

KazAgroFinance Joint Stock Company
Interim condensed financial statements (unaudited)

As at and for the six months ended 30 June 2015

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Report on review of the interim condensed financial statements

To the Shareholder and Board of Directors of KazAgroFinance Joint Stock Company

Introduction

We have reviewed the accompanying interim condensed financial statements of KazAgroFinance Joint Stock Company (hereinafter, the "Company") as at 30 June 2015, comprising of the interim statement of financial position as at 30 June 2015, the related interim statement of comprehensive income for the six-month period then ended, the interim statements of changes in equity and of cash flows for the six-month period then ended and selected notes to the interim condensed financial statements. Management of the Company is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *(Review of Interim Financial Information Performed by the Independent Auditor of the Entity)*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements of KazAgroFinance Joint Stock Company are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLP

Evgeny Zhemaletdinov
Auditor / General Director
Ernst and Young LLP

State Audit License for audit activities on the territory of the Republic of Kazakhstan:
series МФЮ-2 No. 0000003 issued by the
Ministry of Finance of the Republic of Kazakhstan
on 15 July 2005

2 September 2015

Auditor Qualification Certificate No. 0000553
dated 24 December 2003

INTERIM STATEMENT OF FINANCIAL POSITION**As at 30 June 2015***(Thousands of tenge)*

	<i>Notes</i>	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014 (audited)</i>
Assets			
Cash and cash equivalents	3	16,255,921	23,525,825
Amounts due from credit institutions	4	4,842,580	4,043,957
Derivative financial assets		360,702	468,834
Assets held for sale	5	510,824	—
Property held for financial lease	6	8,287,299	11,726,638
Loans to customers	7	57,537,177	53,044,703
Finance lease receivables	8	164,082,223	155,525,718
Current corporate income tax assets		598,645	551,867
Advances paid	9	14,943,919	4,720,656
Property and equipment		1,048,064	1,082,622
Intangible assets		161,461	182,528
VAT and other taxes recoverable		1,394,900	1,288,343
Other assets		230,995	275,336
Total assets		270,254,710	256,437,027
Liabilities			
Amounts due to the Shareholder	10	106,845,675	97,751,437
Amounts due to credit institutions	11	26,556,799	24,336,678
Debt securities issued	12	16,673,234	16,631,461
Advances received	14	5,841,173	3,421,569
Deferred income tax liabilities		2,174,631	2,031,244
Deferred VAT		2,297,117	2,064,716
Other liabilities	15	7,801,510	8,638,153
Total liabilities		168,190,139	154,875,258
Equity			
Share capital	16	82,837,204	82,837,204
Additional paid-in capital	16	20,845,591	18,786,572
Reserve funds	16	1,436,184	1,436,184
Provision for notional distribution	16	(8,322,322)	(7,885,776)
Retained earnings		5,267,914	6,387,585
Total equity		102,064,571	101,561,769
Total liabilities and equity		270,254,710	256,437,027
Book value per common share, tenge	16	1,230	1,224

Dzhuyayeva G. I.

Acting Chairperson of the Management Board

Shodajeva G. I.

Chief Accountant

2 September, 2015

The accompanying notes on pages 6 to 18 are an integral part of these interim condensed financial statements.

INTERIM INCOME STATEMENT**For the six months ended 30 June 2015***(Thousands of tenge)*

	<i>For the six months ended 30 June (unaudited)</i>		
	<i>Notes</i>	<i>2015</i>	<i>2014</i>
Interest income			
Finance lease receivables		6,441,749	5,527,249
Loans to customers		2,968,432	2,227,726
Amounts due from credit institutions		326,889	205,525
		<u>9,737,070</u>	<u>7,960,500</u>
Interest expenses			
Amounts due to the Shareholder		(3,077,902)	(2,437,485)
Amounts due to credit institutions		(791,555)	(782,502)
Debt securities issued		(720,293)	—
		<u>(4,589,750)</u>	<u>(3,219,987)</u>
Net interest income		5,147,320	4,740,513
Allowance for impairment of loans and finance lease receivables	7	(1,416,978)	(3,595,352)
Net interest income after allowance for impairment of loans and finance lease receivables		<u>3,730,342</u>	<u>1,145,161</u>
Net (losses)/gains from transactions with derivative financial assets		(96,397)	2,146,896
Net losses from foreign currencies		(215,819)	(1,240,356)
Revaluation of assets held for sale		—	111,352
Other income		81,204	536,437
Non-interest (expenses)/income		<u>(231,012)</u>	<u>1,554,329</u>
Personnel expenses		(1,154,961)	(1,007,388)
Other operating expenses		(378,899)	(348,867)
Net losses less gains from changes in deferred cash flows of loans to customers		(208,138)	(175,288)
Other loss from impairment and provisions	17	(212,533)	(330,510)
Amortisation and depreciation		(70,770)	(57,880)
Non-interest expense		<u>(2,025,301)</u>	<u>(1,919,933)</u>
Profit before income tax		1,474,029	779,557
Income tax benefit	13	262,232	60,467
Profit for the period		<u>1,736,261</u>	<u>840,024</u>

Dzhugashev A.B.

