KazAgroFinance JSC

Interim condensed financial statements

for the six-month period ended 30 June 2016
with report on review of the interim condensed financial statements

CONTENTS

«Эрнст энд Янг» ЖШС
Әл-Фараби д-лы, 77/7
«Есентай Тауэр» ғимараты
Алматы қ., 050060
Қазақстан Республикасы
Тел.: +7 727 258 5960
Факс: +7 727 258 5961
www.ey.com

ТОО «Эрнст энд Янг»
пр. Аль-Фараби, 77/7
здание «Есентай Тауэр»
г. Алматы, 050060
Республика Казахстан
Тел.: +7 727 258 5960
Факс: +7 727 258 5961

Ernst & Young LLP
Al-Farabi ave., 77/7
Esentai Tower
Almaty, 050060
Republic of Kazakhstan
Tel.: +7 727 258 5960
Fax: +7 727 258 5961

Report on Review of 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") comprising the interim condensed statement of financial position as at 30 June 2016 and the related interim condensed statements of income, of comprehensive income, of changes in equity and of cash flows for the six-month period then ended, and selected explanatory 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 the review

We conducted our review in accordance with International Standard on Review Engagements No. 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

A review of interim condensed financial statements consists of making inquiries, primarily of the Company's employees 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.

Conclusion

In the course of 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

Bakhtiyor Eshonkulov
Auditor/audit partner

The auditor's qualification certificate No. МФ-0000099 as of 27 August 2012

Evgeny Zhemaletdinov
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

9 September 2016

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

(thousands of tenge)

	Notes	*30 June 2016 (unaudited)*	*31 December 2015*
Assets			
Cash and cash equivalents	3	**17,000,004**	23,874,332
Amounts due from credit institutions	4	**1,425,197**	2,549,777
Derivative financial assets	5	**2,493,935**	1,734,567
Loans to customers	6	**57,157,830**	59,739,798
Finance lease receivables	7	**186,027,583**	179,633,484
Assets held for sale	8	**–**	508,034
Property held for financial lease	9	**7,219,279**	7,594,407
Advances paid	10	**4,724,744**	5,996,446
Current corporate income tax assets		**784,278**	626,732
Property and equipment		**1,021,833**	1,078,038
Intangible assets		**211,639**	227,695
VAT and other taxes recoverable		**1,904,358**	1,554,151
Other assets		**302,514**	180,819
Total assets		**280,273,194**	285,298,280
Liabilities			
Due to the Shareholder	11	**96,897,312**	104,286,082
Due to credit institutions	12	**26,973,977**	30,424,302
Debt securities issued	13	**38,677,476**	38,624,394
Deferred corporate income tax liabilities	14	**2,560,538**	2,460,648
Advances received	15	**3,350,525**	4,760,927
Deferred value added tax		**2,769,962**	2,533,534
Other liabilities	16	**9,328,685**	6,778,834
Total liabilities		**180,558,475**	189,868,721
Equity			
Charter capital	17	**82,837,204**	82,837,204
Additional paid-in capital	17	**23,241,904**	22,248,866
Reserve funds	17	**1,436,184**	1,436,184
Provision for notional distribution	17	**(9,220,711)**	(9,047,665)
Retained earnings / (accumulated loss)		**1,420,138**	(2,045,030)
Total equity		**99,714,719**	95,429,559
Total liabilities and equity		**280,273,194**	285,298,280
Book value per common share, tenge	17	**1,201.19**	1,149.26

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

Izbastin K.T. Chairperson of the Management Board

Shodanova G.T. Chief Accountant

The accompanying selected explanatory notes on pages 6 to 19 are an integral part of these interim condensed financial statements.

INTERIM CONDENSED INCOME STATEMENT

For the six-month period ended 30 June 2016

(thousands of tenge)

	Notes	For the six-month period ended 30 June 2016 (unaudited)	2015 (unaudited)
Interest income			
Finance lease receivables		**8,170,523**	6,441,749
Loans to customers		**2,867,431**	2,968,432
Cash and cash equivalents		**1,023,577**	326,889
		12,061,531	9,737,070
Interest expenses			
Due to the Shareholder		**(3,267,821)**	(3,077,902)
Debt securities issued		**(1,664,032)**	(720,293)
Due to credit institutions		**(850,335)**	(791,555)
		(5,782,188)	(4,589,750)
Net interest income		**6,279,343**	5,147,320
Provision for impairment of loans and finance lease receivables	6, 7	**(2,162,738)**	(1,416,978)
Net interest income less allowance for impairment of loans and finance lease receivables		**4,116,605**	3,730,342
Net gains/(losses) from transactions with derivative financial instruments		**698,559**	(96,397)
Net losses from foreign currency transactions		**(6,900)**	(215,819)
Other income		**318,736**	81,204
Non-interest income/(expense)		**1,010,395**	(231,012)
Personnel expenses		**(975,853)**	(1,154,961)
Other operating expenses		**(341,361)**	(378,899)
Net loss from restructuring of flows from loans to customers		**(251,292)**	(208,138)
Other impairment and provisioning expenses	19	**(112,692)**	(212,533)
Amortisation		**(85,742)**	(70,770)
Non-interest expenses		**(1,766,940)**	(2,025,301)
Profit before taxation		**3,360,060**	1,474,029
Corporate income tax benefit	14	**105,108**	262,232
Net profit for the period		**3,465,168**	1,736,261

