollars 1.24 each. The scheme prescribed USD 84 thousand to be accrued as performance pay and USD 41 thousand to be paid in cash by persons.

Dividends paid

In May 2015 the Group declared dividends of USD 1,212 thousand, USD 0.2336 per consolidated share.

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.

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.

Transfer for land and building represents revaluation reserve related to assets being disposed of that was transferred to retained earnings.

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 during 2015. As at 31 December 2015 all options were expired. The Group does not plan to grant options in the nearest future.

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 reporting 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 reporting 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	
	2016	2015
Weighted average number of ordinary shares outstanding (thousands)	20,768	20,662
Profit for the period attributable to equity holders of the parent (in thousands of US Dollars)	**1,302**	**435**
Basic and diluted earnings per share, US Dollars	**0.063**	**0.021**

No effect of dilution existed as share options were fully expired.

15 LONG-TERM BORROWINGS

As at 30 June 2016 and 31 December 2015 long-term borrowings comprised the following:

In thousands of US Dollars	Currency	30 June 2016 unaudited	31 December 2015 audited
Long-term borrowings			
Islamic Bank Al-Hilal JSC	USD	4,623	5,248
Islamic Bank Al-Hilal JSC	KZT	703	842
		5,326	**6,090**
Current portion of long-term borrowings			
Islamic Bank Al-Hilal JSC	USD	890	302
Islamic Bank Al-Hilal JSC	KZT	281	281
Kazinvestbank JSC	KZT	461	1,196
		1,632	**1,779**
Total long-term borrowings		**6,958**	**7,869**

Kazinvestbank JSC

In September 2011, Caspi Limited LLP signed an agreement with Kazinvestbank JSC to open a KZT denominated non-revolving credit facility of KZT 1,400 million for financing the construction of townhouses with maturity date of September 2016. 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%. During 2015 the interest rate regarding this loan facility was adjusted with additional agreement and increased up to 13%. In 2016 the effective interest rate is 13.9% (2015: 13.9%).

Additionally, in November 2012 Caspi Limited LLP along with Aktau Development Company and Bayan Limited (subsidiaries of Chagala Group Limited) signed a joint agreement with Kazinvestbank JSC to open a KZT denominated non-revolving credit facility of KZT 761 million with maturity date of November 2016. The purpose of the credit facility is refinancing of the borrowings from HSBC Bank and Raiffeisen Bank. 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%. During 2015 the interest rate regarding this loan facility was adjusted with additional agreement and increased up to 13%. In 2016 the effective interest rate is 13.9% (2015: 13.9%).

As at 30 June 2016 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 the amount of KZT 1,100 million (USD 3,246 thousand);
- Corporate guarantee issued by Chagala Group Limited.

At its own discretion the Group fully repaid the outstanding loans to Kazinvestbank JSC during July 2016.

Islamic Bank Al-Hilal JSC

In October 2014 Caspi Limited LLP and Aktau Development Company LLP (the "Companies") entered into a general agreement Murabaha for the purchase and sale of Murabaha goods with Islamic Bank Al-Hilal JSC to open two credit lines. The first revolving credit line was USD 2,500,000 to finance working capital requirements. Under this credit line the Companies have the right to roll over the credit facility during the period of 36 months from the date of first utilization. Under this credit line the Murabaha profit is fixed to 7% for facilities denominated USD and to 8% for facilities denominated in KZT. The second credit line was USD 7,500,000 to finance capital investments requirements including USD 440,000 to refinance a loan from HSBC Kazakhstan JSC. The Murabaha profit is one year LIBOR plus 6%, but the minimum is 7.5% for credit facilities denominated in USD and one year LIBOR plus 7%, but the minimum is 8% for credit facilities denominated in KZT. Caspi Limited LLP received credit facilities in KZT during 2014.