Acting Chairperson of the Management Board

Shedanova G.T.

Chief Accountant

2 September 2015

The accompanying notes on pages 6 to 18 are an integral part of these interim condensed financial statements.

INTERIM STATEMENT OF COMPREHENSIVE INCOME**For the six months ended 30 June 2015***(Thousands of tenge)*

	<i>For the six months ended 30 June (unaudited)</i>	
	<i>Notes</i>	
Profit for the period		
	<u>2015</u>	<u>2014</u>
	1,736,261	840,024
Other comprehensive income		
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>1,736,261</u>	<u>840,024</u>

Dzhuvashyeva A.B.

Acting Chairperson of the Management Board

Shodanova G.

Chief Accountant

2 September 2015



A handwritten signature in blue ink, appearing to be "Shodanova G.".

INTERIM STATEMENT OF CHANGES IN EQUITY**For the six months ended 30 June 2015***(Thousands of tenge)*

	Share capital	Additional capital	Reserve equity	Provision for notional distribution	Retained earnings	Total
At 31 December 2013 (audited)	80,883,511	12,597,918	1,436,184	(6,525,798)	5,919,441	94,311,256
Total comprehensive income for the period (unaudited)	-	-	-	-	840,024	840,024
Income from initial recognition of loans obtained from the Shareholder at below market rate (Note 16) (unaudited)	-	1,835,602	-	-	-	1,835,602
Provision for notional distribution for the period (Note 16) (unaudited)	-	-	-	(425,555)	-	(425,555)
Dividends declared (unaudited)	-	-	-	-	(2,705,114)	(2,705,114)
At 30 June 2014 (unaudited)	80,883,511	14,433,520	1,436,184	(6,951,353)	4,054,351	93,856,213
At 31 December 2014 (audited)	82,837,204	18,786,572	1,436,184	(7,885,776)	6,387,585	101,561,769
Total comprehensive income for the period (unaudited)	-	-	-	-	1,736,261	1,736,261
Income from initial recognition of loans obtained from the Shareholder at below market rate (Note 16) (unaudited)	-	2,059,019	-	-	-	2,059,019
Dividends declared (Note 16) (unaudited)	-	-	-	-	(2,855,932)	(2,855,932)
Provision for notional distribution for the period (Note 16) (unaudited)	-	-	-	(436,546)	-	(436,546)
At 30 June 2015 (unaudited)	82,837,204	20,845,591	1,436,184	(8,322,322)	5,267,914	102,064,571

Dzhuvashov

Acting Chairperson of the Management Board

Shodanov

Chief Accountant



2 September 2015

The accompanying notes on pages 6 to 18 are an integral part of these interim condensed financial statements.

INTERIM STATEMENT OF CASH FLOWS**For the six months ended 30 June 2015***(Thousands of tenge)*

	<i>For the six months ended 30 June (unaudited)</i>	
	<i>Notes</i>	
Cash flows from operating activities		
Interest received	6,781,752	3,582,430
Interest paid	(1,683,271)	(1,695,110)
Realised gains less losses from derivative financial assets	11,625	490,524
Personnel expenses paid	(1,110,341)	(960,360)
Other operating expenses paid	(465,123)	(426,038)
Other income received	81,737	385,630
Realised losses less gains from dealing in foreign currencies	(279,105)	703,338
Cash flows from operating activities before changes in operating assets and liabilities	3,337,274	2,080,414
<i>Net (increase)/ decrease in operating assets:</i>		
Amounts due from credit institutions	(798,623)	5,834,618
Derivative financial assets	110	(7,725)
Loans to customers	(3,573,343)	(4,973,094)
Finance lease receivables	(9,199,150)	(13,688,324)
Assets held for sale	2,660	-
Property held for financial lease	3,439,339	(872,418)
VAT and other taxes recoverable	(106,557)	315,388
Advances paid	(10,395,271)	(3,563,131)
Other assets	3,816	(544,130)
<i>Net increase/ (decrease) in operating liabilities</i>		
Advances received	2,419,604	533,386
Other liabilities	(614,327)	1,422,980
Net cash flows from operating activities before income tax	(15,484,468)	(13,462,036)
Income tax paid	(46,778)	(223,246)
Net cash flows used in operating activities	(15,531,246)	(13,685,282)
Cash flows from investing activities		
Purchase of property and equipment and intangible assets	(21,128)	(11,616)
Proceeds from sale of property and equipment	-	1,154
Net cash used in investing activities	(21,128)	(10,462)
Cash flows from financing activities		
Proceeds from amounts due to the shareholder	6,630,068	12,911,456
Loans received from credit institutions	2,279,780	3,903,543
Coupon payment on debt securities issued	(678,500)	-
Net cash flows from financing activities	8,231,348	16,814,999
Effect of exchange rate changes on cash and cash equivalents	51,122	474,681
Net (decrease)/increase in cash and cash equivalents	(7,269,904)	3,593,936
Cash and cash equivalents at the beginning of the period	23,525,825	9,315,742
Cash and cash equivalents at the end of the period	16,255,921	12,909,678

Dzhuyashev A.B.

Acting Chairperson of the Management Board

Shodanova G.T.