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

Izbastin K.T. — Chairperson of the Management Board

Shodanova G.T. — Chief Accountant

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INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2016

(thousands of tenge)

	Notes	For the six-month period ended 30 June 2016 (unaudited)	2015 (unaudited)
Net profit for the period		**3,465,168**	1,736,261
Other comprehensive income for the period		–	–
Total comprehensive income for the reporting period		**3,465,168**	1,736,261

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

Izbastin K.T. Chairperson of the Management Board

Shodanova G.T. Chief Accountant

The accompanying selected explanatory notes on pages 6 to 19 are an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2016

(thousands of tenge)

	Charter capital	*Additional paid-in capital capital*	*Reserve funds*	*Provision for notional distribution*	*Retained earnings/(loss)*	*Total*
At 31 December 2014	82,837,204	18,786,572	1,436,184	(7,885,776)	6,387,585	101,561,769
Total comprehensive income for the reporting period (unaudited)	–	–	–	–	1,736,261	1,736,261
Income from initial recognition of loans from the Shareholder at fair value net of tax (Note 17) (unaudited)	–	2,059,019	–	–	–	2,059,019
Dividends declared (Note 17) (unaudited)	–	–	–	–	(2,855,932)	(2,855,932)
Provision for notional distribution for the period net of tax (Note 17) (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
At 31 December 2015	82,837,204	22,248,866	1,436,184	(9,047,665)	(2,045,030)	95,429,559
Total comprehensive income for the reporting period (unaudited)	–	–	–	–	**3,465,168**	**3,465,168**
Income from initial recognition of loans from the Shareholder at fair value net of tax (Note 17) (unaudited)	–	**993,038**	–	–	–	**993,038**
Provision for notional distribution for the period net of tax (Note 17) (unaudited)	–	–	–	(173,046)	–	(173,046)
At 30 June 2016 (unaudited)	82,837,204	23,241,904	1,436,184	(9,220,711)	1,420,138	99,714,719

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

Izbastin K.T. Chairperson of the Management Board

Shodanova G.T. Chief Accountant

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INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2016

(thousands of tenge)

	Notes	*For the six-month period ended 30 June* 2016 (unaudited)	2015 (unaudited)
Cash flows from operating activities			
Interest received		10,281,977	6,781,752
Interest paid		(3,602,135)	(1,683,271)
Realized gains less losses from transactions with financial assets		51,444	11,625
Personnel expenses paid		(909,282)	(1,110,341)
Other operating expenses paid		(429,072)	(465,123)
Other income received		98,004	81,737
Realised losses less gains from dealing in foreign currencies		(20,831)	(279,105)
Cash flows from operating activities before changes in operating assets and liabilities		5,470,105	3,337,274
Net decrease/(increase) in operating assets			
Amounts due from credit institutions		1,174,529	(798,623)
Derivative financial assets		–	110
Loans to customers		1,901,633	(3,573,343)
Finance lease receivables		(1,453,526)	(9,199,150)
Assets held for sale		–	2,660
Property held for financial lease		188,573	3,439,339
VAT and other taxes recoverable		(350,207)	(106,557)
Advances paid		(4,374,408)	(10,395,271)
Other assets		(198,908)	3,816
Net increase/(decrease) in operating liabilities			
Advances received		2,934,723	2,419,604
Other liabilities		(429,154)	(614,327)
Net cash flows from operating activities before corporate income tax		4,863,360	(15,484,468)
Corporate income tax paid		(157,546)	(46,778)
Net cash from / (used in) operating activities		4,705,814	(15,531,246)
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		(15,004)	(21,128)
Proceeds from sale of property and equipment		1,682	–
Net cash used in investing activities		(13,322)	(21,128)
Cash flows from financing activities			
Proceeds from increase in amounts due to the Shareholder		5,336,780	12,160,264
Payment of amounts due to the Shareholder		(13,592,044)	(5,530,196)
Receipt of loans from credit institutions		788,397	6,739,002
Payment of loans received from credit institutions		(4,142,773)	(4,459,222)
Proceeds from debt securities issued		–	(678,500)
Net cash (used in) / from financing activities		(11,609,640)	8,231,348
Effect of exchange rates changes on cash and cash equivalents		42,820	51,122
Net decrease of cash and cash equivalents		(6,874,328)	(7,269,904)
Cash and cash equivalents, beginning	3	23,874,332	23,525,825
Cash and cash equivalents, ending	3	17,000,004	16,255,921

