



BAITEREK

Baiterek National Managing Holding Joint Stock Company

**Unaudited Separate Interim Condensed Financial Statements
and Independent Auditors' Report**

30 June 2015

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INDEPENDENT AUDITORS' REPORT

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Independent Auditors' Report on Review of Separate Interim Condensed Financial Information

To the Shareholder and Board of Directors of National Managing Holding "Baiterek" Joint Stock Company

Introduction

We have reviewed the accompanying separate condensed statement of financial position of National Managing Holding "Baiterek" Joint Stock Company and its subsidiaries as at 30 June 2015, and the related separate condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the separate interim condensed financial information (the "separate interim condensed financial information"). Management is responsible for the preparation and presentation of this separate interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this separate interim condensed financial information based on our review.

Scope of Review

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

Conclusion


Based on our review, nothing has come to our attention that causes us to believe that the separate interim condensed financial information as at 30 June 2015 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.


Ravshan Irmatov
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No MF-0000053 of 6 January 2012



KPMG Audit LLC

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan


Alla Nigay
General Director of KPMG Audit LLC
acting on the basis of the Charter

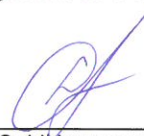


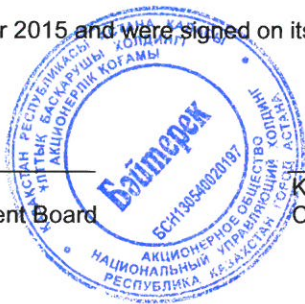
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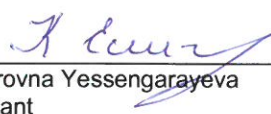
Baiterek National Managing Holding Joint Stock Company
Separate Interim Condensed Statement of Financial Position

<i>(In thousands of Kazakhstani Tenge)</i>	Note	30 June 2015, unaudited	31 December 2014
ASSETS			
Cash and cash equivalents	5	244,633	3,235,141
Deposits	6	7,782,289	2,364,108
Loans to subsidiaries	7	186,608,860	93,163,685
Investment in subsidiaries		718,382,161	718,382,161
Dividends receivable	10	5,111,464	-
Property, plant and equipment		137,944	137,316
Intangible assets		197,296	204,917
Current income tax prepayment		129,483	69,312
Other assets		463,943	244,776
TOTAL ASSETS		919,058,073	817,801,416
LIABILITIES			
Debt securities issued	8	183,879,699	91,667,385
Deferred income tax liability	13	511,520	284,952
Other liabilities		600,597	646,809
TOTAL LIABILITIES		184,991,816	92,599,146
EQUITY			
Share capital		718,318,712	718,318,712
Retained earnings		15,747,545	6,883,558
TOTAL EQUITY		734,066,257	725,202,270
TOTAL LIABILITIES AND EQUITY		919,058,073	817,801,416

Approved by Management on 1 September 2015 and were signed on its behalf by:


Dinara Nurlanovna Seidzhaparova
Managing Director - Member of Management Board




Kuralay Damirovna Yessengarayeva
Chief Accountant

Baiterek National Managing Holding Joint Stock Company
Separate Interim Condensed Statement of Profit or Loss and Other Comprehensive Income

<i>(In thousands of Kazakhstani Tenge)</i>	Note	Six months ended 30 June 2015, unaudited	Six months ended 30 June 2014, unaudited
Interest income	9	4,693,577	504,900
Interest expense	8	(4,556,365)	(373,461)
Net interest income		137,212	131,439
Dividend income	10	8,966,795	4,173,036
Other operating income	11	1,380,157	602,708
Administrative and other operating expenses	12	(1,393,609)	(1,002,062)
Profit before income tax		9,090,555	3,905,121
Income tax expense	13	(226,568)	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		8,863,987	3,905,121

The notes set out on pages 5 to 13 form an integral part of these separate interim condensed financial statements.

