

KazAgroFinance Joint Stock Company

Interim condensed financial statements

30 June 2014

With Report on review of interim condensed financial statements

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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 2014, which comprise the interim condensed statement of financial position as at 30 June 2014, the related interim condensed statement of comprehensive income for the six-month period then ended, the interim condensed 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 during an audit. Accordingly, we do not express an audit opinion.

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

10 September 2014



Auditor qualification certificate
No. 0000553 dated 24 December 2003

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

(Thousands of Tenge)

	Notes	30 June 2014 (unaudited)	31 December 2013
Assets			
Cash and cash equivalents	3	12,909,678	9,315,742
Amounts due from credit institutions	4	8,202,656	14,037,274
Derivative financial assets	5	2,955,832	4,013,694
Loans to customers	6	45,502,784	40,242,908
Finance lease receivables	7	131,638,006	114,482,107
Assets held for sale	8	702,501	1,548,060
Property held for financial lease	9	13,778,231	13,158,059
Property and equipment		972,438	1,003,740
Intangible assets		122,388	138,771
VAT and other taxes recoverable		977,348	1,292,736
Current corporate income tax assets		137,905	—
Advances paid		10,818,794	7,293,062
Other assets		538,501	35,236
Total assets		229,257,062	206,561,389
Liabilities			
Amounts due to the Shareholder	10	94,768,900	80,067,858
Amounts due to credit institutions	11	24,352,118	18,348,464
Current corporate income tax liabilities		—	50,914
Deferred income tax liabilities		1,577,717	1,320,099
Advances received		4,289,119	3,755,733
Deferred VAT		1,719,929	1,355,090
Other liabilities	13	8,693,066	7,351,975
Total liabilities		135,400,849	112,250,133
Equity			
Share capital	14	80,883,511	80,883,511
Additional paid-in capital	14	14,433,520	12,597,918
Reserve funds	14	1,436,184	1,436,184
Provision for notional distribution	14	(6,951,353)	(6,525,798)
Retained earnings		4,054,351	5,919,441
Total equity		93,856,213	94,311,256
Total liabilities and equity		229,257,062	206,561,389

Signed and authorized for release on behalf of the Management Board of the Company:

Gumar Tyulegenovich Rakhimzhanov



Chairman of the Board

Gulnara Takishevna Shodanova



Chief Accountant

10 September 2014

The accompanying notes on pages 6 to 17 are an integral part of these financial statements.

INTERIM CONDENSED INCOME STATEMENT**For the six months ended 30 June 2014***(Thousands of Tenge)*

	Notes	For six months ended 30 June	
		2014 (unaudited)	2013 (unaudited)
Interest income			
Finance lease receivables		5,527,249	3,955,567
Loans to customers		2,227,726	1,743,580
Amounts due from credit institutions		205,525	117,761
		<u>7,960,500</u>	<u>5,816,908</u>
Interest expenses			
Amounts due to the Shareholder		(2,437,485)	(1,016,940)
Amounts due to credit institutions		(782,502)	(642,490)
		<u>(3,219,987)</u>	<u>(1,659,430)</u>
Net interest income			
Allowance for impairment of loans and finance lease receivables	6	(3,595,352)	(1,819,936)
Net interest income after allowance for impairment of loans and finance lease receivables		<u>1,145,161</u>	<u>2,337,542</u>
Net gains/(losses) from transactions with derivative financial assets	5	2,146,896	(91,640)
Net (losses)/gains from foreign currencies		(1,240,356)	78,689
Revaluation of assets held for sale	8	111,352	–
Other income		536,437	99,684
Non-interest income		<u>1,554,329</u>	<u>86,727</u>
Personnel expenses		(1,007,388)	(770,006)
Depreciation and amortization		(57,880)	(51,714)
Net losses on initial recognition of loans to customers		(175,288)	(164,001)
Other operating expenses		(348,867)	(268,507)
Other loss from impairment and provisions	16	(330,510)	(142,888)
Non-interest expenses		<u>(1,919,933)</u>	<u>(1,397,116)</u>
Profit before income tax benefit		<u>779,557</u>	<u>1,027,153</u>
Income tax benefit	12	60,467	33,149
Profit for the period		<u>840,024</u>	<u>1,060,302</u>

Signed and authorized for release on behalf of the Management Board of the Company:

Gumar Tyulegenovich Rakhimzhanov

Chairman of the Board

Gulnara Takishevna Shodanova

Chief Accountant



10 September 2014

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INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

(Thousands of Tenge)

Notes	For the six-month period ended 30 June	
	2014 (unaudited)	2013 (unaudited)
Profit for the period	840,024	1,060,302
Other comprehensive income for the period	-	-
Total comprehensive income for the reporting period	840,024	1,060,302

Signed and authorized for release on behalf of the Management Board of the Company:

Gumar Tyulegenovich Rakhimzhanov



Chairman of the Board

Gulnara Takishevna Shodanova

Chief Accountant

10 September 2014

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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**For the six months ended 30 June 2014***(Thousands of Tenge)*

	Share capital	Additional paid-in capital	Reserve capital	Provision for notional distribution	Retained earnings	Total
At 31 December 2012	75,653,191	9,099,198	1,436,184	(5,340,250)	3,216,648	84,064,971
Total comprehensive income for the reporting period (unaudited)	-	-	-	-	1,060,302	1,060,302
Increase of charter capital using cash (Note 14) (unaudited)	5,230,320	-	-	-	-	5,230,320
Income from initial recognition of loans obtained from the Shareholder at below market rate (Note 14) (unaudited)	-	779,298	-	-	-	779,298
Provision for notional distribution for the period (Note 14) (unaudited)	-	-	-	(161,266)	-	(161,266)
Dividends paid (Note 14) (unaudited)	-	-	-	-	(302,887)	(302,887)
At 30 June 2013 (unaudited)	80,883,511	9,878,496	1,436,184	(5,501,516)	3,974,063	90,670,738
At 31 December 2013	80,883,511	12,597,918	1,436,184	(6,525,798)	5,919,441	94,311,256
Total comprehensive income for the reporting period (unaudited)	-	-	-	-	840,024	840,024
Income from initial recognition of loans obtained from the Shareholder at below market rate (Note 14) (unaudited)	-	1,835,602	-	-	-	1,835,602
Provision for notional distribution for the period (Note 14) (unaudited)	-	-	-	(425,555)	-	(425,555)
Dividends declared (Note 14) (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

Signed and authorized for release on behalf of the Management Board of the Company:

Gumar Tyulegenovich Rakhimzhanov

Chairman of the Board

Gulnara Takishevna Shodanova

Chief Accountant

10 September 2014

*The accompanying notes on pages 6 to 17 are an integral part of these financial statements.*

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

(Thousands of Tenge)

	Notes	For the six months ended 30 June (unaudited)	
		2014	2013
Cash flows from operating activities			
Interest received		3,582,430	3,609,374
Interest paid		(1,695,110)	(655,767)
Realised gains less losses from derivative financial assets		490,524	520,521
Personnel expenses paid		(960,360)	(640,224)
Other operating expenses paid		(426,038)	(321,738)
Other income received		385,630	99,993
Realised gain/(losses) less gains from dealing in foreign currencies		703,338	(192,081)
Cash flows from operating activities before changes in operating assets and liabilities		2,080,414	2,420,078
<i>Net (increase)/decrease in operating assets</i>			
Amounts due from credit institutions		5,834,618	5,439,119
Derivative financial assets		(7,725)	(14,719)
Loans to customers		(4,973,094)	(3,475,701)
Finance lease receivables		(13,688,324)	(7,738,863)
Property held for financial lease		(872,418)	(9,050,558)
VAT and other taxes recoverable		315,388	(265,681)
Advances paid		(3,563,131)	248,298
Other assets		(544,130)	(45,399)
<i>Net increase/(decrease) in operating liabilities</i>			
Advances received		533,386	(501,192)
Other liabilities		1,422,980	4,006,435
Net cash flows used in operating activities before income tax		(13,462,036)	(8,978,183)
Income tax paid		(223,246)	(69,829)
Net cash flows used in operating activities		(13,685,282)	(9,048,012)
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		(11,616)	(15,308)
Proceeds from sale of property and equipment		1,154	-
Net cash used in investing activities		(10,462)	(15,308)
Cash flows from financing activities			
Proceeds from increase in amounts due to the shareholder		12,911,456	9,361,555
Proceeds on loans received from credit institutions		3,903,543	4,048,097
Proceeds from increase in share capital	14	-	5,230,320
Dividends paid	14	-	(302,887)
Net cash flows from financing activities		16,814,999	18,337,085
Effect of exchange rate changes on cash and cash equivalents		474,681	18,391
Net increase of cash and cash equivalents		3,593,936	9,292,156
Cash and cash equivalents, beginning	3	9,315,742	7,479,863
Cash and cash equivalents, ending	3	12,909,678	16,772,019

