

**National Managing Holding KazAgro JSC**

**Separate interim condensed financial statements**

*30 June 2014*

*With the report on results of review of the  
Separate interim condensed financial statements*

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## Report on review of interim condensed separate financial statements

To the Shareholder and Board of Directors of JSC "KazAgro" National Managing Holding"

### **Introduction**

We have reviewed the accompanying interim condensed separate financial statements of JSC "KazAgro" National Managing Holding (hereinafter, the "Company") as at 30 June 2014, comprising the interim separate statement of financial position as at 30 June 2014 and the related interim separate statements of comprehensive income for the six-month period then ended, the interim condensed separate statements of changes in equity and cash flows for the six-month period then ended and selected notes to the interim condensed separate financial statements. Management of the Company is responsible for the preparation and presentation of these interim condensed separate 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 separate financial statements based on our review.

### **Scope of review**

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying separate interim condensed financial statements of JSC "KazAgro" National Managing Holding" are not prepared, in all material respects, in accordance with IAS 34.

### **Consolidated financial statements presented separately**

Without qualifying our conclusion, we draw attention to Note 1 to the interim condensed separate financial statements which states that JSC "KazAgro" National Managing Holding" is the Parent entity of JSC "KazAgro" National Managing Holding" group and that the interim condensed consolidated financial statements of JSC "KazAgro" National Managing Holding" and its subsidiaries prepared in accordance with IAS 34 have been issued separately. We have reviewed the interim condensed consolidated financial statements of JSC "KazAgro" National Managing Holding" as at 30 June 2014 and for the six-month period then ended and expressed an unqualified conclusion therein in our review report dated 15 September 2014.

*Ernst & Young LLP*



Evgeny Zhemaletdinov  
Auditor / General Director  
Ernst & 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

Auditor qualification certificate No. 0000553 dated 24 December 2003

15 September 2014

**INTERIM CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION**

At 30 June 2014

*(Thousands of Tenge)*

	<i>Notes</i>	<i>30 June 2014 (unaudited)</i>	<i>31 December 2013</i>
<b>Assets</b>			
Cash and cash equivalents	4	128,746,422	20,767,815
Amounts due from credit institutions	5	247,007,498	90,582,411
Loans to subsidiaries	6	126,160,047	169,573,634
Dividends receivable		3,703,227	-
Investment securities available-for-sale		229,151	269,391
Investments in subsidiaries	7	317,675,597	299,401,122
Property and equipment		147,347	154,174
Intangible assets		227,047	228,712
Current income tax assets		1,800,320	817,736
Inventory		17,542	19,786
Other assets		25,552	106,593
<b>Total assets</b>		<b>825,739,750</b>	<b>581,921,374</b>
<b>Liabilities</b>			
Eurobonds issued	8	333,645,337	153,676,011
Debt securities issued	9	68,096,036	66,094,998
Amounts due to credit institutions	10	36,049,984	14,777,717
Amounts due to the Ministry of Finance of the Republic of Kazakhstan	9	40,000,856	-
Income tax liabilities		33,395	-
Deferred income tax liabilities		6,643,387	7,472,723
Other liabilities		156,604	273,633
<b>Total liabilities</b>		<b>484,625,599</b>	<b>242,295,082</b>
<b>Equity</b>			
Share capital	12	281,309,731	267,816,731
Additional paid-in capital	12	63,174,787	62,609,550
Revaluation reserve of investment securities available for sale	12	74,447	114,687
Reserve capital	12	4,727,549	4,067,040
Retained earnings / (accumulated deficit)		(8,172,363)	5,018,284
<b>Total equity</b>		<b>341,114,151</b>	<b>339,626,292</b>
<b>Total liabilities and equity</b>		<b>825,739,750</b>	<b>581,921,374</b>
<b>Book value per common share</b>		<b>1.212</b>	<b>1.267</b>

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

Aitzhanov D.N.

Chairman of the Management Board

Umirzakov N. A.

Managing Director

Zhumabayeva S.R.

Chief Accountant

15 September 2014

The accompanying notes on pages 6 to 14 are an integral part of these financial statements.