Chief Accountant

2 September 2015

The accompanying notes on pages 6 to 18 are an integral part of these interim condensed financial statements.

(Thousands of tenge)

1. Principal activities

KazAgroFinance JSC (the "Company") was established by the Decree of the Government of the Republic of Kazakhstan No. 1777 dated 24 November 1999 "On certain agricultural issues" in accordance with Kazakhstan legislation. The Company performs its activities on the basis of a license No. 16 issued by the Committee on Regulation and Supervision of Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan (the "NBRK") for conducting operations specified by the banking legislation of the RK No. 16 dated 31 March 2006. Additionally, the Company has a status of financial agency assigned by the Resolution of the NBRK dated 23 September 2006, No. 195.

The Company's principal activities are:

- Participation in development and implementation of state crediting programs and financial support for agricultural commodity producers;
- Lease out facilities and technological equipment to agricultural organizations involved in production and processing of agricultural products;
- Rendering assistance to agricultural sector by own means, as well as raised investments through crediting.

The address of the Company's registered office is: street Kenesary Str. 51, Astana, Republic of Kazakhstan.

The sole shareholder of the Company is National Management Holding "KazAgro" Joint Stock Company ("KazAgro" or "Shareholder"). Ultimate shareholder of KazAgro is the Government of the Republic of Kazakhstan.

As at 30 June 2015 the Company has 15 registered branches throughout the Republic of Kazakhstan.

As at 30 June 2015 and 31 December 2014, the members of the Board of Directors and Management Board did not have any Company's shares.

2. Basis of preparation

General

The interim condensed financial statements for the six months ended 30 June 2015 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2014.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Company for the year ended 31 December 2014, except for the adoption of new standards starting from 1 January 2015, listed below. The Company has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2015, they do not have a material effect on the interim condensed financial statements of the Company. The nature and the impact of each new standard or amendment are described below:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the current service cost in the period in which such service is rendered, instead of allocating the contributions to the periods of service. The amendments become effective for annual periods beginning on or after 1 July 2014. These amendments did not have any impact on the Company, since the Company does not have defined benefit plans with contributions from employees or third parties.

(Thousands of tenge)

2. Basis of preparation (continued)

Changes in accounting policies (continued)

Annual IFRS improvements: 2010-2012 Cycle

These improvements are effective from 1 July 2014. The Company has applied these amendments for the first time in these interim condensed financial statements. They include the following amendments:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition;
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

The above definitions are consistent with how the Company has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Company's accounting policies.

IFRS 3 Business Combinations

The amendment is applied retrospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Company's current accounting policy, and thus this amendment does not impact the interim condensed financial statements of the Company.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify the following:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Company has not applied the aggregation criteria in IFRS 8.12. The Company ceased to present reconciliation of segment assets to total assets in these interim condensed financial statements as the reconciliation is not reported to the chief operating decision maker for the purpose of her decision making.

IFRS 13 Short-term Receivables and Payables – Amendments to IFRS 13

The amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This is consistent with the Company's current accounting policy, and thus this amendment does not impact the interim condensed financial statements of the Company.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data both gross and net. In addition, the accumulated depreciation or amortisation is determined as the difference between the gross and carrying amounts of the asset. The Company did not record any revaluation adjustments during the current interim period.

(Thousands of tenge)

2. Basis of preparation (continued)**Changes in accounting policies (continued)****Annual IFRS improvements: 2010-2012 Cycle (continued)***IAS 24 Related Party Disclosures*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Company as it does not receive any management services from other entities.

Annual IFRS improvements: 2011-2013 Cycle

These improvements are effective from 1 July 2014. The Company has applied these amendments for the first time in these interim condensed financial statements. They include the following amendments:

IFRS 3 Business Combinations

The amendment is applied retrospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3;
- This exception applies only to the accounting in the financial statements of the joint arrangement itself.

This amendment is not relevant for the Company as it is not a joint arrangement.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Company does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. In previous periods, the Company has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Company.

Meaning of effective IFRSs – Amendments to IFRS 1

The amendment clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 had no impact on the Company, since the Company is an existing IFRS preparer.

3. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
Cash on current accounts in Tenge	7,280,653	5,220,460
Cash on current accounts in foreign currency	8,975,268	18,305,365
Cash and cash equivalents	16,255,921	23,525,825

As at 30 June 2015, the amount of cash and cash equivalents concentrated with one bank was KZT 8,939,255 thousand or 55% of the total balance (31 December 2014: KZT 6,984,623 thousand or 29.7%).

4. Amounts due from credit institutions

Amounts due from credit organizations represent restricted cash used as collateral for letters of credit for purchase of equipment held for finance lease.

(Thousands of tenge)

5. Assets held for sale

During the six months ended June 30, 2015 the Company transferred assets from property, plant and equipment to assets held for sale upon management decision in the amount of KZT 5,450 thousand, of which assets in the amount of KZT 2,660 thousand were realised. The Company also transferred to its ownership the collateral with fair value of KZT 508,034 thousand.