Signed and authorized for release on behalf of the Management Board of the Company:

Gumar Tyulegenovich Rakhimzhanov

Chairman of the Board

Gulnara Takishevna Shodanova

Chief Accountant

10 September 2014

The accompanying notes on pages 6 to 17 are an integral part of these 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 issued by Committee of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations of the National Bank 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: 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 31 December 2013 and as at 30 June 2014 the Company has 15 registered branches in the Republic of Kazakhstan.

As at 30 June 2014 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 2014 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.

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2013, except for the adoption of new Standards and Interpretations as at 1 January 2014, noted below:

Changes in accounting policies

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. According to the exception to consolidation, investment entities should account for subsidiaries at fair value through profit or loss. These amendments did not have any impact on the Company, since the Company does not qualify to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments becomes effective for annual periods beginning on or after 1 January 2014. These amendments did not have any impact on the Company.

IFRIC 21 Obligatory Payments

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. In case of obligatory payment, which is required due to reaching the minimum threshold value, the interpretation clarifies that a liability is not recognised until reaching the established minimum threshold value. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. IFRIC 21 did not have significant impact on the financial statements of the Company.

(Thousands of Tenge)

2. Basis of preparation (continued)**General (continued)****Changes in accounting policies (continued)***Amendments to IAS 39 Novation of Derivative Instruments and Continuation of Hedging Accounting*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments becomes effective for annual periods beginning on or after 1 January 2014. These amendments did not have any impact on the Company, since the Company has not novated its derivatives during the current period.

Amendments to IAS 36 Disclosure of Recoverable Value for Non-financial Assets

These amendments eliminate unintended consequences of application of IFRS 13 *Measurement of Fair Value* to disclosure required in accordance with IAS 36 *Impairment of Assets*. Besides, the amendments require disclosure of recoverable value of assets or cash generating units for which impairment was recognized or impairment losses were recovered during the period. These amendments did not have any impact on the financial position or performance of the Company.

3. Cash and cash equivalents

Cash comprise:

	<i>30 June 2014</i> <i>(unaudited)</i>	<i>31 December 2013</i>
Cash on current accounts in Tenge	6,971,721	8,049,646
Cash on current accounts in the foreign currencies	5,937,957	1,266,096
Cash and cash equivalents	12,909,678	9,315,742

As at 30 June 2014, the amount of cash and cash equivalents concentrated with one bank was KZT 4,132,133 thousand or 32% of the total balance (31 December 2013: KZT 3,247,290 thousand or 34.9%).

4. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	<i>30 June 2014</i> <i>(unaudited)</i>	<i>31 December 2013</i>
Cash in banks to cover obligations on letters of credit	8,152,643	12,023,058
Term deposits placed for more than 90 days	50,013	2,014,216
Amounts due from credit institutions	8,202,656	14,037,274

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

5. Derivative financial assets

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts:

	<i>30 June 2014 (unaudited)</i>			<i>31 December 2013</i>		
	<i>Notional principal</i>	<i>Fair values</i>		<i>Notional principal</i>	<i>Fair values</i>	
		<i>Asset</i>	<i>Liability</i>		<i>Asset</i>	<i>Liability</i>
Options in EUR	1,436,534	667,116	-	3,251,374	902,888	-
Options in USD	5,685,810	2,288,716	-	15,057,597	3,110,806	-
	7,122,344	2,955,832	-	18,308,971	4,013,694	-

Due to decision of the National Bank of the Republic of Kazakhstan dated 11 February 2014 to stop the support of Tenge exchange rate on the previous level, reduction in the volume of currency intervention and reduction in interference in the formation of Tenge exchange rate process, the equilibrium exchange rate was established at 182 KZT per 1 USD and 252 KZT per 1 EUR. This resulted in escalation of financial burden on borrowers with indexable financial lease and loan agreements.