**INTERIM CONDENSED SEPARATE INCOME STATEMENT**

For the six months ended 30 June 2014

*(Thousands of Tenge)*

	Notes	For the six months ended 30 June	
		2014 (unaudited)	2013 (unaudited)
<b>Interest income</b>			
Loans to subsidiaries	13	4,804,120	2,044,888
Amounts due from credit institutions		3,982,520	638,949
Investment securities available-for-sale		128	3,066
Eurobonds issued		1,816	--
		<u>8,788,584</u>	<u>2,686,903</u>
<b>Interest expenses</b>			
Debt securities issued		(2,001,037)	(1,886,108)
Eurobonds issued		(4,681,206)	(726,538)
Amounts due to credit institutions		(918,953)	--
Amounts due to the Ministry of Finance of the Republic of Kazakhstan		(12,856)	(13,833)
		<u>(7,614,052)</u>	<u>(2,626,479)</u>
<b>Net interest income</b>		<u>1,174,532</u>	<u>60,424</u>
Net gains from foreign currencies		(17,186,418)	(168,590)
Dividend income	14	3,703,227	544,402
Gain from guarantee issued		--	34,832
Other operating income		119,072	1,055
<b>Non-interest (expenses)/income</b>		<u>(13,364,119)</u>	<u>411,699</u>
Personnel expenses		(333,155)	(293,197)
Professional and advisory services		(13,143)	(15,836)
Depreciation and amortization		(26,274)	(20,363)
Other operating expenses		(227,942)	(146,804)
<b>Other expenses</b>		<u>(4,136)</u>	<u>--</u>
<b>Non-interest expense</b>		<u>(604,650)</u>	<u>(476,200)</u>
<b>Loss before income tax expense</b>		<u>(12,794,237)</u>	<u>(4,077)</u>
Income tax benefit	11	264,099	107,586
<b>(Loss)/profit for the period</b>		<u>(12,530,138)</u>	<u>103,509</u>
<b>(Loss)/earnings per share, basic and diluted (Tenge)</b>	16	<u>(46.54)</u>	<u>0.39</u>

The accompanying notes on pages 6 to 14 are an integral part of these financial statements.

## INTERIM CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Notes	<i>For the six months ended 30 June</i>	
		<i>2014</i>	<i>2013</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
(Loss)/profit for the period		(12,530,138)	103,509
<b>Other comprehensive loss</b>			
Revaluation of available-for-sale investment securities, net of taxes	12	(40,240)	15,431
<b>Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods</b>		<b>(12,570,378)</b>	<b>118,940</b>
<b>Total comprehensive (loss)/income</b>		<b>(12,570,378)</b>	<b>118,940</b>

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

Aitzhanov D.N.

Chairman of the Management Board

Umirzakov N. A.



Managing Director

Zhumabayeva S.R.

Chief Accountant

15 September 2014

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## INTERIM CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

(Thousands of Tenge)

	Share capital	Additional paid-in capital	Revaluation reserve of investment securities available for sale	Reserve capital	Retained (loss)/earnings	Total
At 31 December 2012	254,022,911	61,135,037	53,352	4,067,040	4,169,169	323,447,509
Total comprehensive income for the year (unaudited)	-	-	-	-	103,509	103,509
Income from initial recognition of loans obtained from the Shareholder at below market rate (Note 12) (unaudited)	-	315,998	15,431	-	-	331,429
Increase in share capital (Note 12) (unaudited)	12,051,320	-	-	-	-	12,051,320
At 30 June 2013 (unaudited)	266,074,231	61,451,035	68,783	4,067,040	4,272,678	335,933,767
At 31 December 2013	267,816,731	62,609,550	114,687	4,067,040	5,018,284	339,626,292
Profit for the period (unaudited)	-	-	-	-	(12,530,138)	(12,530,138)
Other comprehensive loss for the reporting period (unaudited)	-	-	(40,240)	660,509	(660,509)	(40,240)
Total comprehensive loss for the period (unaudited)	-	-	(40,240)	660,509	(13,190,647)	(12,570,378)
Increase in share capital (Note 12) (unaudited)	13,493,000	-	-	-	-	13,493,000
Income from initial recognition of loans obtained from the Shareholder at below market rate (Note 12) (unaudited)	-	565,237	-	-	-	565,237
At 30 June 2014 (unaudited)	281,309,731	63,174,787	74,447	4,727,549	(8,172,363)	341,114,151

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Aitzhanov D.N.

Chairman of the Management Board

Umirzakov N. A.

Managing Director

Zhumabayeva S.R.