Baiterek National Managing Holding Joint Stock Company
Separate Interim Condensed Statement of Changes in Equity

<i>(In thousands of Kazakhstani Tenge)</i>	Share capital	Retained earnings	Total
Balance as at 1 January 2014	663,102,010	3,805,875	666,907,885
Profit for the period, unaudited	-	3,905,121	3,905,121
Total comprehensive income for the period, unaudited	-	3,905,121	3,905,121
Share issue, unaudited	20,000,000	-	20,000,000
Balance as at 30 June 2014, Unaudited	683,102,010	7,710,996	690,813,006
Balance as at 1 January 2015	718,318,712	6,883,558	725,202,270
Profit for the period, unaudited	-	8,863,987	8,863,987
Total comprehensive income for the period, unaudited	-	8,863,987	8,863,987
Balance as at 30 June 2015, Unaudited	718,318,712	15,747,545	734,066,257

Baiterek National Managing Holding Joint Stock Company
Separate Interim Condensed Statement of Cash Flows

	Six months ended 30 June 2015, unaudited	Six months ended 30 June 2014, unaudited
<i>(In thousands of Kazakhstani Tenge)</i>		
Cash flows from operating activities		
Interest received	331,873	128,531
Interest paid	(125,000)	-
Dividends received	3,855,331	2,373,859
Administrative and other operating expenses paid	(1,608,826)	(1,076,759)
Income tax paid	-	(34,176)
Net cash flows from operating activities	2,453,378	1,391,455
Cash flows from investing activities		
Loans to subsidiaries	(300,595,125)	(100,000,000)
Contribution to the capital of the subsidiaries	-	(20,150,000)
Deposits placement	(5,400,000)	-
Acquisition of property, plant and equipment	(29,007)	-
Acquisition of intangible assets	(14,879)	-
Net cash flows used in investing activities	(306,039,011)	(120,150,000)
Cash flows from financing activities		
Proceeds from debt securities issued	300,595,125	100,000,000
Issue of ordinary shares	-	20,000,000
Net cash flows from financing activities	300,595,125	120,000,000
Net (decrease)/increase in cash and cash equivalents	(2,990,508)	1,241,455
Cash and cash equivalents at the beginning of the period	3,235,141	2,448,028
Cash and cash equivalents at the end of the period (Note 5)	244,633	3,689,483

The notes set out on pages 5 to 13 form an integral part of these separate interim condensed financial statements.

1 Introduction

Baiterek National Managing Holding Joint Stock Company (the “Holding Company”) was incorporated in accordance with the Decree of the President of the Republic of Kazakhstan dated 22 May 2013 No.571 “On some measures for optimisation of the management system of the development institutions and financial organisations, and development of the national economy” and the Decree of the Government of the Republic of Kazakhstan dated 25 May 2013 No.516 “About measures for implementation of Decree of the President of the Republic of Kazakhstan dated 22 May 2013 No.571”. As at 30 June 2015 and 31 December 2014, the ultimate controlling party of the Holding Company is the Government of the Republic of Kazakhstan.

The Holding Company is a direct shareholder of eleven subsidiaries (31 December 2014: eleven).

Principal activity

The Holding Company’s mission is provision of financial and investment support to non-energy sector, securing sustainable development and diversification of national economy, attraction of investments, clusters development and improvement of corporate governance system of its subsidiaries.

The Holding Company is actively involved in completing national strategic and social tasks through development institutions through the implementation of the State Forced Industrial and Innovation Development Program for 2010-2014, as well as the programs of “Road Map of Business – 2020” and the “Affordable Housing – 2020” and “Regions Development till 2020” under the President’s Statement “Nurly Zhol”.

The Holding Company follows the key Government policies in the area of industrial and innovation development, promotion of national products export, development of small and medium sized entrepreneurship, implementation of tasks in developing housing sector and enhancing the people’s welfare, as well as other goals set by the President and Government of the Republic of Kazakhstan.

Below are the direct subsidiaries of the Holding Company:

Name of subsidiary	Country of incorporation	Ownership, %	
		30 June 2015, unaudited	31 December 2014
Development Bank of Kazakhstan JSC	DBK JSC	Republic of Kazakhstan	100.00
Investment Fund of Kazakhstan JSC	IFK JSC	Republic of Kazakhstan	100.00
KazExportGarant Export and Credit Insurance Corporation JSC	KEG JSC	Republic of Kazakhstan	100.00
Damu Entrepreneurship Development Fund JSC	DAMU EDF JSC	Republic of Kazakhstan	100.00
National Agency for Technological Development JSC	NATD JSC	Republic of Kazakhstan	100.00
Kazyna Capital Management JSC	KCM JSC	Republic of Kazakhstan	100.00
Zhylystroysberbank of Kazakhstan JSC	ZHSSBK JSC	Republic of Kazakhstan	100.00
Kazakhstan Mortgage Company Mortgage Organisation JSC	KMC JSC	Republic of Kazakhstan	100.00
Mortgage Guarantee Fund of Kazakhstan JSC	KFMGL JSC	Republic of Kazakhstan	100.00
Baiterek Development JSC	BD JSC	Republic of Kazakhstan	100.00
Public-Private Partnership Advisory Center LLP	PPP Advisory Center LLP	Republic of Kazakhstan	75.00

Registered address and place of business. The Holding Company’s registered address and place of business is: Block B, 8, D. Kunayev str., Astana, Republic of Kazakhstan.