6. Property held for financial lease

	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
Property and equipment held for finance lease	8,333,673	11,816,282
Collateral transferred to ownership	508,235	508,235
Other materials	25,710	22,427
	<u>8,867,618</u>	<u>12,346,944</u>
Provision for impairment of property held for finance lease (Note 17)	<u>(580,319)</u>	<u>(620,306)</u>
Property held for financial lease	<u>8,287,299</u>	<u>11,726,638</u>

7. Loans to customers

Loans to customers comprise:

	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
Loans to legal entities	62,983,178	58,833,083
Loans to individuals	4,162	4,162
Total loans to customers	<u>62,987,340</u>	<u>58,837,245</u>
Less allowance for impairment	<u>(5,450,163)</u>	<u>(5,792,542)</u>
Loans to customers	<u>57,537,177</u>	<u>53,044,703</u>

Allowance for impairment of loans to customers and finance lease

A reconciliation of the allowance for impairment of loans to customers and finance lease receivables is as follows:

	<i>Loans to customers</i>	<i>Finance lease receivables (Note 8)</i>	<i>Total</i>
At 1 January 2015	5,792,542	12,062,962	17,855,504
(Reversal)/provisioning for the period	(342,379)	1,759,357	1,416,978
Write-offs	-	(2,794)	(2,794)
At 30 June 2015 (unaudited)	<u>5,450,163</u>	<u>13,819,525</u>	<u>19,269,688</u>
	<i>Loans to customers</i>	<i>Finance lease receivables</i>	<i>Total</i>
At 1 January 2014	4,960,774	9,008,286	13,969,060
Provisioning for the period	853,471	2,741,881	3,595,352
At 30 June 2014 (unaudited)	<u>5,814,245</u>	<u>11,750,167</u>	<u>17,564,412</u>

8. Finance lease receivables

The analysis of finance lease receivables by maturity as at 30 June 2015, is as follows:

	<i>Not later than 1 year (unaudited)</i>	<i>1 to 5 years (unaudited)</i>	<i>Over 5 years (unaudited)</i>	<i>Total (unaudited)</i>
Finance lease	47,500,882	121,476,893	62,355,613	231,333,388
Unearned finance income on finance lease of future periods	(1,239,278)	(26,705,919)	(25,486,443)	(53,431,640)
Net investment in finance leases	<u>46,261,604</u>	<u>94,770,974</u>	<u>36,869,170</u>	<u>177,901,748</u>
Less – allowance for impairment (Note 7)	<u>(2,953,710)</u>	<u>(7,822,567)</u>	<u>(3,043,248)</u>	<u>(13,819,525)</u>
Finance lease receivables	<u>43,307,894</u>	<u>86,948,407</u>	<u>33,825,922</u>	<u>164,082,223</u>

(Thousands of tenge)

8. Finance lease receivables (continued)

An analysis of finance lease receivable as at 31 December 2014, is presented below:

	<i>Not later than 1 year</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Finance lease	44,961,765	111,778,403	61,618,139	218,358,307
Unearned finance income on finance lease of future periods	(1,168,572)	(24,198,315)	(25,402,740)	(50,769,627)
Net investment in finance leases	43,793,193	87,580,088	36,215,399	167,588,680
Less allowance for impairment (Note 7)	(3,152,216)	(6,303,978)	(2,606,768)	(12,062,962)
Finance lease receivables	40,640,977	81,276,110	33,608,631	155,525,718

9. Advances paid

As at 30 June, advances paid to the following counterparties:

	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
Dalsem Horticultural Projects B.V.	5,357,351	-
Eurasia Group AG	3,448,792	1,461,225
Agromashholding JSC	1,900,290	-
Combine harvester plant "Vektor" LLP	1,272,676	1,885,028
KUBO Greenhouse Projects B.V.	956,345	-
Gesellschaft für Schlacht- und Fordertechnik mbH	490,183	490,183
Silos Cordoba S.L	311,689	-
Kandi-Almaty LLP	247,200	-
Buhler GmbH	144,420	144,420
Agrofirm Aduchi LLC	139,251	-
Me2 International BV	139,047	86,160
Agralimex GmbH	107,378	-
Zherdan LLP	64,562	101,799
Other	653,272	668,370
	15,232,456	4,837,185
Less allowance for impairment	(288,537)	(116,529)
Advances paid	14,943,919	4,720,656

Advances paid represent prepayment for delivery of agricultural machinery, equipment and cattle stock for further transfer to finance lease.

10. Amounts due to the Shareholder

	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
Loans from the Shareholder	103,051,696	97,164,180
Dividends payable	2,855,932	-
Interest payable on loans from the Shareholder	938,047	587,257
Amounts due to the Shareholder	106,845,675	97,751,437

On 18 May 2009, the Company entered into master lending agreement No. 35 (Agreement) with the Shareholder. In accordance with this Agreement, the Company obtains a long-term investment loan to develop, expand and modify material production in agricultural sector. Proceeds from the loan are used by the Company to finance long term investment projects. The loan matures on 30 December 2023. According to additional agreement No. 8 dated 29 December 2014, the limit of financing was increased to KZT 113,459,000 thousand from KZT 94,000,000 thousand. As at 30 June 2015 the total amount that can be drawn down is KZT 8,385,896 thousand, interest is accrued at nominal rate of 1.02% per annum. As at 30 June 2015, balance of principal amounts to KZT 83,611,692 thousand (31 December 2014: KZT 75,372,129 thousand).