Chief Accountant

15 September 2014

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**INTERIM CONDENSED SEPARATE STATEMENT OF CASH FLOWS**

For the six months ended 30 June 2014

*(Thousands of Tenge)*

	<i>For the six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
<i>Notes</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Cash flows from operating activities</b>		
Interest received	6,550,549	1,363,981
Interest paid	(4,477,011)	(12,000)
Payments to the budget	(124,589)	(107,540)
Personnel expenses paid	(265,994)	(232,739)
Other operating expenses paid	(847,460)	(203,167)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>835,495</b>	<b>808,535</b>
<i>Net decrease in operating assets</i>		
Other assets	127,485	1,184
<i>Net decrease in operating liabilities</i>		
Other liabilities	—	(1,179)
<b>Net cash flows from operating activities before income tax</b>	<b>962,980</b>	<b>808,540</b>
Income tax paid	(949,189)	(204,599)
<b>Net cash flows (used in)/from operating activities</b>	<b>13,791</b>	<b>603,941</b>
<b>Cash flows from investing activities</b>		
Repayment of loans by subsidiaries	79,672,067	30,140,369
Loans to subsidiaries	(36,852,525)	(110,876,902)
Increase in share capitals of subsidiaries	7 (15,448,288)	(12,051,320)
Placement of bank deposits	(66,594,438)	(96,513,644)
Loans to credit organizations	(76,661,299)	—
Purchase of property, plant and equipment and intangible assets	(21,789)	(8,482)
<b>Net cash used in investing activities</b>	<b>(115,906,272)</b>	<b>(189,309,979)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the increase in share capital	12 13,493,000	12,051,320
Funds from the Ministry of Finance of the Republic of Kazakhstan	9 40,000,000	60,000,000
Proceeds from credit institutions	18,408,000	—
Proceeds from eurobonds issuance	150,060,000	150,153,621
Dividends from subsidiaries	—	544,402
<b>Net cash from financing activities</b>	<b>221,961,000</b>	<b>222,749,343</b>
Effect of exchange rate changes on cash and cash equivalents	1,910,088	572,149
<b>Net increase of cash and cash equivalents</b>	<b>107,978,607</b>	<b>34,615,454</b>
<b>Cash and cash equivalents, beginning</b>	<b>20,767,815</b>	<b>19,779,407</b>
<b>Cash and cash equivalents, ending</b>	<b>128,746,422</b>	<b>54,394,861</b>

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

Aitzhanov D.N.

Chairman of the Management Board

Umirzakov N. A.

Managing Director

Zhumabayeva S.R.

Chief Accountant

15 September 2014

*The accompanying notes on pages 6 to 14 are an integral part of these financial statements.*

(Thousands of Tenge)

## 1. Principal activities

National Management Holding “KazAgro” Joint Stock Company (the “Company”) was incorporated in 2007 by the Resolution of the Government of the Republic of Kazakhstan dated 23 December 2006 No.1247 “On measures for realization of the Decree of the President of the Republic of Kazakhstan dated 11 December 2006 No. 220” in accordance with the legislation of the Republic of Kazakhstan.

The Company’s principal activities are:

- participation in development and implementation of state crediting programs and financial support for agricultural commodity producers;
- rendering assistance to agricultural sector by own means, as well as raised investments through crediting.

The address of the Company’s registered office is: Republic Ave. 24, Astana, Republic of Kazakhstan.

Physical location at: Republic Ave. 24, Astana, Republic of Kazakhstan.

The sole shareholder of the Company is the Government of the Republic of Kazakhstan as represented by the Committee of State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan (the “Government” or the “Shareholder”). Ministry of Agriculture of the Republic of Kazakhstan, on behalf of the Government owns 100% of the Company’s shares.

## 2. Basis of preparation

### General

The interim condensed separate 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 separate financial statements as at 31 December 2013.

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 separate 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:

## 3. Summary of significant accounting policies

### 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 had no significant effect on the Company’s financial statements.

*(Thousands of Tenge)***3. Summary of significant accounting policies (continued)****Changes in accounting policies (continued)***IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*

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.

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

These amendments eliminate unintended consequences of applying IFRS 13 Fair value measurement to disclosures required in accordance with IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of information on asset's or cash generating units recoverable amount on which impairment loss was recognized or reimbursed during the reporting period. These amendments did not have any impact on the financial position or performance of the Company.

**Significant accounting judgements and estimates**

Judgements made by the Group's management in the process of applying accounting policies are in conformity with judgements described in the annual 2013 financial statements of the Group. The management did not apply new estimates and professional judgements. As a result of application of estimates and professional judgements described in the Group's financial statements for the year ended 31 December 2013, assets, income or expenses of the Group for the six months ended 30 June 2014, did not undergo any significant adjustments.