*(Thousands of Tenge)***5. Derivative financial assets (continued)**

In order to support domestic agricultural manufacturers and as a part of measures taken to mitigate the consequences of adjusting the national currency rate against USD for agricultural entities of the Republic, the Board of KazAgroFinance JSC took a decision to fix the foreign currency exchange rates on agreements to be indexed. Specifically, USD rate for concluded agreements will be fixed at the amount of KZT 167.95 and EUR rate at the amount of KZT 230.37.

As the result of rate fixing when indexing payments, the Company's contractual rights for embedded financial instrument expired. Thus, the Company terminated recognition of embedded financial instruments in the Company's financial statements on loan or finance lease agreements, relevant addendum agreements for which were concluded as at the reporting date.

Net gains/(losses) on operations with embedded financial assets include the following positions:

	<i>For six months ended 30 June 2014 (unaudited)</i>	<i>For six months ended 30 June 2013 (unaudited)</i>
Realized income on operations with derivatives	1,736,260	520,521
Loss from fixing the rate at payments indexation	(1,702,229)	-
Unrealized income/(loss) on operations with derivatives	2,112,865	(612,167)
Net gains/(losses) from transactions with embedded derivative financial assets	2,146,896	(91,646)

6. Loans to customers

Loans to customers comprise:

	<i>30 June 2014 (unaudited)</i>	<i>31 December 2013</i>
Loans to legal entities	51,312,867	45,199,520
Loans to individuals	4,162	4,162
Total loans to customers	51,317,029	45,203,682
Less allowance for impairment	(5,814,245)	(4,960,774)
Loans to customers	45,502,784	40,242,908

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</i>	<i>Total</i>
At 1 January 2014	4,960,774	9,008,286	13,969,060
Charge for the period (unaudited)	853,471	2,741,881	3,595,352
At 30 June 2014 (unaudited)	5,814,245	11,750,167	17,564,412
Individual impairment	4,912,408	7,486,692	12,399,100
Collective impairment	901,837	4,263,475	5,165,312
At 30 June 2014 (unaudited)	5,814,245	11,750,167	17,564,412
Gross amount of loans and finance lease receivable, individually determined to be impaired, before deducting any individually assessed impairment allowance at 30 June 2014	14,172,297	50,133,738	64,306,035

(Thousands of Tenge)

6. Loans to customers (continued)

	<i>Loans to customers</i>	<i>Finance lease receivables</i>	<i>Total</i>
At 1 January 2013	5,060,071	7,225,081	12,285,152
Charge for the period (unaudited)	286,088	1,533,848	1,819,936
At 30 June 2013 (unaudited)	<u>5,346,159</u>	<u>8,758,929</u>	<u>14,105,088</u>
Individual impairment	4,581,876	4,847,470	9,429,346
Collective impairment	764,283	3,911,459	4,675,742
At 30 June 2013 (unaudited)	<u>5,346,159</u>	<u>8,758,929</u>	<u>14,105,088</u>
Gross amount of loans and finance lease receivable, individually determined to be impaired, before deducting any individually assessed impairment allowance at 30 June 2013	15,204,853	28,388,252	43,593,105

7. Finance lease receivables

The analysis of finance lease receivables at 30 June 2014, 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	37,842,508	95,739,765	53,200,280	186,782,553
Unearned finance income on finance lease of future periods	<u>(1,703,160)</u>	<u>(21,011,661)</u>	<u>(20,679,559)</u>	<u>(43,394,380)</u>
Net investment in finance leases	36,139,348	74,728,104	32,520,721	143,388,173
Less allowance for impairment	<u>(2,480,680)</u>	<u>(6,458,730)</u>	<u>(2,810,757)</u>	<u>(11,750,167)</u>
Finance lease receivables	<u>33,658,668</u>	<u>68,269,374</u>	<u>29,709,964</u>	<u>131,638,006</u>

An analysis of finance lease receivable as of 31 December 2013 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	29,992,237	84,592,182	47,077,222	161,661,641
Unearned finance income on finance lease of future periods	<u>(1,370,653)</u>	<u>(18,221,786)</u>	<u>(18,578,809)</u>	<u>(38,171,248)</u>
Net investment in finance leases	28,621,584	66,370,396	28,498,413	123,490,393
Less allowance for impairment	<u>(1,790,596)</u>	<u>(5,049,509)</u>	<u>(2,168,181)</u>	<u>(9,008,286)</u>
Finance lease receivables	<u>26,830,988</u>	<u>61,320,887</u>	<u>26,330,232</u>	<u>114,482,107</u>