(Thousands of tenge)

10. Amounts due to the Shareholder (continued)

On 23 June 2013, the Company and the Shareholder entered into a framework agreement on loan No. 63 to obtain a loan up to KZT 30,363,131 thousand for a period of 3-7 years and an interest rate of 5.8% per annum. As at 30 June 2015, balance of principal amounts to KZT 27,421,255 thousand under this Agreement (31 December 2014: KZT 29,948,019 thousand).

On 23 September 2014, the Company and the Shareholder entered into a framework agreement on loan No. 113 to obtain a loan up to KZT 14,272,998 thousand for a period of 9 years and an interest rate of 10% per annum of which 7% per annum is subsidized by the government and 3% per annum is paid by the Company. As at 30 June 2015, balance of principal amounts to KZT 1,211,691 thousand under this Agreement (31 December 2014: KZT 1,258,422 thousand).

On 1 October 2014, the Company and the Shareholder entered into the loan agreement in the amount of KZT 6,189,000 thousand for a period of 7 years and an interest rate of 1.02% per annum. As at 30 June 2015, balance of principal amounts to KZT 6,189,000 thousand under this Agreement. Upon initial recognition in 2014, the discount amounted to KZT 1,381,725 thousand.

As at 30 June 2015, the Company has no obligations on execution of financial covenants under agreements with the Shareholder. The debt is not secured with collateral.

11. Amounts due to credit institutions

	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
Loans from banks and entities performing certain types of bank transactions	26,305,423	24,059,367
Accrued expenses in the form of interest on loans from banks and entities performing certain types of bank transactions	251,376	277,311
Amounts due to credit institutions	26,556,799	24,336,678

Amounts due to credit institutions comprise:

	<i>Currency</i>	<i>Maturity</i>	<i>Interest rate</i>	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
Islamic Development Bank	US dollars	21 September 2020	6%	5,171,511	5,434,918
Societe Generale Bank (Canada)	US dollars	20 May 2020	6 months LIBOR + 1.5%	4,565,644	-
SB Sberbank of Russia JSC	Tenge	6 November 2015	8%	2,733,000	5,043,800
Deer Credit, INC	US dollars	15 December 2018	5.9%	2,279,745	2,601,648
Deere Credit, Inc.	US dollars	15 March 2018	LIBOR + 2.3%	1,086,107	1,240,760
Deer Credit, INC	US dollars	20 November 2019	5.6%	1,869,871	2,034,658
Altyn Bank JSC	US dollars	8 April 2016	5.5%	1,860,682	-
Eurasian Development Bank JSC	Tenge	6 June 2018	7.5%	1,832,254	2,138,071
Eurasian Development Bank JSC	Tenge	11 March 2019	9.0%	1,497,426	1,684,604
Landesbank Berlin A.G.	EUR	28 August 2016	6 month Euribor + 1% + Spread for financing	137,796	196,188
Landesbank Berlin A.G.	EUR	29 December 2019	6 month EURIBOR + 1.35%	1,269,989	1,511,628
Landesbank Berlin A.G.	EUR	16 May 2015	6 month EURIBOR + 0.35%	-	71,852
GazPromBank OJSC	US dollars	30 April 2019	4.3%	771,447	850,625
Rosselkhozbank JSC	US dollars	24 May 2018	4.9%	609,078	698,645
Rosselkhozbank JSC	US dollars	24 April 2019	4.9%	433,832	256,298
CNH International SA	US dollars	2 June 2018	6%	363,417	415,229
HSBC Bank (Germany)	EUR	20 July 2015	6 months EURIBOR + 0.17%	75,000	157,754
Amounts due to credit institutions				26,556,799	24,336,678

(Thousands of tenge)

11. Amounts due to credit institutions (continued)*Financial covenants*

In accordance with the terms of the foreign bank loan agreements, the Company is required to comply with certain financial covenants. With regard to agreements with Eurasian Bank, the Company is required to maintain certain level of debt to equity and interest coverage ratios. As at 30 June 2015 and 31 December 2014, the Company complied with the requirements related to the restrictive financial indicators under the agreements with this bank. Particularly with regard to export credit agreement with Societe Generale, the Company is required to maintain certain level of debt to equity and interest coverage ratios. As at 30 June 2015, the Company complied with the requirements related to the restrictive financial indicators under the agreement with this bank.

Credit lines

As at 30 June 2015, under the Agreement with Rosselkhozbank OJSC for opening of a Letter of Credit dated 24 April 2014, the Company spend funds in the amount of USD 1,209 thousand. As at 30 June 2015, balance of principal amounts to USD 2,364 thousand under this Agreement.

The Company also has an existing short-term revolving credit facility from SB Sberbank JSC to the total amount of KZT 5,000,000 thousand dated 25 December 2012, under which balance of principal amounts to KZT 2,700,700 thousand as at 30 June 2015.