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

Izbastin K.T. Chairperson of the Management Board

Shodanova G.T. Chief Accountant

The accompanying selected explanatory notes on pages 6 to 19 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 issued by 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. Besides, the Company has a status of financial agency according to the Resolution of the NBRK No. 195 dated 23 September 2006.

The Company's principal activities are:

- leasing activities in agricultural sector;
- lending and other types of activity that are not prohibited by the laws, correspond with goals and objectives of the Company and provided for by this Charter;
- participation in implementation of republican budget and other programs aimed at the development of agricultural sector.

The Company's registered office is located at the following address: Kazakhstan, Astana, Kenesary Str., bld. 51.

As at 30 June 2016 and as at 31 December 2015 the Company has 15 registered branches in the Republic of Kazakhstan.

As at 30 June 2016 and 31 December 2015, KazAgro National Managing Holding Joint Stock Company (hereinafter, "KazAgro" or the "Shareholder") is a sole shareholder of the Company. Ultimate owner of the Company is the Government of the Republic of Kazakhstan.

2. Basis of preparation

General

The interim condensed financial statements for the six-month period ended 30 June 2016 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 2015.

Changes in accounting polices

The accounting policies adopted in the preparation of these 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 2015, except for the adoption of new Standards and Interpretations as at 1 January 2016, noted below. The Company has not adopted standards, interpretations or amendments thereto that have been early 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 2016, they do not have a material effect on the annual statements of the Bank or the interim condensed financial statements of the Company.

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

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral account balances as separate line items on the statement of financial position and present movements in these account balances as separate line items in the income statement and statement of other comprehensive income. The standard requires disclosures on the nature of activities of the entity subject to rate-regulation, associated risks and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Company already prepares IFRS statements and does not carry out activities subject to rate-regulation, this standard is not applicable to it.

(Thousands of tenge)

2. Basis of preparation (continued)

Changes in accounting policies (continued)

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that upon acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, the Company must apply the relevant requirements of IFRS 3 *Business Combination* stipulated for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016. These amendments have no effect on the Company since during the period the Company did not acquire any interest in joint operations.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify one of the principles in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. These amendments do not have any impact on the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 *Agriculture*. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2016. These amendments do not have any effect on the Company as the Company does not have any bearer plants.

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016. These amendments have no effect on the financial statements of the Company.

Annual IFRS improvements 2012-2014 cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5.

This amendment must be applied prospectively.

(Thousands of tenge)

2. Basis of preparation (continued)

Changes in accounting policies (continued)

Annual IFRS improvements 2012-2014 cycle (continued)

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the requirements to disclose information about offsetting are applied to condensed interim financial statements only if such information significantly clarifies information disclosed in the last annual financial statements. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency, in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). Other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments have no effect on the Company.

Amendments to IAS 1 Disclosure Initiative

Amendments to IAS 1 clarify, rather than significantly change, the existing requirements of IAS 1. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statements of profit or loss and other comprehensive income and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements;
- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and broken down by items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016. These amendments have no effect on the Company.

(Thousands of tenge)

2. Basis of preparation (continued)

Changes in accounting policies (continued)

Annual IFRS improvements 2012-2014 cycle (continued)

Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 28 Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements.* The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its profit in subsidiaries.

The amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016. These amendments have no effect on the Company since the Company does not have any subsidiaries.

3. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	30 June 2016 (unaudited)	*31 December 2015*
Cash on current accounts in banks in a foreign currency	**9,924,301**	11,374,345
Cash on current accounts in banks in tenge	**7,075,703**	12,499,987
Cash and cash equivalents	**17,000,004**	23,874,332

As at 30 June 2016, the funds on current accounts with one bank amounted to KZT 3,739,716 thousand or 22.0% of total cash and cash equivalents (31 December 2015: KZT 5,379,962 thousand or 22.5%).

4. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 June 2016 (unaudited)	*31 December 2015*
Cash on current accounts restricted in use	**1,425,197**	2,549,777
Amounts due from credit institutions	**1,425,197**	2,549,777

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

5. Derivative financial assets

The table below shows the fair values of derivative financial assets, recorded in the interim condensed financial statements as assets or liabilities, together with their notional amounts.

