JOINT STOCK COMPANY
INSURANCE COMPANY
"AMANAT INSURANCE"

Financial Statements and
Independent Auditors' Report
For the Year Ended 31 December 2014

JOINT STOCK COMPANY "INSURANCE COMPANY "AMANAT INSURANCE"

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INDEPENDENT AUDITORS' REPORT

To the Shareholder and the Board of Directors of Joint Stock Company "Insurance Company "Amanat Insurance":

We have audited the accompanying financial statements of Joint Stock Company "Insurance Company "Amanat Insurance" ("the Company"), which comprise the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of JSC "Insurance Company "Amanat Insurance" as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Roman Sattarov
Auditor performer
Qualified Auditor
Qualification certificate
No.MF-0000149
dated 31 May 2013

Mark Smith
Engagement partner
Chartered Accountant
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Deloitte, LLP
State license on auditing in the Republic of Kazakhstan
0000015, type MFU-2, issued by the Ministry of Finance
of the Republic of Kazakhstan dated 13 September 2006

Nurlan Bekenov
General Director
Deloitte, LLP

29 April 2015
Almaty, Kazakhstan

JOINT STOCK COMPANY "INSURANCE COMPANY "AMANAT INSURANCE"

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014
(in Kazakhstani tenge and in thousands)

	Notes	31 December 2014	31 December 2013
ASSETS:			
Cash and cash equivalents	4	289,970	741,675
Term deposits in banks	5	1,267,571	1,178,539
Financial assets at fair value through profit or loss	6	987,848	1,060,141
Investments available-for-sale	7	27,078	479,509
Investments held-to-maturity	8	253,635	260,258
Insurance and reinsurance premium receivables	9	300,449	413,409
Other insurance and reinsurance receivables		12,806	72,682
Deferred acquisition costs		272,770	248,514
Unearned premiums reserve, reinsurers' share	10	990,477	1,373,002
Reserves for claims and claims' adjustment expenses, reinsurers' share	11	231,609	235,164
Property, equipment and intangible assets	12	518,307	78,354
Deferred income tax asset	13	15,536	187,579
Current income tax assets		34,196	34,257
Other assets	14	65,778	37,508
TOTAL ASSETS		5,268,030	6,400,591
LIABILITIES AND EQUITY			
LIABILITIES:			
Insurance and reinsurance payable	15	116,455	552,797
Unearned premiums reserve	10, 27	2,574,673	2,757,943
Reserves for claims and claims' adjustment expenses	11	427,951	407,745
Other liabilities	16	274,851	207,043
Total liabilities		3,393,930	3,925,528
EQUITY:			
Share capital	17	680,000	570,000
Additional paid-in-capital		349,306	-
Property and equipment revaluation reserve		4,429	5,709
Stabilization reserve		-	39,001
Retained earnings		840,365	1,860,353
Total equity		1,874,100	2,475,063
TOTAL LIABILITIES AND EQUITY		5,268,030	6,400,591

On behalf of the Management Board:

Begimbetov Y.N.
Chairman of the Management Board

29 April 2015
Almaty, Kazakhstan

Agibayeva D.K.
Chief Accountant

29 April 2015
Almaty, Kazakhstan

The notes on pages 8-45 form an integral part of these financial statements.

JOINT STOCK COMPANY "INSURANCE COMPANY "AMANAT INSURANCE"