8. Assets held for sale

	<i>30 June 2014 (unaudited)</i>	<i>31 December 2013</i>
Collateral transferred to the Company's ownership	735,689	1,692,600
Impairment provision	<u>(33,188)</u>	<u>(144,540)</u>
Assets held for sale	<u>702,501</u>	<u>1,548,060</u>

During 6 months of 2014 the Company transferred to its ownership the collateral with assessed value of KZT 4,198 thousand and sold property to the amount of KZT 961,109 thousand (provisions written off on this property amounted to KZT 111,352 thousand).

(Thousands of Tenge)

9. Property held for financial lease

	<i>30 June 2014</i> <i>(unaudited)</i>	<i>31 December 2013</i>
Property and equipment held for finance lease	14,413,428	13,991,647
Other materials	34,964	12,608
	<u>14,448,392</u>	<u>14,004,255</u>
Provision for impairment of property held for finance lease	(670,161)	(846,196)
Property held for financial lease	<u><u>13,778,231</u></u>	<u><u>13,158,059</u></u>

10. Amounts due to the Shareholder

	<i>30 June 2014</i> <i>(unaudited)</i>	<i>31 December 2013</i>
Loans from the Shareholder	91,163,906	79,328,128
Dividends payable	2,705,114	–
Interest payable on loans from the Shareholder	899,880	739,730
Amounts due to the Shareholder	<u><u>94,768,900</u></u>	<u><u>80,067,858</u></u>

On 21 April 2014 the Loan agreement No. 45 was entered into between the Company and the Shareholder for obtaining the loan at the amount of KZT 9,300,000 thousand for the period of 1 year and interest rate of 8.25% per annum in Tenge or 4% per annum in Tenge with indexation in US dollars. As at 30 June 2014, the amount of KZT 5,700,000 thousand was drawn down under this Agreement.

As at 30 June 2014 and 31 December 2013 the Company has no obligations on execution of financial covenants under agreements with the Shareholder. This debt is not secured with collateral.

11. Amounts due to credit institutions

	<i>30 June 2014</i> <i>(unaudited)</i>	<i>31 December 2013</i>
Loans from banks and entities performing certain types of bank transactions	24,048,480	18,161,261
Accrued expenses in the form of interest on loans obtained in foreign currency	303,638	187,203
Amounts due to credit institutions	<u><u>24,352,118</u></u>	<u><u>18,348,464</u></u>

Amounts due to credit institutions comprise:

	<i>Currency</i>	<i>Maturity</i>	<i>Interest rate</i>	<i>30 June 2014</i> <i>(unaudited)</i>	<i>31 December 2013</i>
Islamic Development Bank	USD	2020	6%	5,826,012	5,181,955
SB Sberbank of Russia JSC	KZT	2015	8%	5,060,000	2,042,032
Deere Credit, Inc	USD	2014-2018	LIBOR+2.30% – LIBOR+5.9%	4,617,112	4,350,189
Eurasian Development Bank JSC	KZT	2019	7.50%, 9%	4,315,245	2,749,461
Landensbank Berlin A.G.	EUR	2019	6 months EURIBOR+0.35% – EURIBOR+1.15%	1,570,672	1,540,252
Roselhozbank	USD	2019	4.9%	929,030	547,919
GazPromBank OJSC	USD	2019	4.3%	852,049	–
CNH International SA	USD	2018	6%	477,576	451,041
HSBC Bank (Germany)	EUR	2014-2015	6 months EURIBOR+0.15% – EURIBOR+0.17%	403,040	612,251
Bank of America	USD	2014	6 months LIBOR +1.5%	301,382	498,396
Societe Generale Bank (France)	USD	2014	3.995%	–	374,968
Amounts due to credit institutions				<u><u>24,352,118</u></u>	<u><u>18,348,464</u></u>

(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. Particularly 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 2014 and 31 December 2013, the Company complied with the requirements related to the restrictive financial indicators under the agreements with this bank.