	30 June 2016 (unaudited)			*31 December 2015*		
	Notional principal	*Fair values*		*Notional principal*	*Fair values*	
		Asset	*Liability*		*Asset*	*Liability*
Currency options (US dollars)	**2,000,387**	**1,947,865**	**–**	1,519,413	1,255,929	–
Currency options (euro)	**637,228**	**546,070**	**–**	659,093	478,638	–
	2,637,615	**2,493,935**	**–**	2,178,506	1,734,567	–

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

(Thousands of tenge)

6. Loans to customers

Loans to customers comprise:

	30 June 2016 (unaudited)	*31 December 2015*
Loans to legal entities	**63,990,911**	65,330,232
Loans to individuals	**–**	4,197
Total loans to customers	**63,990,911**	65,334,429
Less provision for impairment	**(6,833,081)**	(5,594,631)
Net loans to customers	**57,157,830**	59,739,798

Allowance for impairment of loans to customers

A reconciliation of the allowance for impairment of loans to customers is as follows:

	For the six-month period ended 30 June	
	2016 (unaudited)	*2015 (unaudited)*
As at 1 January	**5,594,631**	5,792,542
Creation/(reversal) of provision for impairment	**1,238,450**	(342,379)
As at June 30	**6,833,081**	5,450,163

7. Finance lease receivables

The analysis of finance lease receivables at 30 June 2016, is as follows:

30 June 2016 (unaudited)	*Not later than 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
Finance lease receivables	**55,357,250**	**144,042,705**	**70,740,590**	**270,140,545**
Unearned future finance income on finance leases	**(1,621,044)**	**(33,352,958)**	**(31,350,919)**	**(66,324,921)**
Total investments into finance lease	**53,736,206**	**110,689,747**	**39,389,671**	**203,815,624**
Less provision for impairment	**(3,879,530)**	**(10,258,099)**	**(3,650,412)**	**(17,788,041)**
Net investment in finance lease	**49,856,676**	**100,431,648**	**35,739,259**	**186,027,583**

An analysis of finance lease receivable as of 31 December 2015 is presented below:

31 December 2015	*Not later than 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
Finance lease receivables	52,439,105	135,729,038	69,548,149	257,716,292
Unearned future finance income on finance leases	(1,425,604)	(30,284,157)	(29,509,294)	(61,219,055)
Total investments into finance lease	51,013,501	105,444,881	40,038,855	196,497,237
Less provision for impairment	(3,619,194)	(9,599,498)	(3,645,061)	(16,863,753)
Net investment in finance lease	47,394,307	95,845,383	36,393,794	179,633,484

A reconciliation of allowance for impairment of finance lease receivables is as follows:

	For the six-month period ended 30 June	
	2016 (unaudited)	*2015 (unaudited)*
As at 1 January	**16,863,753**	12,062,962
Less provision for impairment	**924,288**	1,759,357
Write-offs	**–**	(2,794)
As at June 30	**17,788,041**	13,819,525

(Thousands of tenge)

8. Assets held for sale

During the six-month period ended 30 June 2016 the Company transferred assets held for sale with a carrying amount of KZT 508,034 thousand into property held for finance lease.

9. Property held for finance lease

Property held for finance lease comprises the following:

	30 June 2016 (unaudited)	*31 December 2015*
Equipment held for finance lease	**6,940,114**	7,924,117
Collateral transferred to ownership	**733,042**	508,235
Other materials	**23,953**	15,394
	7,697,109	8,447,746
Less provision for impairment of property held for finance lease (Note 19)	**(477,830)**	(853,339)
Property held for finance lease	**7,219,279**	7,594,407

10. Advances paid

As at 30 June 2016 and 31 December 2015 advances paid comprise advances to the following counteragents:

	30 June 2016 (unaudited)	*31 December 2015*
Agromashholding JSC	**2,000,000**	–
Combine harvester plant "Vektor" LLP	**1,400,000**	–
SIA AKVA-FERMA	**398,322**	–
Combine harvester plant Rostselmash LLC	**286,389**	–
INTMA GMBH	**214,718**	–
Eurasia Group AG	**88,102**	1,117,397
Agralimex CmbH	**78,066**	78,066
PETKUS Technologie GmbH	**74,978**	–
EURASIA GROUP KAZAKHSTAN LLP	**58,235**	95,824
BAUER TECHNICS a.s.	**52,520**	–
SOFTWAY SERVICE LLP	**45,972**	–
DK VET LLC	**45,963**	–
Aktobe tax committee	**3,148**	473,649
KUBO Greenhouse Projects B.V.	**–**	3,875,769
Agrofirma Aduchi LLC	**–**	158,703
Frostera JSC	**–**	89,558
RKD Irrigacion, S.L.	**–**	82,359
Naan Dan Jain Irrigation (C.S) LTD	**–**	41,995
Other	**125,810**	154,364
	4,872,223	6,167,684
Less provision for impairment of advances paid (Note 19)	**(147,479)**	(171,238)
Advances paid	**4,724,744**	5,996,446