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

(in Kazakhstani tenge and in thousands, unless otherwise indicated)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
Premiums written, gross	18, 27	7,761,992	7,085,712
Ceded reinsurance premiums	18	(4,405,900)	(4,248,297)
PREMIUMS WRITTEN, NET OF CEDED REINSURANCE		3,356,092	2,837,415
Change in unearned premiums reserve, net	10, 18	(199,255)	(67,045)
PREMIUMS EARNED, NET OF REINSURANCE		3,156,837	2,770,370
Claims paid, gross	19, 27	(1,895,698)	(611,513)
Claims paid, reinsurers' share	19	96,698	36,310
Change in reserves for claims and claims' adjustment expenses, gross	19	(20,206)	(34,547)
Change in reserves for claims and claims' adjustment expenses, reinsurers' share	19	(3,555)	197,390
CLAIMS INCURRED, NET OF REINSURANCE		(1,822,761)	(412,360)
Commission income	20	9,647	13,962
Commission expense	20	(620,675)	(670,579)
NET COMMISSION EXPENSE		(611,028)	(656,617)
Investment income	21	91,945	154,123
Other operating income		8,596	1,206
OTHER INCOME		100,541	155,329
Salaries and benefits	27	(867,882)	(794,746)
Administrative and operating expenses	22, 27	(1,018,518)	(880,958)
Provision for impairment losses on investments		-	(64,013)
Provision for impairment losses on other operations	23	(15,979)	(86,120)
Depreciation and amortization	12	(24,004)	(22,282)
Net gain from operations with foreign currencies	24	215,166	28,714
OPERATING EXPENSES		(1,711,217)	(1,819,405)
(LOSS)/PROFIT BEFORE INCOME TAX		(887,628)	37,317
Income tax (expense)/benefit	13	(172,043)	148,315
NET (LOSS)/PROFIT		(1,059,671)	185,632
TOTAL COMPREHENSIVE (LOSS)/INCOME		(1,059,671)	185,632

On behalf of the Management Board:

Begimbetov Y.N.	**Agibayeva D.K.**
Chairman of the Management Board	**Chief Accountant**
29 April 2015	29 April 2015
Almaty, Kazakhstan	Almaty, Kazakhstan

The notes on pages 8-45 form an integral part of these financial statements.
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014
(in Kazakhstani tenge and in thousands)

	Share capital	Additional paid-in capital	Property and equipment revaluation reserve	Stabilisation reserve	Retained earnings	Total equity
As at 31 December 2012	570,000	-	6,184	15,332	1,697,915	2,289,431
Total comprehensive income	-	-	-	-	185,632	185,632
Release of property and equipment revaluation reserve on disposal of previously revalued assets, less deferred income taxes in the amount of KZT nil	-	-	(475)	-	475	-
Transfer to stabilization reserve	-	-	-	23,669	(23,669)	-
As at 31 December 2013	570,000	-	5,709	39,001	1,860,353	2,475,063
Total comprehensive loss	-	-	-	-	(1,059,671)	(1,059,671)
Other adjustments of retained earnings	-	-	-	-	(598)	(598)
Issuance of ordinary shares	110,000	-	-	-	-	110,000
Revaluation of property and equipment	-	349,306	-	-	-	349,306
Release of property and equipment revaluation reserve on disposal of previously revalued assets, less deferred income taxes in the amount of KZT nil	-	-	(1,280)	-	1,280	-
Transfer from stabilization reserve	-	-	-	(39,001)	39,001	-
As at 31 December 2014	680,000	349,306	4,429	-	840,365	1,874,100

On behalf of the Management Board:

Bogimbetov Y.N.
Chairman of the Management Board

29 April 2015
Almaty, Kazakhstan

Agibayeva D.K.
Chief Accountant

29 April 2015
Almaty, Kazakhstan

The notes on pages 8-45 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014
(in Kazakhstani tenge and in thousands)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss)/profit before income tax expense		(887,628)	37,317
Adjustments for:			
Change in reserves for unearned premiums, net	18	199,255	67,045
Change in reserves for claims and claims' adjustment expenses, net of reinsurers' share	19	23,761	(162,843)
Depreciation and amortization	12	24,004	22,282
Provision for impairment losses on investments	7	-	64,013
Provision for impairment losses on other transactions	23	15,979	86,120
Unrealized loss/(gain) from financial assets at fair value through profit or loss	21	73,310	(8,508)
Gain on sale of financial assets at fair value through profit or loss		(2,005)	-
Change in deferred acquisition costs		(24,256)	106,742
Loss on sale of investments available-for-sale		47,663	-
Unrealized gain on foreign exchange operations	24	(85,998)	(22,427)
Net change in accrued interest income		6,885	3,463
Premium amortization on investments held-to-maturity		6,672	967
Loss on disposal of property and equipment		259	353
Cash (outflow)/inflow from operating activities before changes in operating assets and liabilities		(602,099)	194,524
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Insurance and reinsurance premium receivables		96,981	276,740
Other insurance and reinsurance receivables		62,461	(49,340)
Other assets		(30,853)	129,930
Increase/(decrease) in operating liabilities:			
Insurance and reinsurance payable		(436,342)	(36,150)
Other liabilities		68,113	(11,381)
Cash (outflow)/inflow from operating activities before taxes paid		(841,739)	504,323
Income taxes paid		(61)	(6,626)
Net cash (outflow)/inflow from operating activities		(841,800)	497,697
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash placed as term deposits in banks		(366,030)	(1,003,637)
Cash withdrawn from term deposits in banks		282,872	386,651
Proceeds from sale and redemption of financial assets at fair value through profit or loss		74,178	389,436
Purchase of property, equipment and intangible assets	12	(115,219)	(48,344)
Proceeds from sale of investments available-for-sale		403,945	-
Proceeds on disposal of property and equipment		309	715
Net cash inflow/(outflow) from investing activities		280,095	(275,179)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Shares issued		110,000	-
Net cash inflow from financing activities		110,000	-
NET CHANGE IN CASH AND CASH EQUIVALENTS		(451,705)	222,518
CASH AND CASH EQUIVALENTS, beginning of the year	4	741,675	519,157
CASH AND CASH EQUIVALENTS, end of the year	4	289,970	741,675