Corporate income tax expenses are recorded in these interim condensed financial statements based on management analysis of all available information about weighted average corporate income tax rate expected for the full financial year. Income/expenses that arise irregularly during the financial year should be forecasted or carried forward for the purpose of interim condensed financial statements only when such expenditures could also be actually forecasted or carried forward as at the year end.

The Company has tax loss carry forwards amounting to KZT 3,505,013 thousand (2013: nil). As at 30 June 2014 the Company came to a conclusion that it may not recognize deferred tax assets with respect to tax losses carried forward because it is not probable that tax profit against which tax losses may be offset will be received.

**4. Cash and cash equivalents**

Cash comprises:

	<i>30 June 2014</i> <i>(unaudited)</i>	<i>31 December 2013</i>
Cash on settlement account	128,746,275	20,767,477
Cash on hand	147	338
<b>Cash and cash equivalents</b>	<b>128,746,422</b>	<b>20,767,815</b>

As at 30 June 2014, the amount of cash and cash equivalents concentrated with one bank was KZT 37,514,712 thousand or 29% of the total balance (31 December 2013: KZT 11,954,103 thousand or 58 % of the total balance).

**5. 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 on deposits	162,444,567	82,214,676
Loans provided to the second tier banks	83,661,299	7,000,000
Short-term interest receivable from banking organisations	901,632	1,367,735
<b>Amounts due from credit institutions</b>	<b>247,007,498</b>	<b>90,582,411</b>

During the six-month period of 2014 the Company placed short-term funds in Kazakhstan banks in various currencies in the amount equivalent to KZT 162,444,567 thousand (31 December 2013: KZT 82,214,676 thousand).

Loans to the second tier banks for the first half of 2014, comprise loans to Tsesnabank JSC, Delta Bank JSC, Bank Astana-Finance JSC and Eurasian Bank JSC in the amount of KZT 83,661,299 thousand.

(Thousands of Tenge)

**6. Loans to subsidiaries**

Loans to subsidiaries were as follows:

	<i>Maturity</i>	<i>Effective interest rate %</i>	<i>30 June 2014 (unaudited)</i>	<i>31 December 2013</i>
KazAgroFinance JSC	2015-2023	6%	89,221,324	77,452,661
Agrarian Credit Corporation JSC	2014-2023	6.0%	20,042,923	46,921,803
NC Food Contract Corporation JSC	2014	6.5%	11,819,478	41,746,858
KazAgroProduct JSC	2014-2018	13.5%	4,323,925	3,201,654
Fund of Financial Support for Agriculture JSC	2014	6.0%	752,397	250,658
			<b>126,160,047</b>	<b>169,573,634</b>

The initial maturities of these loans are from 1 to 10 years, nominal interest rates vary from 0.50 % to 8.25% p.a.

**7. Investments in subsidiaries**

Investments in subsidiaries were as follows:

	<i>30 June 2014 (unaudited)</i>		<i>31 December 2013</i>	
	<i>Percentage of ownership</i>	<i>Amount</i>	<i>Percentage of ownership</i>	<i>Amount</i>
KazAgroFinance JSC	100%	103,387,382	100%	100,622,500
Agrarian Credit Corporation JSC	100%	94,950,789	100%	81,396,485
National Company "Food Contract Corporation" JSC	100%	65,619,251	100%	63,663,963
Fund of Financial Support for Agriculture JSC	100%	25,592,475	100%	25,592,475
KazAgroProduct JSC	100%	23,082,284	100%	23,082,284
KazAgroGarant JSC	100%	3,198,152	100%	3,198,152
Kazagromarketing JSC	100%	1,845,264	100%	1,845,263
		<b>317,675,597</b>		<b>299,401,122</b>

Movement on the account of investments to subsidiaries was as follows:

	<i>For the six-month period ended 30 June</i>	
	<i>2014 (unaudited)</i>	<i>2013 (unaudited)</i>
Beginning balance	299,401,122	278,231,748
Initial recognition of fair value of the loans granted (unaudited)	2,826,187	7,375,554
Investments to the share capital of subsidiaries (unaudited)	15,448,288	13,793,820
<b>Ending balance</b>	<b>317,675,597</b>	<b>299,401,122</b>

**8. Eurobonds issued**

Eurobonds issued comprise:

	<i>30 June 2014 (unaudited)</i>	<i>31 December 2013</i>
USD denominated Eurobonds	183,706,663	153,676,011
Euro denominated Eurobonds	149,938,674	—
<b>Eurobonds issued</b>	<b>333,645,337</b>	<b>153,676,011</b>

On 24 May 2013 the Company issued Eurobonds for the purpose of general corporate needs in the amount of USD 1,000,000,000 within the bond Programme of issuing debt instruments within the limit of USD 2,000,000,000 with maturity in 2023, with nominal coupon interest in the amount of 4.625% p.a.

