

KazAgroFinance Joint Stock Company

Financial Statements

*For the year ended 31 December 2012
Together with Independent Auditors' Report*

Independent auditors' report

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

We have audited the accompanying financial statements of KazAgroFinance JSC (the "Company"), which comprise the statement of financial position as at 31 December 2012, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of KazAgroFinance Joint Stock Company as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

15 March 2013

Auditor Qualification Certificate No.0000553 dated 24 December 2003



STATEMENT OF FINANCIAL POSITION

At 31 December 2012

(In thousands of tenge)

	<i>Notes</i>	<i>2012</i>	<i>2011</i>
Assets			
Cash and cash equivalents	5	7,479,863	10,878,777
Amounts due from credit institutions	6	9,378,084	10,926,990
Derivative financial assets	7	5,221,756	6,556,513
Loans to customers	8	28,901,531	25,319,978
Finance lease receivables	9	87,255,752	66,344,220
Assets held for sale	10	491,555	491,577
Property held for financial lease	11	7,955,500	6,467,772
Property and equipment	12	914,649	952,746
Intangible assets		164,643	163,456
VAT and other taxes recoverable	13	798,788	524,517
Current corporate income tax assets		40,757	50,812
Advances paid	14	3,656,801	4,165,315
Other assets	19	37,011	21,714
Total assets		152,296,690	132,864,387
Liabilities			
Amounts due to the shareholder	15	40,118,682	28,941,398
Amounts due to credit institutions	16	17,358,991	15,782,306
Deferred income tax liabilities	17	1,382,670	1,199,053
Advances received	18	3,213,801	2,302,050
Deferred VAT		964,349	731,048
Other liabilities	19	5,193,226	2,669,006
Total liabilities		68,231,719	51,624,861
Equity			
Share capital	21	75,653,191	74,350,191
Additional paid-in capital		9,099,198	7,116,969
Reserve capital	21	1,436,184	860,753
Deemed distribution reserve		(5,340,250)	(4,850,120)
Retained earnings		3,216,648	3,761,733
Total equity		84,064,971	81,239,526
Total liabilities and equity		152,296,690	132,864,387

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



INCOME STATEMENT

For the year ended 31 December 2012

(In thousands of tenge)

	<i>Notes</i>	<i>2012</i>	<i>2011</i>
Interest income			
Finance lease receivables		7,377,017	6,136,679
Loans to customers		2,877,425	3,086,447
Amounts due from credit institutions		348,291	197,308
Investment securities available-for-sale		-	203,597
		<u>10,602,733</u>	<u>9,624,031</u>
Interest expenses			
Amounts due to the shareholder		(1,506,752)	(1,381,549)
Amounts due to credit institutions		(814,631)	(814,815)
Amounts due to the Government of the Republic of Kazakhstan		-	(4,103)
		<u>(2,321,383)</u>	<u>(2,200,467)</u>
Net interest income			
Impairment of loans and finance lease receivables	8, 9	(3,913,618)	(2,395,995)
Net interest income after impairment of loans and finance lease receivables			
		<u>4,367,732</u>	<u>5,027,569</u>
Other operating income			
Net losses from transactions with derivative financial assets	7	(613,871)	(2,412,300)
Net (losses)/gains from transactions in foreign currencies	22	(50,110)	155,899
Other income		132,815	102,822
		<u>(531,166)</u>	<u>(2,153,579)</u>
Other operating expenses			
Personnel expenses	23	(1,461,111)	(1,338,531)
Other loss from impairment and provisions	25	(843,159)	(61,503)
Other operating expenses	23	(505,984)	(510,690)
Initial recognition of loan losses, including adjustment resulting from changes in future cash flows	24	(345,261)	(262,797)
Depreciation		(99,415)	(97,548)
		<u>(3,254,930)</u>	<u>(2,271,069)</u>
Non-interest expenses			
Profit before income tax benefit			
		581,636	602,921
Income tax benefit	17	24,142	547,942
Profit for the year			
		<u>605,778</u>	<u>1,150,863</u>
Earnings per share, basic and diluted (tenge)			
	26	8.12	19.80

Gumar Tyulegenovich Rakhimzhanov

Chairman of the Board

Gulnara Takishevna Shodanova

Chief Accountant



STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

(In thousands of tenge)

	<i>Notes</i>	<i>2012</i>	<i>2011</i>
Profit for the year		605,778	1,150,863
Other comprehensive income			
Deemed distribution reserve	21	(612,662)	(973,053)
Initial recognition of income from amounts due to the shareholder at below market rate	21	2,477,785	2,153,774
Unrealised (losses) on investment securities available-for-sale		-	(5,220)
Income tax relating to components of other comprehensive income	17	(373,024)	(236,143)
Other comprehensive income for the year, net of tax		1,492,099	939,358
Total comprehensive income for the year		2,097,877	2,090,221

Gumar Tyulegenovich Rakhimzhanov



Chairman of the Board

Gulnara Takishevna Shodanova



Chief Accountant

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

(In thousands of tenge)