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

(Thousands of tenge)

11. Due to the Shareholder

	30 June 2016 (unaudited)	*31 December 2015*
Loans from the Shareholder	**96,897,312**	104,286,082
Due to the Shareholder	**96,897,312**	104,286,082

As at 30 June 2016 and 31 December 2015 payables to the Shareholder include the amounts due under the Framework Loan Agreement No. 35 (hereinafter, the "Agreement"), a long-term investment loan is provided to the Company for the implementation of complex of measures on creation, expansion and modernization of material production in the agricultural sector. Proceeds from the loan are used by the Company to finance long term investment projects. The funding is carried out by the Shareholder from the National Fund under bond program through National Bank of the Republic of Kazakhstan. The agreement is effective until 30 December 2023. As at 30 June 2016 and 31 December 2015, the financing limit under the Agreement amounted to KZT 113,459,000 thousand with a nominal interest rate of 1.02% per annum. As at 30 June 2016, the amount due under this Agreement is KZT 65,393,421 thousand (31 December 2015: KZT 68,349,568 thousand).

On 24 June 2014, the Company and the Shareholder entered into the framework loan agreement No. 63 in the amount of KZT 30,363,131 thousand for a period of 7 years and a nominal interest rate of 5.8% per annum. As at 30 June 2016, the amount due under this Agreement is KZT 15,087,106 thousand (31 December 2015: KZT 21,834,447 thousand).

On 23 September 2014, the Company and the Shareholder entered into a framework agreement No. 113 for a loan in the amount of KZT 14,272,998 thousand for the period of 9 years and an interest rate of 10% per annum subject to subsidizing by the government, of which 7% is subsidized by the government and 3% per annum is paid by the Company. As at 30 June 2016, the amount due under this agreement is KZT 8,300,372 thousand (as at 31 December 2015: KZT 6,862,841 thousand).

On 1 October 2014, the Company and the Shareholder entered into the loan agreement No. 118 in the amount of KZT 6,189,000 thousand for a period of 7 years and a nominal interest rate of 1.02% per annum. As at 30 June 2016, the amount due under this Agreement is KZT 5,317,633 thousand (31 December 2015: KZT 7,239,226 thousand).

On 12 May 2016, the Company and the Shareholder entered into the loan agreement No. 64 in the amount of KZT 3,800,000 thousand for a period of 7 years and a nominal interest rate of 1.02% per annum. As at 30 June 2016, the amount due under this agreement is KZT 2,798,780 thousand (as at 31 December 2015: nil).

As at 30 June 2016 and 31 December 2015, the Company has no obligations on compliance with financial covenants under agreements with the Shareholder. The amount due to the Shareholder is not secured by collateralized property.

12. Due to credit institutions

Amounts due to credit institutions comprise:

	Currency	*Maturity*	*Interest rate*	*30 June 2016 (unaudited)*	*31 December 2015*
Islamic Development Bank	US dollars	21 September 2020	6%	**7,975,977**	8,747,570
Societe Generale Bank	US dollars	20 May 2020	6 months LIBOR + 1.5%	**6,811,054**	7,689,484
Deere Credit, Inc	US dollars	15 November 2018	5.9%	**2,776,919**	3,475,933
Deere Credit, Inc	US dollars	20 November 2019	5.6%	**2,645,535**	3,035,521
Landesbank Berlin AG	Euro	29 December 2019	6 months EURIBOR + 1.15%	**1,832,916**	2,062,249
Deere Credit, Inc.	US dollars	15 March 2018	LIBOR + 2.3%	**1,321,811**	1,656,906
GasPromBank OJSC	US dollars	30 April 2019	4.3%	**1,055,994**	1,239,740
Rosselhozbank JSC	US dollars	24 April 2019	4.9%	**829,300**	852,247
Rosselhozbank JSC	US dollars	24 May 2018	4.9%	**739,097**	931,222
CNH International SA	US dollars	2 June 2018	6%	**440,648**	553,034
Roseksimbank JSC	Russian rouble	20 December 2023	5.75%	**262,146**	–
Roseksimbank JSC	Russian rouble	20 December 2016	15.0%	**187,157**	–
Landesbank Berlin AG	Euro	28 August 2016	6 months EURIBOR + 1% + spread for financing	**95,423**	180,396
Due to credit institutions				**26,973,977**	30,424,302

Restrictive covenants

In accordance with the terms of the credit organization loan agreements, the Company is required to comply with certain financial covenants. In particular, under a loan agreement from Societe Generale Bank, the Company must comply with certain ratio between the operating profit (EBIT) and interest expenses, as well as prudential standards established for subsidiaries of KazAgro, operating in the area of agro-industrial complex of the Republic of Kazakhstan, as well as interest expense coverage ratio. As at 30 June 2016 and 31 December 2015, the Company complied with the requirements related to compliance with the restrictive covenants under the agreements with these credit organizations.