2 Operating environment of the Holding Company

The Holding Company’s operations are primarily located in Kazakhstan. Consequently, the Holding Company is exposed to the economic and financial markets of the Republic of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue its development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Republic of Kazakhstan. The separate interim condensed financial statements reflect management’s assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Holding Company. Actual business environment may differ from the management’s assessment.

3 Basis of preparation

Statement of compliance. These separate condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the separate financial statements of the Holding Company for the year ended 31 December 2014, as these separate interim condensed financial statements provide an update of previously reported financial information.

The Holding Company also prepares in accordance with IAS 34 the consolidated interim condensed financial statements for the six-month period ended 30 June 2015, which may be obtained in the head office of the Holding Company at the following address: Block B, 8, D. Kunayev str., Astana, Republic of Kazakhstan.

Basis of measurement. These separate interim condensed financial statements are prepared on the historical cost basis.

Functional and presentation currency. The functional currency of the Holding Company is the Kazakhstan tenge ("Tenge") as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to the Holding Company.

Tenge is also the presentation currency for the purposes of these separate interim condensed financial statements.

Financial information presented in KZT is rounded to the nearest thousand, unless otherwise stated.

Use of estimates and judgments. The preparation of separate interim condensed financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In preparing these separate interim condensed financial statements the significant judgments made by management in applying the Holding Company's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the Holding Company's separate financial statements for the year ended 31 December 2014, except for those disclosed in Note 7 "Loans to subsidiaries" and Note 8 "Debt securities issued".

4 Significant accounting policies

In preparing these separate interim condensed financial statements the Holding Company applied the same accounting policies as those applied in the separate financial statements of the Holding Company for the year ended 31 December 2014.

5 Cash and cash equivalents

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2015, unaudited	31 December 2014
Current accounts	244,633	126,049
Term deposits	-	3,109,092
Total cash and cash equivalents	244,633	3,235,141

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's ratings or Moody's or Fitch ratings as follows as at 30 June 2015:

<i>(In thousands of Kazakhstani Tenge)</i>	Current accounts, unaudited
<i>Neither past due nor impaired</i>	
- National Bank of the Republic of Kazakhstan	34,375
- BB- to BB+ rated	210,258
Total cash and cash equivalents	244,633

5 Cash and cash equivalents (continued)

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's ratings or Moody's or Fitch ratings as follows as at 31 December 2014:

<i>(In thousands of Kazakhstani Tenge)</i>	Term deposits	Current accounts	Total
<i>Neither past due nor impaired</i>			
- BB- to BB+ rated	1,902,592	126,049	2,028,641
- B- to B+ rated	1,206,500	-	1,206,500
Total cash and cash equivalents	3,109,092	126,049	3,235,141

6 Deposits

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2015, unaudited	31 December 2014
Deposits with banks with original maturities of more than three months	7,782,289	2,364,108
Total deposits	7,782,289	2,364,108

Deposits are not collateralised. Analysis by credit quality of deposits is based on Standard and Poor's ratings or Moody's or Fitch ratings as follows as at 30 June 2015 and 31 December 2014 is as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2015, unaudited	31 December 2014
<i>Neither past due nor impaired</i>		
- BB- to BB+ rated	2,006,444	-
- B- to B+ rated	5,775,845	2,364,108
Total deposits	7,782,289	2,364,108

7 Loans to subsidiaries

The loans have been issued to the following Holding Company's subsidiaries:

<i>(In thousands of Kazakhstani Tenge)</i>	Nominal value		Carrying amount	
	30 June 2015, unaudited	31 December 2014	30 June 2015, unaudited	31 December 2014
- DBK JSC	220,000,000	100,000,000	66,304,424	29,521,257
- Damu EDF JSC	200,000,000	150,000,000	61,978,245	45,842,265
- BD JSC	61,095,125	23,000,000	44,082,187	17,800,163
- KMC JSC	92,500,000	-	14,244,004	-
Total loans to subsidiaries	573,595,125	273,000,000	186,608,860	93,163,685

During six-month period ended 30 June 2015, the Holding Company provided loans to subsidiaries in the total amount of Tenge 300,595,125 thousand (unaudited). The loans bear an interest rate of 0.15% p.a. and mature in 2035 and 2045.