The Company concluded the Framework Agreement on provision of financing with Altyn Bank JSC dated 7 April 2015 for a period of 1 year in the amount of USD 10,000 thousand with an interest rate of 5.5% per annum, under which balance of principal amounts to USD 10,000 thousand as at 30 June 2015.

The Company concluded the export credit agreement with Societe Generale (Paris) dated 20 May 2015 for a period of 5 year in the amount of USD 25,720 thousand with an interest rate of 6 months Libor + 3% per annum, under which balance of principal amounts to USD 25,720 thousand as at 30 June 2015.

12. Debt securities issued

In August-September, the Company issued bonds in the amount of KZT 17,000,000 thousand at local market for a period of 8.5 years and interest rate of 8% per annum.

The Company records issued securities (bonds) with accrued interest and premium, and adjusts the above by the amount of discount.

	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
Debt securities issued	16,962,500	16,962,500
Discount on debt securities issued	(911,224)	(952,997)
Interest on debt securities issued	621,958	621,958
Debt securities issued	16,673,234	16,631,461

13. Taxation

Corporate income tax benefit comprise:

	<i>For the six months ended</i>	
	<i>30 June 2015 (unaudited)</i>	<i>30 June 2014 (unaudited)</i>
Tax expense – current	–	34,427
Deferred corporate income tax charge – origination and reversal of temporary differences	143,386	257,618
Less: deferred tax recognised in capital	(405,618)	(352,512)
Income tax benefit	(262,232)	(60,467)

14. Advances received

As at 30 June 2015, advances received in the amount of KZT 5,841,173 thousand (December 31, 2014: KZT 3,421,569 thousand) represent a prepayment from customers for property held for finance lease that was acquired under loan agreements or finance lease agreements but transferred to lessee.

(Thousands of tenge)

15. Other liabilities

Other liabilities comprise:

	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
Accounts payables to suppliers	5,243,904	6,901,867
Deferred interest income	1,887,863	1,152,741
Due to employees	347,431	275,689
Taxes payable other than corporate income tax	80,892	122,569
Other current liabilities	241,420	185,287
Other liabilities	7,801,510	8,638,153

16. Equity

Movements in shares outstanding, issued and fully paid were as follows:

	<i>Offering price (KZT)</i>	<i>Number of shares</i>	<i>Total (KZT thousand)</i>
At 31 December 2013	1,000	80,883,511	80,883,511
Issue of share capital (unaudited)		-	-
At 30 June 2014 (unaudited)		80,883,511	80,883,511
At 31 December 2014	1,000	82,837,204	82,837,204
Issue of share capital (unaudited)	1,000	-	-
At 30 June 2015 (unaudited)		82,837,204	82,837,204

As at 31 December 2014 and 30 June 2015, total amount of authorized, issued and fully paid common shares comprised 82,837,204 shares at the offering price of KZT 1,000.

As at 30 June 2015 and 31 December 2014, the owner of a common share has the right for one vote and an equal right for dividends. Distributable income is determined on the basis of income recorded in the Company's financial statements. There are no privileged shares.

At the General shareholder's meeting held on 30 April 2015, the Company declared dividends for 2014 in the amount of KZT 2,855,932 thousand on common shares or KZT 34.48 per share. As at 30 June 2015 dividends were not paid.

In accordance with the Regulation of the Company, provisions are made for general risks including future losses and other unforeseen risks and obligations. Reserve capital is subject to distribution on the basis of decision of general Shareholders meeting. In the first half of 2015, there was no change in reserve funds. Thus, as at 30 June 2015 the reserve funds were KZT 1,436,184 thousand.

Change in the additional paid-in capital and provision for notional distribution are presented as follows:

	<i>Additional paid-in capital</i>	<i>Provision for notional distribution</i>
At 31 December 2013	12,597,918	(6,525,798)
Provision for notional distribution (unaudited)	-	(531,944)
Tax effect on provision for notional distribution (unaudited)	-	106,389
Initial recognition of income on loans received at below market rates (unaudited)	2,294,503	-
Tax effect from initial recognition of income on loans received at below market rates (unaudited)	(458,901)	-
At 30 June 2014 (unaudited)	14,433,520	(6,951,353)
At 31 December 2014	18,786,572	(7,885,776)
Provision for notional distribution (unaudited)	-	(545,683)
Tax effect on provision for notional distribution (unaudited)	-	109,137
Initial recognition of income on loans received at below market rates (unaudited)	2,573,774	-
Tax effect from initial recognition of income on loans received at below market rates (unaudited)	(514,755)	-
At 30 June 2015 (unaudited)	20,845,591	(8,322,322)

(Thousands of tenge)

16. Equity (continued)

As at 30 June 2015, the Company's book value per common share calculated in accordance with Kazakhstan Stock Exchange methodology is KZT 1,230 (December 31, 2014: KZT 1,224).