(Thousands of tenge)

13. Debt securities issued

As at 30 June 2016 and 31 December 2015 debt securities issued comrise the following:

	30 June 2016 (unaudited)	*31 December 2015*
Bonds, tenge	**38,677,476**	38,624,394
	38,677,476	38,624,394

As at 30 June 2016 and 31 December 2015, debt securities issued by the Company comprise bonds denominated in tenge, redeemable in 2022-2024, and having a coupon of 8.0-8.5% per annum, payable semi-annually. The bonds were placed by the Company at Kazakhstan Stock Exchange in 2015 and as at 30 June 2016 and 31 December 2015 92.1% of the bonds were acquired by the Shareholder.

14. Taxation

The corporate income tax benefit comprises:

	For the six-month period ended 30 June	
	2016 (unaudited)	*2015 (unaudited)*
Current corporate tax expense	**–**	–
Deferred corporate income tax charge – origination and reversal of temporary differences	**99,890**	143,386
Less: deferred corporate income tax recognized in equity (Note 17)	**(204,998)**	(405,618)
Corporate income tax benefit	**(105,108)**	(262,232)

As at 30 June 2016, deferred corporate income tax liabilities comprised KZT 2,560,538 thousand (as at 31 December 2015: KZT 2,460,648 thousand).

15. Advances received

As at 30 June 2016 advances received in the amount of KZT 3,350,525 thousand represent prepayments made by the customers for the property acquired under the terms of finance lease agreements, but not transferred to the lessee (31 December 2015: KZT 4,760,927 thousand).

16. Other liabilities

Other liabilities comprise:

	30 June 2016 (unaudited)	*31 December 2015*
Payables to suppliers	**8,301,812**	5,233,635
Deferred interest income	**446,284**	1,016,887
Due to employees	**345,863**	270,531
Taxes other than corporate income tax payable	**48,379**	73,570
Other current liabilities	**186,347**	184,211
Other liabilities	**9,328,685**	6,778,834

17. Equity

As at 30 June 2016 and 31 December 2015, authorized and paid common shares of the Company in the amount of 82,837,204 shares have been fully paid by the sole Shareholder of the Company at the price of placement of KZT 1 thousand per one common share.

(Thousands of tenge)

17. Equity (continued)

In accordance with the decision of the sole Shareholder dated 30 April 2015, the Company declared dividends for 2014 in the amount of KZT 2,855,932 thousand or KZT 34.48 per one common share. As at 31 December 2015 the dividends were fully paid. For the six-month period ended 30 June 2016, there were no dividends declared or paid on common shares.

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 the decision of a sole Shareholder.

Presented below is movement in items of additional paid-in capital and reserves:

	Additional paid-in capital	*Reserve funds*	*Provision for deemed distribution*
At 31 December 2014	18,786,572	1,436,184	(7,885,776)
Provision for deemed distribution (unaudited)	–	–	(545,683)
Tax effect on provision for deemed distribution (unaudited)	–	–	109,137
Income from initial recognition of loans from the Shareholder at fair value (unaudited)	2,573,774	–	–
Tax effect from initial recognition of loans from the Shareholder at fair value (unaudited)	(514,755)	–	–
At 30 June 2015 (unaudited)	20,845,591	1,436,184	(8,322,322)
At 31 December 2015	22,248,866	1,436,184	(9,047,665)
Provision for deemed distribution (unaudited)	**–**	**–**	**(216,307)**
Tax effect on provision for deemed distribution (unaudited)	**–**	**–**	**43,261**
Income from initial recognition of loans from the Shareholder at fair value (unaudited)	**1,241,297**	**–**	**–**
Tax effect from initial recognition of loans from the Shareholder at fair value (unaudited)	**(248,259)**	**–**	**–**
At 30 June 2016 (unaudited)	**23,241,904**	**1,436,184**	**(9,220,711)**

As at 30 June 2016, book value per one common share calculated in accordance with Kazakhstan Stock Exchange methodology is KZT 1,201.19 (31 December 2015: KZT 1,149.26):

	30 June 2016 (unaudited)	*31 December 2015*
Assets	**280,273,194**	285,298,280
Less: intangible assets	**(211,639)**	(227,695)
Less: liabilities	**(180,558,475)**	(189,868,721)
Net assets	**99,503,080**	95,201,864
Number of common shares as at the calculation date, shares	**82,837,204**	82,837,204
Book value per share, tenge	**1,201.19**	1,149.26

18. Commitments and contingencies

Operating environment

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.