In accordance with approved government programs the loans were issued on the following terms and conditions:

- Tenge 92,500,000 thousand (unaudited) loan to KMC JSC to finance construction and housing real estate for its further rent;
- Tenge 70,000,000 thousand (unaudited) loan to DBK JSC to finance acquisition of domestic car, helicopter, passenger wagon manufacturers as well as export and pre-export lending using leasing and/or lending instruments;
- Tenge 50,000,000 thousand (unaudited) loan to DBK JSC to place funds in the second-tier banks of the Republic of Kazakhstan at the rate of no more than 2% p.a. to finance large businesses in the processing industry, among them no more than 25% to refinance loans issued by the second-tier banks, no more than 25% to finance working capital on loans issued by the second-tier banks, and no more than 50% to finance new projects of the large businesses;
- Tenge 50,000,000 thousand (unaudited) loan to Damu EDF JSC to finance small and medium businesses in the processing industry;

7 Loans to subsidiaries (continued)

- Tenge 38,095,125 thousand (unaudited) loan to BD JSC to finance Lux Nedvizhimost Group LLP and BI Group Corporation LLP to construct the real estate facilities and Mega Plaza LLP to finance construction of a shopping and leisure center on the territory of the International Specialised Exhibition EXPO-2017 in Astana.

At initial recognition, the loans were recognised at fair value measured by applying relevant market interest rates varying from 5.71% to 7.12% p.a. to discount their future cash flows. The Holding Company recognised a difference of Tenge 211,433,116 thousand (unaudited) between a fair value and a nominal value as a loss at initial recognition of loans provided to subsidiaries at a below-market interest rates and reported the difference in profit or loss. These loans were financed through bonds issue denominated in Tenge at interest rate of 0.10% p.a. maturing in 2035 and 2045 (Note 8). The bonds were redeemed in full by SOE National Bank of the Republic of Kazakhstan (the "NBRK") using resources of the National Fund of the Republic of Kazakhstan. The difference of Tenge 212,813,992 thousand (unaudited) between the fair value of debt securities issued at initial recognition and the nominal value was recognised in profit or loss as a government grant in the line the Holding Company recognised a loss at initial recognition of loans to subsidiaries (Note 11).

8 Debt securities issued

<i>(In thousands of Kazakhstani Tenge)</i>	Date of placement	Maturity date	Nominal value		Carrying amount	
			30 June 2015, unaudited	31 December 2014	30 June 2015, unaudited	31 December 2014
	13.03.2015,					
KZP01Y20E920	31.03.2015	13.03.2035	170,000,000	-	49,637,008	-
KZ2C0Y20E676	14.04.2014	14.04.2034	100,000,000	100,000,000	31,272,622	30,346,124
KZ2C0Y20E775	10.12.2014	10.12.2034	100,000,000	100,000,000	30,113,115	29,223,001
	21.01.2015,					
KZP01Y30E879	16.02.2015	21.01.2045	92,500,000	-	14,165,614	-
KZ2C0Y20E742	30.10.2014	30.10.2034	50,000,000	50,000,000	14,796,917	14,352,834
KZP02Y20E738	26.03.2015	26.03.2035	38,095,125	-	25,679,354	-
KZP01Y20E730	15.07.2014	15.07.2034	23,000,000	23,000,000	18,215,069	17,745,426
			573,595,125	273,000,000	183,879,699	91,667,385

As at 30 June 2015 and 31 December 2014, the Holding Company's debt securities issued are not listed.

During the six-month period ended 30 June 2015, the Holding Company issued the following bonds:

- unsecured coupon bonds with nominal value of Tenge 170,000,000 thousand (unaudited), issued in two tranches of 100,000,000 thousand (unaudited) and Tenge 70,000,000 thousand (unaudited) on 13 and 31 March 2015, respectively, at a coupon rate of 0.10% per annum which mature in March 2035. Out of the total issue proceeds, Tenge 70,000,000 thousand (unaudited) will be used to finance local car manufacturers, and manufacturers of helicopters and passenger wagons through mechanism of leasing and/or lending, and export and pre-export lending; Tenge 50,000,000 thousand will be used to finance small and medium size businesses in the processing industry, and another Tenge 50,000,000 thousand will be used to finance new projects of large businesses;