In November 2014, Caspi Limited LLP received a loan from Islamic Bank Al-Hilal JSC within a second limit to finance the purchase of land plot. The credit facility equals KZT 381,100 thousand, with the maturity date in November 2019 and fixed Murabaha premium of 8%. In 2014 it was fully drawn. The grace period for this loan is twelve months from the date of the loan receipt and commences in the last quarter of 2015.

In 2015 the Caspi Limited LLP received from Islamic Bank Al-Hilal JSC the following credit facilities within the second credit line with indicated Murabaha profit as one year LIBOR plus 6%, but the minimum is 7.5%:

- In March 2015 – a credit facility in the amount of USD 550,000 with a first principal payment date in March 2016
- In August and November 2015 – credit facilities with carrying amounts of USD 2,500,000 and USD 1,000,000 accordingly for Kurmangazy Development LLP project in Uralsk;

In addition, the Companies received from Islamic Bank Al-Hilal JSC the following credit facilities within the first credit line with a right to roll over during the period of 36 months from the date of first utilization:

- In March 2015 Aktau Development Company LLP drew down a credit facility in the amount of USD 500,000 with an annual fixed rate 7%. This credit facility was fully repaid during Q1 2016;
- In November and December 2015 Caspi Limited LLP received two credit facilities of USD 700,000 and USD 300,000 accordingly with annual fixed rate 7%;
- In May 2016 Caspi Limited LLP received credit facility of USD 500,000 with annual fixed rate 7%.

As at 30 June 2016 the credit facilities are secured as follows:

- Pledged immovable properties with a carrying amount of USD 6,250 thousand;
- Corporate guarantee issued by Chagala International Holding B.V.

16 BONDS PAYABLE

In March 2012 the Company announced the placement on the Kazakhstan market of a 5-year KZT denominated bond in the amount of 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. As at 30 June 2016, the amount of unamortised discount related to this bond is USD 61 thousand (31 December 2015: USD 130 thousand).

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 2016 unaudited	31 December 2015 audited
As at 1 January	**6,498**	**11,871**
Interest accrual	396	1,198
Transfer to interest payable	(328)	(1,012)
Translation difference	13	(5,559)
Carrying amount of bonds payable	**6,579**	**6,498**

17 TRADE ACCOUNTS PAYABLE

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

18 ADVANCES FROM CUSTOMERS

As at 30 June 2016 and 31 December 2015 advances from customers consisted of the following:

In thousands of US Dollars	Currency	30 June 2016 unaudited	31 December 2015 audited
Long-term advances from customers			
Advance from KPO BV	USD	679	916
		679	**916**
Advances from customers			
Advance from KPO BV	USD	479	279
Advance from NCOC	KZT	105	105
Other advances	KZT	335	286
		919	**670**
Total advances from customers		**1,598**	**1,586**

In September 2015 under office building reconstruction project in Uralsk Kurmangazy Development LLP entered into a long-term contract with Karachaganak Petroleum Operating B.V. ("KPO BV") and received a USD denominated advance in the amount of USD 1,500 thousand. Since the advance received is treated as a non-monetary item, the outstanding amount was adjusted to the exchange rate as at 30 June 2016 and 31 December 2015 accordingly.

19 TAXES PAYABLE

As at 30 June 2016 and 31 December 2015 current taxes payable consisted of the following:

In thousands of US Dollars	30 June 2016 unaudited	31 December 2015 audited
VAT payable	202	338
Other taxes	132	126
	334	**464**

20 SALARIES AND EMPLOYEE BENEFITS

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

	For the six months ended 30 June	
In thousands of US Dollars	2016 unaudited	2015 unaudited
Payroll and related taxes	2,147	3,239
Benefits	697	970
	2,844	**4,209**

21 FINANCE INCOME/COSTS

For the six months ended 30 June 2016 and 2015 finance income mainly represents the interest income from deposits placed in banks and interests on loans to associates, accordingly.