Within the bond programme of issuing debt instruments in May 2014, the second tranche was issued in the amount of 600,000,000 Euro (equivalent to KZT 150,060,000 thousand) at the rate of 3.255% p.a. with maturity in 2019. These eurobonds are listed on Irish Stock Exchange Limited and Kazakhstan Stock Exchange (KASE). As at 30 June 2014, the carrying value of issued debt eurobonds was KZT 333,645,337 thousand.

(Thousands of Tenge)

**9. Debt securities issued**

During six months of 2014, the Company obtained a short-term loan from the Shareholder totalling KZT 40,000,000 thousand to finance the spring sowing campaign and harvesting operations (during six months of 2013: KZT 60,000,000 thousand).

	<i>Nominal interest rate</i>	<i>Maturity</i>	<i>30 June 2014</i>	<i>31 December 2013</i>
Bonds issued on KASE	0.02%	2009-2023	68,096,036	66,094,998
Amounts due to the Ministry of Finance of the Republic of Kazakhstan	0.01%	2014	40,000,856	–
			<u>108,096,892</u>	<u>66,094,998</u>

**10. Amounts due to credit institutions**

On 24 December 2013, National Managing Holding KazAgro JSC received from Royal Bank of Scotland Plc a loan of USD 100 million with fixed interest rate of 2.4% per annum, and maturity by 27 January 2015.

On 3 March 2014, the Company received from HSBC a loan of USD 100 million with fixed interest rate of 2.2% per annum, and maturity by 30 March 2015.

**11. Taxation**

The corporate income tax expense comprises:

	<i>For the six-month period ended 30 June</i>	
	<i>2014 (unaudited)</i>	<i>2013 (unaudited)</i>
CIT expenses – current portion	–	–
Deferred CIT benefit – origination and reversal of temporary differences	(829,336)	(423,584)
Less: deferred CIT recognised in equity	565,237	315,998
<b>Income tax (benefit)/ expense</b>	<u>(264,099)</u>	<u>(107,586)</u>

**12. Equity**

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

	<i>Offering price (KZT)</i>	<i>Number of shares</i>	<i>Total (KZT thousand)</i>
<b>At 31 December 2012</b>	1,000	254,022,911	254,022,911
Issue of share capital (unaudited)	1,000	12,051,320	12,051,320
<b>At 30 June 2013 (unaudited)</b>		<u>266,074,231</u>	<u>266,074,231</u>
<b>At 31 December 2013</b>	1,000	267,816,731	267,816,731
Issue of share capital (unaudited)	1,000	13,493,000	13,493,000
<b>At 30 June 2014 (unaudited)</b>		<u>281,309,731</u>	<u>281,309,731</u>

As at 30 June 2014 the Company's book value per common share calculated in accordance with Kazakhstan Stock Exchange methodology is KZT 1,212 (31 December 2013: KZT 1,267).

As at 30 June 2014, total amount of authorized, issued and fully paid common shares comprised 281,309,731 shares, (31 December 2013: 267,816,731 shares) at placement value of KZT 1,000. On the basis of the Order of the Government of the Republic of Kazakhstan, within six months of 2014 the Company received KZT 13,493,000 thousand from the existing Shareholder as a contribution to the share capital (6 months 2013: KZT 12,051,320 thousand).