Calculation of carrying value of one share:

	<i>As at June 30 2015 (unaudited)</i>	<i>At 31 December 2014</i>
Assets	<u>270,254,710</u>	256,437,027
Intangible assets	(161,461)	(182,528)
Liabilities	<u>(168,190,139)</u>	(154,875,258)
Net assets	<u>101,903,110</u>	101,379,241
Number of common shares as at the calculation date	82,837,204	82,837,204
Book value of one share, tenge	1,230	1,224

17. Other loss from impairment and provisions

The movements in other impairment allowances and provisions were as follows:

	<i>Property held for financial lease</i>	<i>Advances issued</i>	<i>Other assets</i>	<i>Total</i>
At 31 December 2013	846,196	45,467	391,039	1,282,702
Charge	252,244	37,400	40,866	330,510
Write-offs	(428,279)	-	-	(428,279)
At 30 June 2014 (unaudited)	<u>670,161</u>	<u>82,867</u>	<u>431,905</u>	<u>1,184,933</u>
At 31 December 2014	620,306	116,529	409,786	1,146,621
Charge	-	172,008	40,525	212,533
Write-offs	(39,987)	-	-	(39,987)
At 30 June 2015 (unaudited)	<u>580,319</u>	<u>288,537</u>	<u>450,311</u>	<u>1,319,167</u>

18. Commitments and contingencies**Operating environment and economic conditions**

The Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government. The management of the Company believes that it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances. However, further deterioration in the areas described above could have negative effect on the Company's operating results and financial position. Currently it is not possible to determine such effect.

Borrowers could also be affected by deterioration in liquidity that, in turn, affects their ability to settle their debt to the Company. The management of the Company believes that it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances. However, further deterioration in the areas described above could have negative effect on the Company's operating results and financial position.

The world financial crisis affected Kazakh economy. Despite some indications of recovery there continues to be uncertainty regarding further economic growth, access to capital and cost of capital, which could negatively affect the Company's future financial position, results of operations and business prospects.

Taxation

Kazakhstani commercial, and in particular, tax legislation contain regulations, interpretation of which could vary, and in certain cases the legislation could be amended with indirect retrospective impact. In addition, Company's management's interpretation of the legislation may differ from that of tax authorities, and in the result transactions carried out by the Company could be estimated by tax authorities in other way, and this could result in additional charge of taxes, fines and penalties. The Company's management considers that all necessary tax accruals were fulfilled and, correspondingly, there were no any allowances charged in the statements. Tax periods remain open for five years.

(Thousands of tenge)

18. Commitments and contingencies (continued)**Undrawn credit lines and guarantees**

As at 30 June 2015 and 31 December 2014 contractual commitments and contingencies of the Company comprise:

	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
Credit related commitments		
Undrawn loan facilities	20,043,756	38,959,378
Issued guarantees	1,669,132	1,754,939
Total	21,712,888	40,714,317

On 16 June 2011 the Company issued a financial guarantee in the amount of 6,661,130 Islamic Dinar on behalf of associated company JSC Fund of Financial Support of Agriculture to the Islamic Development Bank under loan facility. This guarantee was secured by counter-guarantee of KazAgro. As at 30 June 2015, the total amount of the loan received by Fund of Financial Support of Agriculture JSC was USD 8,964 thousand or KZT 1,669,132 thousand.

19. Fair value of financial instruments

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

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

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

<i>30 June 2015 (unaudited)</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Financial assets measured at fair value				
Derivative financial assets	-	-	360,702	360,702
Total financial assets measured at fair value	-	-	360,702	360,702
Financial assets with disclosed fair value				
Cash and cash equivalents	16,255,921	-	-	16,255,921
Amounts due from credit institutions	-	4,842,580	-	4,842,580
Loans to customers	-	-	48,275,875	48,275,875
Finance lease receivables	-	-	154,110,482	154,110,482
Other assets	-	-	200,589	200,589
Total financial assets whose fair value is disclosed	16,255,921	4,842,580	202,586,946	223,685,447
Financial liabilities with disclosed fair value				
Due to the shareholder	-	-	105,959,266	105,959,266
Amounts due to credit institutions	-	-	26,869,785	26,869,785
Issued securities	19,971,316	-	-	19,971,316
Other liabilities	-	-	7,142,598	7,142,598
Total financial liabilities whose fair value is disclosed	19,971,316	-	139,971,649	159,942,965

(Thousands of tenge)

19. Fair value of financial instruments (continued)

<i>31 December 2014</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Financial assets measured at fair value				
Derivative financial assets	–	–	468,834	468,834
Total financial assets measured at fair value	–	–	468,834	468,834
Assets with disclosed fair value				
Cash and cash equivalents	23,525,825	–	–	23,525,825
Amounts due from credit institutions	–	4,043,957	–	4,043,957
Loans to customers	–	–	54,968,984	54,968,984
Finance lease receivables	–	–	151,045,485	151,045,485
Other assets	–	–	251,484	251,484
Total financial assets whose fair value is disclosed	23,525,825	4,043,957	206,265,953	233,835,735
Financial liabilities with disclosed fair value				
Amounts due to the shareholder	–	–	86,483,872	86,483,872
Amounts due to credit institutions	–	–	22,921,818	22,921,818
Issued securities	15,494,741	–	–	15,494,741
Other liabilities	–	–	8,055,698	8,055,698
Total financial liabilities whose fair value is disclosed	15,494,741	–	117,461,388	132,956,129

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

Derivatives

Derivative instruments valued using a valuation technique with market observable inputs. As for embedded derivative instruments assumptions are made on the basis of market rates adjusted by specific characteristics of the instrument. The Company uses Black-Scholes model to evaluate its financial instruments and valuation models (such as risk free rates and volatility coefficients), are determined on the basis of financial instruments with similar characteristics quoted at Bloomberg.