Credit lines

During the period ended 30 June 2014 the Company concluded a loan agreement with Deere Credit Inc. dated 22 May 2014 to the total amount of USD 13,000 thousand; under the Agreement on terms of providing financing and guarantees dated 25 December 2013 with Eurasian Development Bank the amount of KZT 1,820,800 thousand was obtained; the Agreement was concluded between the Company and Rosselkhozbank OJSC to open a letter of credit dated 24 April 2014 to the total amount of USD 6,681 thousand; the Credit agreement for opening a credit facility dated 20 May 2014 with Gazprombank (Open Joint Stock Company) to the total amount of USD 4,800 thousand;

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 a loan at the amount of KZT 5,000,000 thousand was obtained as at 30 June 2014.

12. Taxation

Corporate income tax benefit comprise:

	<i>For the six-months period ended</i>	
	<i>30 June 2014</i>	<i>30 June 2013</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Tax expense – current portion	34,427	88,775
Deferred corporate income tax charge/(benefit) – origination and reversal of temporary differences	257,618	32,584
Less: deferred tax recognised directly in capital (Note 14)	(352,512)	(154,508)
Income tax benefit	(60,467)	(33,149)

13. Other liabilities

Other liabilities comprise:

	<i>30 June 2014</i>	<i>31 December 2013</i>
	<i>(unaudited)</i>	
Payables to suppliers	8,105,788	6,472,507
Due to employees	310,144	244,023
Taxes payable other than corporate income tax	57,033	103,147
Other current liabilities	220,101	532,298
Other liabilities	8,693,066	7,351,975

14. Equity

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

	<i>Offering price</i>	<i>Number of shares</i>	<i>Total (thousand of Tenge)</i>
	<i>(KZT)</i>		
At 31 December 2012		75,653,191	75,653,191
Issue of share capital (unaudited)	1,000	5,230,320	5,230,320
At 30 June 2013 (unaudited)		80,883,511	80,883,511
At 31 December 2013		80,883,511	80,883,511
Issue of share capital (unaudited)	1,000	–	–
At 30 June 2014 (unaudited)		80,883,511	80,883,511

As at 30 June 2014, total amount of authorized, issued and fully paid common shares comprised 80,883,511 shares, (31 December 2013: 80,883,511 shares) at the offering price of KZT 1,000.

At the General Meeting of the Shareholder held on 29 May 2013, the Company declared dividends for 2012 in the amount of KZT 302,887 thousand on common shares or KZT 4,00 per share. Dividends for 2012 were fully paid in the amount of KZT 302,887 thousand in May 2013.

(Thousands of Tenge)

14. Equity (continued)

At the General shareholder's meeting held on 9 June 2014, the Company declared dividends for 2013 in the amount of KZT 2,705,114 thousand on common shares or KZT 33.44 per share. As at 30 June 2014 dividends for 2013 were not paid.

Change in the allowances is presented as follows :

	<i>Additional paid-in capital</i>	<i>Provision for no- tional distribution</i>
At 31 December 2012	9,099,198	(5,340,250)
Provision for notional distribution	-	(201,583)
Tax effect on provision for notional distribution	-	40,317
Initial recognition of income on loans received at below market rates	974,123	-
Tax effect from initial recognition of income on loans received at below market rates	(194,825)	-
At 30 June 2013 (unaudited)	<u>9,878,496</u>	<u>(5,501,516)</u>
At 31 December 2013	12,597,918	(6,525,798)
Provision for notional distribution	-	(531,944)
Tax effect on provision for notional distribution	-	106,389
Initial recognition of income on loans received at below market rates	2,294,503	-
Tax effect from initial recognition of income on loans received at below market rates	(458,901)	-
At 30 June 2014 (unaudited)	<u>14,433,520</u>	<u>(6,951,353)</u>

As at 30 June 2014 the Company's book value per common share calculated in accordance with Kazakhstan Stock Exchange methodology is KZT 1,159 (31 December 2013: KZT 1,164).

The calculation of carrying amount of one share as at 30 June 2014 and 31 December 2013, is as follows:

	<i>30 June 2014 (unaudited)</i>	<i>31 December 2013</i>
Assets	229,257,062	206,561,389
Intangible assets	122,388	138,771
Liabilities	135,400,849	112,250,133
Net assets	<u>93,733,825</u>	<u>94,172,485</u>
Number of common shares as at the calculation date, shares	80,883,511	80,883,511
Book value of one share, Tenge	1,159	1,164

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

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. In case of further deterioration in the areas described above the negative effect on the Fund's operating results and financial position is not currently determinable.