(Thousands of Tenge)

**12. Equity (continued)****Reserve capital**

The movements in property and equipment were as follows:

	<i>Additional paid-in capital</i>	<i>Revaluation re- serve of invest- ment securities available for sale</i>	<i>Reserve capital</i>	<i>Total</i>
<b>At 1 January 2013</b>	61,135,037	53,352	4,067,040	65,255,429
Income from initial recognition of loans obtained from the Shareholder at below market rate (unaudited)	315,998	-	-	315,998
Revaluation of available-for-sale investment securities (unaudited)	-	15,431	-	15,431
<b>At 30 June 2013 (unaudited)</b>	<b>61,451,035</b>	<b>68,783</b>	<b>4,067,040</b>	<b>65,586,858</b>

	<i>Additional paid-in capital</i>	<i>Revaluation re- serve of invest- ment securities available for sale</i>	<i>Reserve capital</i>	<i>Total</i>
<b>At 1 January 2014</b>	62,609,550	114,687	4,067,040	66,791,277
Income from initial recognition of loans obtained from the Shareholder at below market rate (unaudited)	565,237	-	-	565,237
Revaluation of available-for-sale investment securities (unaudited)	-	(40,240)	-	(40,240)
Other comprehensive loss for the reporting period (unaudited)	-	-	660,509	660,509
<b>At 30 June 2014 (unaudited)</b>	<b>63,174,787</b>	<b>74,447</b>	<b>4,727,549</b>	<b>67,976,783</b>

**13. Interest income on loans to subsidiaries**

Interest income on loans to subsidiaries were as follows:

	<i>For the six-month period ended 30 June</i>	
	<i>2014 (unaudited)</i>	<i>2013 (unaudited)</i>
KazAgroFinance JSC	2,679,866	1,175,445
National Company "Food Contract Corporation" JSC	1,308,599	266,061
Agrarian Credit Corporation JSC	688,644	548,483
KazAgroProduct JSC	125,271	49,683
Fund of Financial Support for Agriculture JSC	1,740	5,216
	<b>4,804,120</b>	<b>2,044,888</b>

**14. Dividend income**

For the six months of 2014 and six months of 2013, the Company recognised dividend income from subsidiaries:

	<i>For the six-month period ended 30 June</i>	
	<i>2014 (unaudited)</i>	<i>2013 (unaudited)</i>
KazAgroFinance JSC	2,705,114	302,889
Fund of Financial Support for Agriculture JSC	604,229	61,202
Agrarian Credit Corporation JSC	393,884	96,793
National Company "Food Contract Corporation" JSC	-	83,518
	<b>3,703,227</b>	<b>544,402</b>

*(Thousands of Tenge)***15. Commitments and contingencies****Operating environment**

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

**Legal issues**

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 condition or the results of future operations of 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 statements. Tax periods remain open for five years.

**Obligations on undrawn loans and financial guarantees**

As at 30 June 2014 and 31 December 2013 Company's commitments and contingencies comprised following

	<i>30 June 2014</i> <i>(unaudited)</i>	<i>31 December 2013</i>
Undrawn credit lines – loans to subsidiaries	94,024,570	58,088,337
Nominal amount of guarantee issued to foreign bank on the loan to subsidiary	–	3,624,587
	<u>94,024,570</u>	<u>61,712,924</u>

Undrawn credit lines are represented by the Company's obligations to provide loans to subsidiaries.

**16. Earnings per share**

Basic earnings per share is calculated by dividing the net income for the year attributable to common shareholders by the weighted average number of shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted earnings per share computations for the year ended 30 June:

	<i>For the six-month period</i> <i>ended 30 June</i>	
	<i>2014</i> <i>(unaudited)</i>	<i>2013</i> <i>(unaudited)</i>
Loss attributable to common shareholders for basic and diluted earnings per share	(12,530,138)	103,509
Weighted average number of common shares for basic and diluted earnings per share	269,209,242	262,331,228
Basic and diluted loss per share (in Tenge)	(46.54)	0.39



(Thousands of Tenge)

**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.

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

30 June 2014 (unaudited)	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Available-for-sale investment securities	229,151	–	–	229,151
<b>Total financial assets</b>	<b>229,151</b>	<b>–</b>	<b>–</b>	<b>229,151</b>

30 June 2014 (unaudited)	Level 1	Level 2	Level 3	Total
<b>Financial assets, whose fair value was disclosed</b>				
Cash and cash equivalents	–	–	128,746,422	128,746,422
Amounts due to credit institutions	–	–	163,112,632	163,112,632
Loans to credit organizations	–	–	78,421,423	78,421,423
<b>Total financial assets</b>	<b>–</b>	<b>–</b>	<b>370,280,477</b>	<b>370,280,477</b>

31 December 2013	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Available-for-sale investment securities	269,391	–	–	269,391
<b>Total financial assets</b>	<b>269,391</b>	<b>–</b>	<b>–</b>	<b>269,391</b>

31 December 2013	Level 1	Level 2	Level 3	Total
<b>Financial assets, whose fair value was disclosed</b>				
Cash and cash equivalents	–	–	20,767,815	20,767,815
Amounts due to credit institutions	–	–	83,575,744	83,575,744
Loans to credit organizations	–	–	7,006,667	7,006,667
<b>Total financial assets</b>	<b>–</b>	<b>–</b>	<b>111,350,226</b>	<b>111,350,226</b>

*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.