Financial instruments not carried at fair value in the statement of financial position

Set out below is a comparison of the carrying values and fair values of the Company's financial instruments, reflected in the interim condensed financial statement.

	<i>Carrying value 30 June 2015 (unaudited)</i>	<i>Fair value 30 June 2015 (unaudited)</i>	<i>Unrecognised gain/(loss) 30 June 2015 (unaudited)</i>	<i>Carrying value 31 December 2014</i>	<i>Fair value 31 December 2014</i>	<i>Unrecognised gain/(loss) 31 December 2014</i>
Financial assets						
Cash and cash equivalents	16,255,921	16,255,921	–	23,525,825	23,525,825	–
Amounts due from credit institutions	4,842,580	4,842,580	–	4,043,957	4,043,957	–
Loans to customers	57,537,177	48,275,875	(9,261,302)	53,044,703	54,968,984	1,924,281
Finance lease receivables	164,082,223	154,110,482	(9,971,741)	155,525,718	151,045,485	(4,480,233)
Other assets	200,589	200,589	–	251,484	251,484	–
	242,918,490	223,685,447	(19,233,043)	236,391,687	233,835,735	(2,555,952)
Financial liabilities						
Amounts due to the Shareholder	106,845,675	105,959,266	886,409	97,751,437	86,483,872	11,267,565
Amounts due to credit institutions	26,556,799	26,869,785	(312,986)	24,336,678	22,921,818	1,414,860
Issued securities	16,673,234	19,971,316	(3,298,082)	16,631,461	15,494,741	1,136,720
Other liabilities	7,142,598	7,142,598	–	8,005,698	8,005,698	–
	157,218,306	159,942,965	(2,724,659)	146,725,274	132,906,129	13,819,145
Total unrecognised change in unrealized fair value			(21,957,702)			11,263,193

(Thousands of tenge)

20. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties may enter into transactions which unrelated parties might not. Prices and terms of such transactions may differ from prices and terms of transactions between unrelated parties.

Transactions with government-related entities (excluding the Shareholder)

Republic of Kazakhstan, acting through the State Property Committee within the Ministry of Finance, controls the Company and has a significant impact on its activities.

The Republic of Kazakhstan through its state agencies and other institutions directly and indirectly controls and has significant influence over a significant number of entities (together referred to as "entities associated with the state"). The Company enters into banking transactions with these entities such as attracting of loans and placement of cash.

Transactions with non-government-related entities including the shareholder

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

	30 June 2015 (unaudited)			31 December 2014		
	Shareholder	Companies under common control	Other related parties	Shareholder	Companies under common control	Other related parties
Finance lease receivables	-	197,618	-	-	466,063	-
Interest income from finance lease	-	14,523	-	-	12,494	-
Less: Allowance for impairment	-	-	-	-	(156,142)	-
Finance lease receivables net of allowance	-	212,141	-	-	322,415	-
Loans obtained	103,051,696	-	-	97,164,180	-	-
Accrued interest expense on loans	938,047	-	-	587,257	-	-
Dividends	2,855,932	-	-	-	-	-
	For the six months ended 30 June 2015 (unaudited)			For the six months ended 30 June 2014 (unaudited)		
	Shareholder	Companies under common control	Other related parties	Shareholder	Companies under common control	Other related parties
Interest income on loans to customers	-	-	-	-	1,811	-
Allowance for impairment of loans	-	-	-	-	(3,418)	-
Interest income on finance lease receivables	-	24,641	-	-	10,907	-
Allowance for impairment of finance lease receivables	-	-	-	-	6,100	-
Interest expense	3,077,902	-	-	2,437,485	-	-
Other expense	-	2,849	-	-	4,865	-

Loans and finance lease receivables were issued to other related parties at rates ranging from 4% to 13% with term from 4 to 7 years.

*(Thousands of tenge)***20. Related party transactions (continued)***Transactions with non-government-related entities including the shareholder (continued)*

Compensation to the key management personnel consisting of 4 persons (30 June 2014: 7 persons) comprised the following:

	<i>For the six months ended 30 June 2015 (unaudited)</i>	<i>For the six months ended 30 June 2014 (unaudited)</i>
Salary and other short-term benefits	33,446	36,765
Social security contribution	3,392	3,520
Total compensation to the key management personnel	36,838	40,285

21. Events after the reporting period

On 17 July 2015, the Company issued bonds in the amount of KZT 7,000,000 thousand at local market for a period of 7 years and interest rate of 8.5% per annum.

On 20 August 2015, the Government of the Republic of Kazakhstan made a decision to implement a new credit and monetary policy based on inflation targeting with the cancellation of the exchange rate band and the transition to a free floating exchange rate of tenge. As a result the depreciation of tenge in relation to US dollar and other leading world currencies took place. The dollar exchange rate before and after the decision of the Government was equal to 188.38 Tenge per US dollar and 255.26 Tenge per US dollar.