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.

(Thousands of Tenge)

15. Commitments and contingencies (continued)**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. 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.

Undrawn credit lines

As at 30 June 2014 and 31 December 2013 contractual commitments and contingencies of the Company comprise:

	<i>30 June 2014</i> <i>(unaudited)</i>	<i>31 December 2013</i>
Credit related commitments		
Undrawn credit lines	10,961,021	21,149,153
Issued guarantees	1,835,187	1,232,471
Total	12,796,208	22,381,624

16. 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 2012 (unaudited)	557,052	298,364	232,055	1,087,471
Charge	276,085	(166,135)	32,938	142,888
Writing off of assets	(397,279)	-	-	(397,279)
At 30 June 2013 (unaudited)	435,858	132,229	264,993	833,080
At 31 December 2013	846,196	45,467	391,039	1,282,702
Charge (reversal)	252,244	37,400	40,866	330,510
Writing off of assets	(428,279)	-	-	(428,279)
At 30 June 2014 (unaudited)	670,161	82,867	431,905	1,184,933

17. 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.

(Thousands of Tenge)

17. Fair value of financial instruments (continued)

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

<i>30 June 2014 (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	–	–	2,955,832	2,955,832
Total financial assets measured at fair value	–	–	2,955,832	2,955,832
Assets fair value of which is disclosed				
Cash and cash equivalents	–	–	12,909,678	12,909,678
Amounts due from credit institutions	–	–	8,202,656	8,202,656
Loans to customers	–	–	37,877,340	37,877,340
Finance lease receivables	–	–	121,207,109	121,207,109
Other assets	–	–	454,804	454,804
Total financial assets whose fair value is disclosed	–	–	180,651,587	180,651,587
Financial liabilities whose fair value is disclosed				
Amounts due to the Shareholder	–	–	89,783,797	89,783,797
Amounts due to credit institutions	–	–	24,057,626	24,057,626
Other liabilities	–	–	8,141,573	8,141,573
Total financial liabilities whose fair value is disclosed	–	–	121,982,996	121,982,996
31 December 2013				
Financial assets measured at fair value				
Derivative financial assets	–	–	4,013,694	4,013,694
Total financial assets measured at fair value	–	–	4,013,694	4,013,694
Assets fair value of which is disclosed				
Cash and cash equivalents	–	–	9,315,742	9,315,742
Amounts due from credit institutions	–	–	14,037,274	14,037,274
Loans to customers	–	–	37,584,021	37,584,021
Finance lease receivables	–	–	106,450,704	106,450,704
Other assets	–	–	16,169	16,169
Total financial assets whose fair value is disclosed	–	–	167,403,910	167,403,910
Financial liabilities whose fair value is disclosed				
Amounts due to the Shareholder	–	–	76,426,414	76,426,414
Amounts due to credit institutions	–	–	18,227,693	18,227,693
Other liabilities	–	–	6,856,508	6,856,508
Total financial liabilities whose fair value is disclosed	–	–	101,510,615	101,510,615

Items regularly revalued at fair value

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, except of the counteragent's credit risk. 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 model (such as risk free rates and volatility coefficients), are determined on the basis of financial instruments with similar characteristics quoted at Bloomberg. The average value of the credit risk on derivative instruments is on average 2.72% (2013: 2.90%)

(Thousands of Tenge)

17. Fair value of financial instruments (continued)*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. The table does not include the fair values of non-financial assets and non-financial liabilities.