Interest received by the Company during the years ended 31 December 2014 and 2013 amounted to KZT 184,812 thousand and KZT 109,373 thousand, respectively.

During the year ended 31 December 2014 the Company purchased and revalued office premises, which resulted in non-cash settlement excluded from the statement of cash flows in the amount of KZT 349,306 thousand (Note 12).

On behalf of the Management Board:

Begimbetov Y.N.
Chairman of the Management Board

29 April 2015
Almaty, Kazakhstan

Agibayeva D.K.
Chief Accountant

29 April 2015
Almaty, Kazakhstan

The notes on pages 8-45 form an integral part of these financial statements.

1. ORGANISATION

Joint Stock Company "Insurance Company "Amanat Insurance" ("the Company") was incorporated in the Republic of Kazakhstan on 24 July 1997 under the laws of the Republic of Kazakhstan.

The Company possesses insurance license # 2.1.15 dated 6 January 2011 for voluntary and compulsory general insurance and reinsurance issued by the Committee for control and supervision of financial market and financial organizations of the National Bank of Republic of Kazakhstan ("the FMSC").

The Company offers various general insurance products in property and casualty, civil liability, cargo, medical insurance, personal insurance and reinsurance.

The Company's legal address is 63, Tole bi str., Almaty, Republic of Kazakhstan.

As at 31 December 2014 and 2013, the number of employees of the Company was 521 and 478, respectively.

As at 31 December 2014 and 2013, the Company had 17 branches in the Republic of Kazakhstan, respectively

As at 31 December 2014 and 2013, Idrisov D.A. was the sole shareholder of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

For the year ended 31 December 2014, the Company incurred a net loss in the amount of KZT 1,059,671 thousand. Despite, this loss position, the Company was in compliance with all of the regulatory requirements, including prudential norms and has sufficient capital to continue as a going concern.

Further, Management of the Company are currently developing a revised business plan, which focuses on profitability of lines of insurance business and on overhead expenses. Management believe that the successful introduction of this business plan will return the Company to profitable operations. In addition, Management have had ongoing discussions and understand that the shareholder will continue support the Company. As a result Management believe the Company will continue as a going concern for the foreseeable future.

These financial statements are presented in thousands of Kazakhstani tenge ("KZT" or "Tenge"), unless otherwise indicated. These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Listed shares and listed redeemable notes held by the Company that are traded in an active market are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, dividend income and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Investments held-to-maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Held to maturity investments are measured at amortised cost using the effective interest method less any impairment.

If the Company were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Company would be prohibited from classifying any financial asset as held to maturity during the current financial year and following two financial years.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and current accounts in local, foreign currency in the second tier banks of the Republic of Kazakhstan and deposits with original maturity less than 3 months.

Term deposits in banks

In the normal course of business, the Company maintains deposits for various periods of time with banks. Term deposits in banks are measured at amortized cost using the effective interest method.

Reinsurance

The Company cedes insurance risk in the normal course of business. Recoverable amounts are estimated in a manner consistent with the unearned premiums reserve and reserves for claims and claims' adjustment expenses in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of comprehensive income.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

The Company also assumes reinsurance risk in the normal course of business for general insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contracts.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Insurance receivables

Insurance receivables are recognized when the related income is earned. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss and other comprehensive income.