In 2016 the Kazakhstan economy continued to be negatively impacted by a significant decline in crude oil prices and a significant KZT devaluation. The combination of these factors, along with other factors, led to a decrease in the availability of capital, increase in the cost of capital, higher inflation and uncertainty about economic growth. 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.

(Thousands of tenge)

18. Commitments and contingencies (continued)

Litigation

In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions of the results of future operations of the Company.

Management is unaware of any significant actual, pending or threatened claims against the Company.

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 interim condensed financial statements. Tax periods remain open for five years.

Credit related commitments

As at 30 June 2016 and 31 December 2015 contractual commitments and credit related contingencies of the Company comprise:

	30 June 2016 (unaudited)	*31 December 2015*
Undrawn credit lines	**7,539,780**	5,750,161
Issued guarantees	**2,594,228**	2,827,399
Total	**10,134,008**	8,577,560

On 16 June 2011 the Company entered into the agreement for granting a financial guarantee in the amount of 6,661,130 Islamic dinar to Islamic Development Bank to ensure obligations of Fund for Financial Support of Agriculture under the loan arrangement. This guarantee was secured by counter-guarantee of KazAgro. As at 30 June 2016 the amount of the loan obtained by Fund for Financial Support of Agriculture JSC totalled USD 7,660 thousand or KZT 2,594,228 thousand (31 December 2015: USD 8,316 thousand or KZT 2,827,399 thousand).

19. Other impairment and provisioning expenses

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

	Property held for finance lease	*Advances paid*	*Other assets*	*Total 2015*
At 31 December 2014	620,306	116,529	409,786	1,146,621
Creation of provision for impairment (unaudited)	–	172,008	40,525	212,533
Disposals (unaudited)	(39,987)	–	–	(39,987)
At 30 June 2015 (unaudited)	580,319	288,537	450,311	1,319,167
At 31 December 2015	853,339	171,238	514,876	1,539,453
Creation/(reversal) of provision for impairment (unaudited)	**84,808**	**(23,759)**	**51,643**	**112,692**
Disposals (unaudited)	**(460,317)**	**–**	**–**	**(460,317)**
At 30 June 2016 (unaudited)	**477,830**	**147,479**	**566,519**	**1,191,828**

(Thousands of tenge)

20. 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 in the interim condensed financial statements at fair value by level of the fair value hierarchy:

30 June 2016 (unaudited)	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets measured at fair value				
Derivative financial assets	–	2,493,935	–	2,493,935
Total financial assets measured at fair value	–	2,493,935	–	2,493,935
Assets whose fair value is disclosed				
Cash and cash equivalents	–	17,000,004	–	17,000,004
Amounts due from credit institutions	–	1,425,197	–	1,425,197
Loans to customers	–	–	51,022,878	51,022,878
Finance lease receivables	–	–	178,744,608	178,744,608
Other assets	–	–	184,037	184,037
Total financial assets whose fair value is disclosed	–	20,919,136	229,951,523	250,870,659
Financial liabilities whose fair value is disclosed				
Amounts due to the Shareholder	–	–	86,249,529	86,249,529
Due to credit institutions	–	–	24,497,279	24,497,279
Outstanding securities	–	34,788,563	–	34,788,563
Other liabilities	–	–	8,750,248	8,750,248
Total financial liabilities whose fair value is disclosed	–	34,788,563	119,497,056	154,285,619

31 December 2015	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets measured at fair value				
Derivative financial assets	–	1,734,567	–	1,734,567
Total financial assets measured at fair value	–	1,734,567	–	1,734,567
Assets whose fair value is disclosed				
Cash and cash equivalents	–	23,874,332	–	23,874,332
Amounts due from credit institutions	–	2,549,777	–	2,549,777
Loans to customers	–	–	54,472,255	54,472,255
Finance lease receivables	–	–	170,528,033	170,528,033
Other assets	–	–	130,141	130,141
Total financial assets whose fair value is disclosed	–	26,424,109	225,130,429	251,554,538
Financial liabilities whose fair value is disclosed				
Amounts due to the Shareholder	–	–	94,626,632	94,626,632
Due to credit institutions	–	–	28,136,223	28,136,223
Outstanding securities	–	36,570,500	–	36,570,500
Other liabilities	–	–	6,250,538	6,250,538
Total financial liabilities whose fair value is disclosed	–	36,570,500	129,013,393	165,583,893

(Thousands of tenge)

20. Fair values of financial instruments (continued)

Financial instruments recorded 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.