	<i>Carrying value 30 June 2014 (unaudited)</i>	<i>Fair value 30 June 2014 (unaudited)</i>	<i>Unrecognised gain/(loss) 30 June 2014 (unaudited)</i>	<i>Carrying value 31 December 2013</i>	<i>Fair value 31 December 2013</i>	<i>Unrecognised gain/(loss) 31 December 2013</i>
Financial assets						
Cash and cash equivalents	12,909,678	12,909,678	-	9,315,742	9,315,742	-
Amounts due from credit institutions	8,202,656	8,202,656	-	14,037,274	14,037,274	-
Loans to customers	45,502,784	37,877,340	(7,625,444)	40,242,908	37,584,021	(2,658,887)
Finance lease receivables	131,638,006	121,207,109	(10,430,897)	114,482,107	106,450,704	(8,031,403)
Other assets	454,804	454,804	-	16,169	16,169	-
	<u>198,707,928</u>	<u>180,651,587</u>	<u>(18,056,341)</u>	<u>178,094,200</u>	<u>167,403,910</u>	<u>(10,690,290)</u>
Financial liabilities						
Amounts due to the shareholder	94,768,900	89,783,797	4,985,103	80,067,858	76,426,414	3,641,444
Amounts due to credit institutions	24,352,118	24,057,626	294,492	18,348,464	18,227,693	120,771
Other liabilities	8,141,573	8,141,573	-	6,856,508	6,856,508	-
	<u>127,262,591</u>	<u>121,982,996</u>	<u>5,279,595</u>	<u>105,272,830</u>	<u>101,510,615</u>	<u>3,762,215</u>
Total unrecognised change in unrealized fair value			<u>(12,776,746)</u>			<u>(6,928,075)</u>

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Fixed and variable rate financial instruments

The fair values of unquoted financial instruments are estimated by discounting future cash flows using rates currently available for financial instruments on similar terms, credit risk and remaining maturities.

In case of assets with fair values disclosed in the financial statements, future cash flows are discounted at the average market rate of financial instruments with similar maturities based on the statistical data published by the National Bank of the Republic of Kazakhstan. The indicated approach is applied in determining the fair value of loans issued to customers and finance lease receivables.

In case of liabilities with fair values disclosed in the financial statements, future cash flows are discounted at the average market rate of financial instruments with similar maturities.

- The amounts due to the Shareholder are discounted at the average rate of bonds of the Ministry of Finance of the Republic of Kazakhstan with similar maturity;
- The amounts due to credit institutions are discounted at the average market rate of financial organizations based on data placed on Bloomberg.

The future cash flows comprise repayment of principal and interest calculated at the interest rate stipulated by the agreement to the amount of principal.

*(Thousands of Tenge)***18. Related party transactions (continued)***Other related parties (continued)*

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

	<i>30 June 2014 (unaudited)</i>			<i>31 December 2013</i>		
	<i>Shareholder</i>	<i>Companies under common control</i>	<i>Other related parties</i>	<i>Shareholder</i>	<i>Companies under common control</i>	<i>Other related parties</i>
Loans issued	-	49,636	-	-	64,803	-
Accrued interest income on loans	-	660	-	-	2,570	-
Less: allowance for impairment	-	(8,480)	-	-	(11,898)	-
Loans issued, net of allowance	-	41,816	-	-	55,475	-
Finance lease receivables	-	506,956	-	-	511,175	-
Accrued interest income from finance lease	-	23,291	-	-	21,993	-
Less: allowance for impairment	-	(125,347)	-	-	(131,447)	-
Finance lease receivables net of allowance	-	404,900	-	-	401,721	-
Loans obtained	91,163,906	-	-	79,328,128	-	-
Accrued interest expense on loans	899,880	-	-	739,730	-	-
Dividends	2,705,114	-	-	-	-	-
	<i>For the six-months period ended 30 June 2014 (unaudited)</i>			<i>For the six-months period ended 30 June 2013 (unaudited)</i>		
	<i>Shareholder</i>	<i>Companies under common control</i>	<i>Other related parties</i>	<i>Shareholder</i>	<i>Companies under common control</i>	<i>Other related parties</i>
Interest income on loans to customers	-	1,811	-	-	748	120,035
Allowance for impairment of loans	-	3,418	-	-	(10,188)	(107,866)
Interest income on finance lease receivables	-	10,907	-	-	9,226	11,708
Allowance for impairment of finance lease receivables	-	6,100	-	-	(11,315)	3,383
Interest expense	2,437,485	-	-	1,016,940	50,833	-
Other expense	-	4,865	-	-	3,356	-

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.

Compensation to the key management personnel consisting of 7 persons (2013: 5 persons) comprised the following:

	<i>For six months ended 30 June 2014 (unaudited)</i>	<i>For six months ended 30 June 2013 (unaudited)</i>
Salaries and other short-term benefits	36,765	20,788
Social security costs	3,520	2,058
Total compensation to key management personnel	40,285	22,846