Insurance receivables are derecognized when the derecognition criteria for financial assets has been met.

Impairment of financial assets

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

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

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

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

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss i recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

Write off of accounts receivable

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

Prepayments

Prepayments include advance payments, which are charged to expense in the year, when services are provided.

Derecognition of financial assets

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

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

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation, except for vehicles which are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such vehicles is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such vehicles is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

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

	Rates
Buildings	4% - 10%
Vehicles	25%
Machinery and equipment	30%
Other	15%
Intangible assets	15%

Depreciation on revalued vehicles is recognised in profit or loss. Depreciation of revaluation reserve is transferred annually from the revaluation reserve to retained earnings. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

The carrying amounts of property and equipment and intangible assets are reviewed at each reporting date by the Company to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

An item of property, equipment and intangible assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, equipment and intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Insurance and reinsurance payables

Payables on direct insurance business comprise insurance benefits due but not yet paid out, premium refunds not paid out and commissions due to agents.

The liabilities are shown at the amounts actually due on repayment.

Payables on reinsurance business comprise net reinsurance premiums due to reinsurers and brokers in connection with the reinsurance business ceded and obligations on claims to be paid on assumed reinsurance business.

Liability adequacy test

The Company applies a liability adequacy test at each reporting date to ensure that the insurance liabilities are adequate considering the estimated future cash flows. This test is performed by comparing the carrying value of the liability and the discounted projections of future cash flows (including premiums, claims, expenses, investment return and other items), using best estimate and assumptions.

If a deficiency is found in the liability (i.e. the carrying value amount of its insurance liabilities is less than the future expected cash flows) that deficiency is fully recognized in the statement of comprehensive income.

Reserves for claims and claims' adjustment expenses

Reserves for claims and claims adjustment expenses is a summary of estimates of ultimate losses, and includes both claims reported but not settled ("RBNS") and claims incurred but not reported ("IBNR").

RBNS is created for significant reported claims not settled at the reporting date. Estimates are made on the basis of information received by the Company during its investigation of insured events. IBNR is estimated by the Company based on its previous statistics of claims/indemnification of claims using actuarial methods of calculation, which include loss triangulation for insurance classes for which there is statistical data. For lines of insurance that do not have sufficient statistical data, IBNR is calculated according to FMSC requirements as not less than 5% of the written premiums.

The reinsurers' share in the reserves for claims and claims' adjustment expenses is calculated in accordance with the reinsurers' share under the reinsurance contracts.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Share capital

Contributions to share capital are recognized at cost.

The reserves recorded in other comprehensive income on the Company's statement of financial position include:

- Reserve on revaluation of property reserve which comprises changes in fair value of vehicle;

Net written insurance premiums represent gross written premiums less premiums ceded to reinsurers. Upon inception of a contract, premiums are recorded as written and are earned on a pro rata basis over the term of the related policy coverage. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage and is included as a liability in the accompanying statement of financial position.

Claims paid and the change in reserves for claims and claims' adjustment expenses are charged to the statement of comprehensive income as incurred through the reassessment of the reserves for claims and claims' adjustments expenses.

Commissions earned on ceded reinsurance contracts are recorded in the statement of profit or loss and other comprehensive income at the date the reinsurance contract is signed and deemed enforceable.

Acquisition costs, comprising commissions paid to insurance agents and brokers, which vary and are directly related to the production of new business, are deferred and recorded in the accompanying statement of financial position and are amortized over the period in which the related written premiums are earned.

Recognition of interest income and other income

Interest income includes income earned on investment securities. Interest income is recognized on an accrual basis calculated using the effective interest method. Fees, commission and other income and expenses are generally recognized on an accrual basis per the applicable contract.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into KZT at the appropriate spot rates of exchange prevailing at the reporting date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain from operations with foreign currencies.

Rates of exchange

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

	31 December 2014	31 December 2013
KZT/1 US Dollar	182.35	154.06
KZT/1 Euro	221.59	212.02

3. ADOPTION OF NEW AND REVISED STANDARDS

Amendments to IFRSs affecting amounts reported in the financial statements

In the current year, the following new and revised Standards and Interpretations have been adopted but have not significantly affected the amounts reported in these financial statements.

Amendments to IFRSs affecting amounts reported in the financial statements

Amendments to IFRS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments to IFRS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.