- unsecured coupon bonds with nominal value of Tenge 92,500,000 thousand (unaudited), issued in two tranches of Tenge 50,600,000 thousand (unaudited) and Tenge 41,900,000 thousand (unaudited) on 21 January 2015 and 16 February 2015, respectively, at coupon rate of 0.10% per annum which mature in 2045. The funds have been raised to finance construction and housing real estate for further rent;

- unsecured coupon bonds with nominal value of Tenge 38,095,125 thousand (unaudited), issued on 26 March 2015 at a coupon rate of 0.10% per annum which mature in March 2035. The Holding Company expects to pay off the bonds in June 2022 by exercising a call option. Raised funds will be used to finance construction of housing real estate and a shopping and leisure centre for the International Specialised Exhibition EXPO-2017 in Astana.

8 Debt securities issued (continued)

As a part of implementation of the above-mentioned programs of state support and development, the Management Council of the National Fund of the Republic of Kazakhstan sets conditions of financing in the form of interest rates, financing schedule and related requirements for both the Holding Company, its subsidiaries, commercial banks as the agents of the programs as well as for the ultimate recipients of the funds. In addition, the Government has approved special conditions, under which the Holding Company's subsidiaries may provide further financing to commercial banks and companies. For this reason, the difference that had arisen upon valuation of bonds purchased by the NBRK on behalf of the National Fund of the Republic of Kazakhstan during the six-month period ended 30 June 2015, at fair value at the issue date was recognised as a government grant, because the NBRK acted as the agent and not in the interests of the Holding Company's ultimate shareholder, since all terms of the loans had been agreed on at the Government level in the decree concerning the financing of the above-mentioned programs, and the Government does not expect that direct economic benefits will be available to it in the form of shareholder's distributions, as the ultimate beneficiaries of the benefits are the recipient entities under the programs. Thus, during the six-month period ended 30 June 2015, the Holding Company accounted for income of Tenge 212,813,992 thousand (unaudited) as government grants, which were recognised in other operating income in the separate interim condensed statement of profit or loss and other comprehensive income (Note 11). The Holding Company applied the market interest rates from 5.72% to 7.01% per annum to determine the fair value of issued bonds upon initial recognition.

The entire amount of interest expense of Tenge 4,556,365 thousand (unaudited), incurred during the six-month period ended 30 June 2015 (during the six-month period ended 30 June 2014: Tenge 373,461 thousand, unaudited) relates to the debt securities issued.

9 Interest income

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2015, unaudited	Six-month period ended 30 June 2014, unaudited
Loans to subsidiaries	4,470,851	376,364
Deposits	222,726	128,536
Total interest income	4,693,577	504,900

10 Dividend income

<i>(In thousands of Kazakhstani Tenge)</i>	Balance as at 1 January 2015	Declared, unaudited	Paid, unaudited	Balance as at 30 June 2015, unaudited
DBK JSC	-	3,378,450	-	3,378,450
ZhSSBK JSC	-	3,466,028	(1,733,014)	1,733,014
DAMU EDF JSC	-	1,242,667	(1,242,667)	-
KMC JSC	-	355,205	(355,205)	-
BD JSC	-	277,359	(277,359)	-
KEG JSC	-	189,171	(189,171)	-
NATD JSC	-	57,915	(57,915)	-
Total	-	8,966,795	(3,855,331)	5,111,464

<i>(In thousands of Kazakhstani Tenge)</i>	Balance as at 1 January 2014	Declared, unaudited	Paid, unaudited	Balance as at 30 June 2014, unaudited
ZhSSBK JSC	-	1,799,177	-	1,799,177
DAMU EDF JSC	-	1,046,586	(1,046,586)	-
KCM JSC	-	731,276	(731,276)	-
BD JSC	-	297,671	(297,671)	-
KEG JSC	-	239,896	(239,896)	-
NATD JSC	-	58,430	(58,430)	-
Total	-	4,173,036	(2,373,859)	1,799,177

11 Other operating income

	Six-month period ended 30 June 2015, unaudited	Six-month period ended 30 June 2014, unaudited
<i>(In thousands of Kazakhstani Tenge)</i>		
Loss at initial recognition of loans to subsidiaries at a market-below interest rates (Note 7)	(211,433,116)	(70,347,832)
Government grant (Note 8)	212,813,992	70,952,072
Other	(719)	(1,532)
Total other operating income	1,380,157	602,708