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

	For the six months ended 30 June	
In thousands of US Dollars	2016 unaudited	2015 unaudited
Interest expense on borrowings	647	1,002
Unwinding of bond discount	69	111
Other	4	49
	720	**1,162**

22 INCOME TAX EXPENSE

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

	For the six months ended 30 June	
In thousands of US Dollars	2016 unaudited	2015 unaudited
Income tax expense – current	204	188
Deferred income tax (benefit) / expense	(62)	193
Income tax expense reported in the consolidated income statement	**141**	**381**

Reflected in the consolidated financial statements as at 30 June 2016 and 31 December 2015 as follows:

In thousands of US Dollars	30 June 2016 unaudited	31 December 2015 audited
Deferred tax assets	166	121
Deferred tax liabilities	(7,658)	(7,664)
Deferred tax liability, net	**(7,492)**	**(7,543)**

23 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

During the six months ended 30 June 2016 and 2015 the Group entered into transactions with related parties. Those transactions along with balances at 30 June 2016 and 31 December 2015 are presented in the following table:

Balances with related parties

In thousands of US Dollars	30 June 2016 unaudited	31 December 2015 audited
Amounts due from related parties, including loans		
Associates	479	2,065
	479	**2,065**
Amounts due to related parties		
Associates	–	47
	–	**47**

Amounts due from associates mainly represent advances paid to Itasia by Kurmangazy Development LLP for construction works regarding Uralsk office building renovation project and other repair and maintenance services rendered by Itasia.

Related parties transactions

	For the six months ended 30 June	
In thousands of US Dollars	2016	2015
Associates		
Sales to related parties	118	308
Purchases from related parties	2,337	2,638

Sales transactions for the six months ended 30 June 2016 and 30 June 2015 mainly include revenue from operational services provided by the Group to Arrowhead B.V. and accommodation services rendered to Itasia.

Purchases from related parties for the six months ended 30 June 2016 and 30 June 2015 represent capital repair and technical materials provided by Itasia Engineering LLP.

Key management personnel

	For the six months ended 30 June	
In thousands of US Dollars	**2016**	**2015**
Remuneration and compensation paid	348	391

Key management personnel comprise members of the Management Board and Board of Directors of the Group, totalling four persons during six months period ended 30 June 2016 (2015: five). 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.

24 CONTINGENT COMMITMENTS AND OPERATING RISKS

Business environment

The Group's operations are primarily located in Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. In addition, the recent significant depreciation of the Kazakhstan tenge, and the reduction in the global price of oil, have increased the level of uncertainty in the business environment.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable. However these consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

Taxation

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

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

Contractual commitments

As at 30 June 2016 the Group had no material contractual commitments for the purchase of property, plant and equipment from third parties (31 December 2015: none).

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 and accounts payable. 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 the refinancing interest rate of National Bank of RK (refinancing interest rate, US LIBOR).

As at 30 June 2016 approximately 40% of the Group's borrowings are at a floating interest rate (31 December 2015: 44%).

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**
Six months ended 30 June 2016		
Refinancing interest rate	+100	(4)
	-100	4
LIBOR	+100	(26)
	-100	26
2015		
Refinancing interest rate	+100	(31)
	-100	31
LIBOR	+100	(33)
	-100	33

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.

On 20 August 2015, the National Bank of the Republic of Kazakhstan ("the NBRK") announced that it cancelled the previously established corridor of 170-198 KZT per USD and released tenge to a floating rate. The KZT closed at 255.26 per US Dollar after the announcement, down approximately 35.5% from the previous day's close of KZT at 188.38 per US Dollar.

The Group does not consider these unrealised forex losses as unhedged expenses, since almost 40% of revenue generated by the Group are US dollar denominated or linked to the US Dollar exchange rate and the management assesses that US dollar revenue generated by the Group would be sufficient to cover cash outflows on interests and principal repayments and timely coincides therewith, which mitigates the Group's exposure to the risk of unfavorable changes in foreign exchange rate and creates an economic hedge.