Derivative financial instruments

Derivative financial 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 recorded at fair value

Set out below is a comparison of the carrying amounts and fair values of the Company's financial instruments that are not recorded at fair value in the interim condensed statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	30 June 2016 (unaudited)			*31 December 2015*		
	Carrying value	*Fair value*	*Unrecognised (loss)/ gain*	*Carrying amount*	*Fair value*	*Unrecognised (loss)/ gain*
Financial assets						
Cash and cash equivalents	17,000,004	17,000,004	–	23,874,332	23,874,332	–
Amounts due from credit institutions	1,425,197	1,425,197	–	2,549,777	2,549,777	–
Loans to customers	57,157,830	51,022,878	(6,134,952)	59,739,798	54,472,255	(5,267,543)
Finance lease receivables	186,027,583	178,744,608	(7,282,975)	179,633,484	170,528,033	(9,105,451)
Other financial assets	184,037	184,037	–	130,141	130,141	–
	261,794,651	248,376,724	(13,417,927)	265,927,532	251,554,538	(14,372,994)
Financial liabilities						
Due to the Shareholder	96,897,312	86,249,529	10,647,783	104,286,082	94,626,632	9,659,450
Due to credit institutions	26,973,977	24,497,279	2,476,698	30,424,302	28,136,223	2,288,079
Outstanding securities	38,677,476	34,788,563	3,888,913	38,624,394	36,570,500	2,053,894
Other financial liabilities	8,750,248	8,750,248	–	6,250,538	6,250,538	–
	171,299,013	154,285,619	17,013,394	179,585,316	165,583,893	14,001,423
Total unrecognised change in unrealised fair value			3,595,467			(371,571)

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 these interim condensed 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.

Financial assets and financial liabilities accounted for at amortised cost

Fair value of the quoted notes and bonds is based on price quotations at the reporting date.

The fair value of unquoted instruments, loans to customers, finance lease receivables, amounts due from credit institutions, due to the Shareholder and amounts due to credit institutions, other financial assets and obligations is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

In case of financial 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 used in determining the fair value of loans to clients and finance lease receivables.

(Thousands of tenge)

20. Fair values of financial instruments (continued)

Valuation methods and assumptions (continued)

Financial assets and financial liabilities accounted for at amortised cost (continued)

Financial liabilities whose fair value is disclosed in the financial statements:

- to determine the fair value of payables to the Shareholder and amounts due to credit organizations, the future cash flows are discounted at the average rate of bonds of the Ministry of Finance of the Republic of Kazakhstan with a similar maturity.

21. 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, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not. Transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

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

The outstanding balances of related party transactions as at the end of the reporting period are as follows:

	30 June 2016 (unaudited)		*31 December 2015*	
	Shareholder	*Companies common control*	*Shareholder*	*Companies common control*
Finance lease receivables	–	**437,035**	–	728,048
Less: allowance for impairment	–	**(23,731)**	–	(27,800)
Finance lease receivables less provision for impairment	–	**413,304**	–	700,248
Loans obtained	**96,897,312**	–	104,286,082	–
Guarantees issued	–	**2,594,228**	–	2,827,399
Guarantees received	**2,594,228**	–	2,827,399	–

	For the six-month period ended 30 June			
	2016 (unaudited)		*2015 (unaudited)*	
	Shareholder	*Companies common control*	*Shareholder*	*Companies common control*
Interest income on finance lease receivables	–	**25,094**	–	24,641
Reversal of provision for impairment of finance lease receivables	–	**4,069**	–	–
Interest expenses on loans received	**(3,267,821)**	–	(3,077,902)	–
Other expenses	–	**(2,626)**	–	(2,849)

Interest rates on finance lease receivables from companies under common control amount to 6-13% per annum (six-month period ended 30 June 2015: 4-13% p.a.). These finance lease receivables mature in 2019-2025 (six-month period ended 30 June 2015: in 2019-2022). Terms of attracting loans from the Shareholder are disclosed in Note 11.

(Thousands of tenge)

21. Related party transactions (continued)

Compensation of key management personnel, consisting of 5 members (six-month period ended 30 June 2015: 5 persons) comprised the following:

	For the six-month period ended 30 June	
	2016 (unaudited)	*2015 (unaudited)*
Salaries and other short-term benefits	**26,907**	33,446
Social security contributions	**2,671**	3,392
Total compensation to the key management personnel	**29,578**	36,838