	Share capital	Additional paid-in capital	Reserve capital	Deemed distribution reserve	Revaluation reserve of investment securities available for sale	Retained earnings	Total
At 31 December 2010	54,450,191	5,393,949	860,753	(4,071,678)	5,220	3,814,227	60,452,662
Total comprehensive income/(loss) for the year	–	1,723,020	–	(778,442)	(5,220)	1,150,863	2,090,221
Increase in share capital through cash contributions (Note 21)	19,900,000	–	–	–	–	–	19,900,000
Dividends declared (Note 21)	–	–	–	–	–	(1,203,357)	(1,203,357)
At 31 December 2011	74,350,191	7,116,969	860,753	(4,850,120)	–	3,761,733	81,239,526
Total comprehensive income/(loss) for the year	–	1,982,229	–	(490,130)	–	605,778	2,097,877
Increase in share capital through cash contributions (Note 21)	1,303,000	–	–	–	–	–	1,303,000
Increase in reserve capital (Note 21)	–	–	575,431	–	–	(575,431)	–
Dividends declared and paid (Note 21)	–	–	–	–	–	(575,432)	(575,432)
At 31 December 2012	75,653,191	9,099,198	1,436,184	(5,340,250)	–	3,216,648	84,064,971

Gumar Tyulegenovich Rakhimzhanov

Chairman of the Board

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Chief Accountant



STATEMENT OF CASH FLOW

For the year ended 31 December 2012

(In thousands of tenge)

	<i>Notes</i>	<i>2012</i>	<i>2011</i>
Cash flows from operating activities			
Interest received		7,443,297	6,283,204
Interest paid		(1,132,291)	(1,205,443)
Realised gains less losses from derivative financial assets	7	771,819	1,239,553
Personnel expenses paid		(1,459,222)	(1,331,710)
Other operating expenses paid		(523,578)	(454,159)
Other income received		130,560	73,461
Realised losses less gains from dealing in foreign currencies		(495,467)	(1,985,526)
Cash flows from operating activities before changes in operating assets and liabilities		4,735,118	2,619,380
<i>Net (increase)/ decrease in operating assets</i>			
Amounts due from credit institutions		1,548,906	(6,174,119)
Derivative financial assets		(50,934)	(762,736)
Loans to customers		(4,336,031)	(2,157,110)
Finance lease receivables		(21,715,687)	(13,185,488)
Assets held for sale		(71,855)	—
Property held for financial lease		(1,997,061)	(416,831)
VAT and other taxes recoverable		(274,271)	8,483
Advances paid		281,328	(2,512,928)
Other assets		(77,778)	(31,319)
<i>Net increase/ (decrease) in operating liabilities</i>			
Advances received		911,751	294,852
Other liabilities		3,003,001	1,896,541
Net cash flows from operating activities before income tax		(18,043,513)	(20,421,275)
Income tax paid		(155,211)	(79,780)
Net cash flows used in operating activities		(18,198,724)	(20,501,055)
Cash flows from investing activities			
Proceeds from and redemption of available-for-sale investment securities		—	3,023,502
Purchase of property and equipment and intangible assets		(62,856)	(110,914)
Proceeds from sale of property and equipment		—	105,154
Net cash (used in)/from investing activities		(62,856)	3,017,742
Cash flows from financing activities			
Repayment of amounts due to the Government of the Republic of Kazakhstan		—	(142,858)
Proceeds from increase in amounts due to the shareholder		12,002,461	11,341,032
Repayment of loans received from credit institutions		1,903,809	(10,152,912)
Proceeds from issue of share capital	21	1,303,000	19,900,000
Dividends paid	21	(575,432)	(1,203,357)
Net cash flows from financing activities		14,633,838	19,741,905
Effect of exchange rates changes on cash and cash equivalents		228,828	221,403
Net increase in cash and cash equivalents		(3,398,914)	2,479,995
Cash and cash equivalents, beginning	5	10,878,777	8,398,782
Cash and cash equivalents, ending	5	7,479,863	10,878,777

Gumar Tyulegenovich Rakhimzhanov



Chairman of the Board

Gulnara Takishevna Shodanova



Chief Accountant

The accompanying notes on pages 6 to 38 are an integral part of these financial statements.

(In 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 (the "FMSC") 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 FMSC 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;
- issue guarantees to the second tier banks against agricultural producers property in order to provide lending for agricultural 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 51 Kenesary street, Astana, Republic of Kazakhstan.

The sole shareholder of the Company is the National Management Holding "KazAgro" JSC ("KazAgro"). The ultimate controlling shareholder of KazAgro is the Government of the Republic of Kazakhstan.

The Company has 10 registered branches and 4 representative offices throughout the Republic of Kazakhstan.

2. Basis of preparation

General

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

These financial statements have been prepared on a historical cost basis, except for certain financial instruments and investment securities available for sale that have been measured at fair value.

These financial statements are presented in thousands of Kazakh Tenge ("Thousand of Tenge"), except per share amounts and unless otherwise indicated.

3. Summary of significant accounting policies

Changes in accounting policies

In 2012 the Company has implemented the following revised IFRS standards and new Interpretations. The effects of these changes are noted below:

Amendment to IFRS 7 Financial Instruments: Disclosures

The amendment was issued in October 2010 and became effective for financial years beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred to enable the users of the Company's financial statements to evaluate the risks associated with those assets. The amendment affected disclosures only and did not have any impact on the Company's financial position or performance.

The following amendments to standards did not have any impact on the Company's accounting policies, financial position and results of operations:

- Amendment to IAS 12 *Income tax – Deferred Taxes – Recovery of underlying assets*
- Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