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 2016		**31 December 2015**	
In thousands of US Dollars	**Increase in exchange rate**	**Effect on profit before tax**	**Increase in exchange rate**	**Effect on profit before tax**
US Dollar	+20%	(588)	+20%	(567)
US Dollar	+10%	(294)	+10%	(284)

Credit risk

The Group trades only with recognised, 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 10.

With respect to credit risk arising from cash at bank, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of this instrument. The Company held cash and cash equivalents of USD 2,559 thousand as at 30 June 2016 (31 December 2015: USD 1,780 thousand), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated C to A, based on rating agency Standard and Poor's ratings.

Liquidity risk

The liquidity risk is the risk that the Group will encounter difficulty in the meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities, when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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 at 30 June 2016 and 31 December 2015 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 2016						
Borrowings	267	442	1,394	5,905	–	8,009
Bonds payable	–	–	6,972	–	–	6,972
Trade accounts payable	–	593	–	–	–	593
Due to related parties	–	–	–	–	–	–
Other payables and accruals	–	285	–	–	–	285
	267	**1,320**	**8,366**	**5,905**	**–**	**15,858**
As at 31 December 2015						
Borrowings	613	428	1,330	6,838	–	9,209
Bonds payable	–	–	7,291	–	–	7,291
Trade accounts payable	–	597	–	–	–	597
Due to related parties	–	47	–	–	–	47
Other payables and accruals	–	39	–	–	–	39
	613	**1,111**	**8,621**	**6,838**	**–**	**17,183**

Breach of a loan covenant

The Group has Bonds payable with a maturity date in December 2016, therefore the outstanding amount of USD 6,579 thousand has been presented as current liabilities as at 30 June 2016 (31 December 2015: USD 6,498 thousand). This reclassification reduced the Group's current ratio below 1 as at reporting date. As a result, the current ratio covenant under the KZT 761 million loan agreement with Kazinvestbank JSC has been breached. The outstanding balance of this loan has been classified as payable on demand since there is a risk the lender can request an immediate repayment. The lender is aware of the covenant breach nature and the Group's current negotiations to refinance bonds.

The management does not consider this breach as a significant liquidity risk and at its own discretion the Group made advanced repayment of all outstanding loans to Kazinvestbank JSC in July 2016.

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 end of the period was as follows:

In thousands of US Dollars	30 June 2016 unaudited	31 December 2015 audited
Borrowings	6,958	7,869
Bonds payable	6,579	6,498
Trade accounts payable	593	597
Total debt	**14,130**	**14,964**
Equity	**66,069**	**64,531**
Debt-to-equity ratio	**0.21**	**0.23**

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 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 bonds payable is estimated by reference to quoted market prices at KASE.

	Carrying amount		Fair value	
In thousands of US Dollars	**30 June 2016**	**31 December 2015**	**30 June 2016**	**31 December 2015**
Financial assets				
Trade accounts receivable	2,396	2,816	2,396	2,816
Due from related parties	479	2,065	479	2,065
Cash and cash equivalents	2,580	1,791	2,580	1,791
Financial liabilities				
Borrowings	6,958	7,869	6,958	7,869
Bonds payable	6,579	6,498	6,579	6,598
Interest payable	123	135	123	135
Trade accounts payable	593	597	593	597
Due to related parties	-	47	-	47
Other payables and accruals	285	39	285	39

Fair values hierarchy

All financial liabilities are categorised within Level 2 of fair value hierarchy based on the inputs to valuation technique.

26 EVENTS AFTER REPORTING PERIOD

The following events occurred subsequent 30 June 2016:

- In July 2016 the Group fully repaid the loans borrowed from KazInvestBank before maturity date and therefore the Group has no outstanding balances due to as at July 2016.
- From 1 July 2016 the Group extended the contract for business centre office lease for next five years.