	Carrying value as at 30 June 2014 (unaudited)	Fair value 30 June 2014 (unaudited)	Unrecognised gain/(loss) (unaudited)
<b>Financial assets</b>			
Cash and cash equivalents	128,746,422	128,746,422	–
Investments in subsidiaries	317,675,597	317,675,597	–
Loans to subsidiaries	126,160,047	100,193,105	(25,966,942)
Amounts due from credit institutions	163,112,632	163,112,632	–
Loans to second tier banks	83,894,866	78,421,423	(5,473,443)
	<b>819,589,564</b>	<b>788,149,179</b>	<b>(31,440,385)</b>
<b>Financial liabilities</b>			
Debt securities issued	68,096,036	68,096,036	–
Eurobonds issued	333,645,337	329,335,230	4,310,107
Amounts due to credit institutions	36,049,984	36,049,984	–
	<b>437,791,357</b>	<b>433,481,250</b>	<b>4,310,107</b>
<b>Total unrecognised change in unrealised fair value</b>			<b>(27,130,278)</b>

(Thousands of Tenge)

**17. Fair value of financial instruments (continued)***Financial instruments not carried at fair value in the statement of financial position (continued)*

	<i>Carrying value as at 31 December 2013</i>	<i>Fair value 31 December 2013</i>	<i>Unrecognised gain/ (loss)</i>
<b>Financial assets</b>			
Cash and cash equivalents	20,767,815	20,767,815	–
Investments in subsidiaries	299,401,122	276,048,510	(23,352,612)
Loans to subsidiaries	169,573,634	178,699,704	9,126,070
	<u>489,742,571</u>	<u>475,516,029</u>	<u>(14,226,542)</u>
<b>Financial liabilities</b>			
Debt securities issued	66,094,998	66,094,998	–
Eurobonds issued	153,675,011	140,270,703	13,404,308
Amounts due to credit institutions	14,777,717	14,777,717	–
	<u>234,547,726</u>	<u>221,143,418</u>	<u>13,404,308</u>
<b>Total unrecognised change in unrealised fair value</b>			<u>(822,234)</u>

**18. Related party transactions**

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

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

*Transactions with non government-related entities including the Shareholder*

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

	<i>30 June 2014 (unaudited)</i>			<i>31 December 2013</i>		
	<i>Shareholder</i>	<i>Subsidiaries</i>	<i>Government entities</i>	<i>Shareholder</i>	<i>Subsidiaries</i>	<i>Government entities</i>
Loans issued, net of allowance	–	126,160,047	–	–	169,573,634	–
Debt securities issued	68,096,036	–	–	66,094,998	–	–
Amounts due to the Ministry of Finance of the Republic of Kazakhstan	40,000,856	–	–	–	–	–
<b>Loans obtained</b>	<u>108,096,892</u>	<u>–</u>	<u>–</u>	<u>66,094,998</u>	<u>–</u>	<u>–</u>
	<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>Subsidiaries</i>	<i>Government entities</i>	<i>Shareholder</i>	<i>Subsidiaries</i>	<i>Government entities</i>
Interest income on issued loans	–	4,804,120	–	–	2,044,888	–
Interest expense on securities issued	(2,013,893)	–	–	(1,899,941)	–	–
Dividends	–	3,703,227	128	–	544,402	3,066

Loans and finance lease receivables were issued to other related parties at rates ranging from 0.5% to 5.8% with term from 1 to 10 years.

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

Compensation to the key management personnel for the 6 months of 2014, consisting of 5 persons (6 months of 2013: 5 persons) comprised the following:

	<i>For the six months ended 30 June 2014 (unaudited)</i>	<i>For the six months ended 30 June 2013 (unaudited)</i>
Salary and other short-term benefits	34,315	14,963
Social security contribution (social tax, social contribution)	3,401	2,323
<b>Total compensation to the key management personnel</b>	<b>37,716</b>	<b>17,286</b>