12 Administrative and other operating expenses

	Six-month period ended 30 June 2015, unaudited	Six-month period ended 30 June 2014, unaudited
<i>(In thousands of Kazakhstani Tenge)</i>		
Staff costs	603,164	525,190
Consulting services	210,803	54,954
Operating lease expense	126,067	108,940
Administrative expense of the Board of Directors	107,099	105,462
Outsourcing costs	75,299	89,411
Advertising and marketing services	55,391	15,807
Staff training	40,806	11,668
Other costs related to property, plant and equipment	39,064	23,209
Depreciation of property, plant and equipment	28,379	20,650
Amortisation of software and other intangible assets	22,500	778
Costs for stationary printing products, branding products	17,171	2,508
Insurance costs	17,102	13,257
Business trips	14,370	9,366
Communication services	13,853	12,347
Charity and sponsorship	4,290	-
Other	18,251	8,515
Total administrative and other operating expenses	1,393,609	1,002,062

13 Income tax

	Six-month period ended 30 June 2015, unaudited	Six-month period ended 30 June 2014, unaudited
<i>(In thousands of Kazakhstani Tenge)</i>		
Change in deferred tax liabilities due to origination and reversal of temporary differences	226,568	-
Total income tax expense	226,568	-

The income tax rate applicable to the Holding Company's income of the six-month period ended 30 June 2015 is 20% (six-month period ended 30 June 2014: 20%).

13 Income tax (continued)

Reconciliation between the expected and the actual taxation charge is provided below:

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2015, unaudited	%	Six-month period ended 30 June 2014, unaudited	%
Profit before income tax	9,090,555	100	3,905,121	100
Income tax at the applicable tax rate	1,818,111	20	781,024	20
Non-taxable dividend income	(1,793,359)	(20)	(834,607)	(21)
Unrecognised deferred tax assets	201,816	2	53,583	1
Income tax expense	226,568	2	-	-

Differences between IFRS and statutory taxation regulations in Kazakhstan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate of 20%.

<i>(In thousands of Kazakhstani Tenge)</i>	1 January 2015	Recognised in profit or loss, unaudited	30 June 2015, unaudited
Tax effect of deductible/(taxable) temporary differences			
Property, plant and equipment	(19,569)	11,486	(8,083)
Loans to subsidiaries	35,981,801	41,459,166	77,440,967
Debt securities issued	(36,275,631)	(41,699,073)	(77,974,704)
Other liabilities	28,447	1,853	30,300
Tax loss carried forward	444,002	201,816	645,818
Net deferred tax asset before recoverability assessment	159,050	(24,752)	134,298
Recognised deferred tax asset	36,010,248	41,461,019	77,471,267
Recognised deferred tax liability	(36,295,200)	(41,687,587)	(77,982,787)
Net deferred income tax liability	(284,952)	(226,568)	(511,520)

14 Financial risk management

Management of risk is fundamental to the business and forms an essential element of the Holding Company's operations. The major risks faced by the Holding Company are those related to market risk, credit risk and liquidity risk.

As at 30 June 2015 the Holding company has no significant foreign currency exposure. The Holding company carries out its principal activities in national currency. Currency risk has no significant impact on the Holding company's financial position.

As at 30 June 2015, there were no significant changes in market risk and liquidity risk since 31 December 2014. Changes in credit risks in respect of cash and cash equivalents and deposits are disclosed in Notes 5 and 6, respectively.

Capital management

The Holding Company treats capital as net assets of Tenge 734,066,257 thousand, unaudited (31 December 2014: Tenge 725,202,270 thousand). The Holding Company is not subject to the regulatory capital requirements.

15 Contingencies

Legal proceedings. From time to time and in the normal course of business, claims against the Holding Company and its subsidiaries may be received. On the basis of its own estimates and internal professional advice, management is of the opinion that no material losses will be incurred in respect of claims, and accordingly no provision has been made in these separate interim condensed financial statements.

Tax contingencies. Kazakhstan tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Holding Company may be challenged by the relevant authorities. The Kazakhstan tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in Kazakhstan and the changes in the approach of the Kazakhstan tax authorities, that such transfer prices could potentially be challenged in the future. Given the brief nature of the current Kazakhstan transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

Kazakhstan tax legislation does not provide definitive guidance in certain areas. From time to time, the Holding Company adopts interpretations of such uncertain areas that reduce the overall tax rate of the Holding Company. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices; the impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

Operating lease commitments. The Holding Company has a number of buildings and vehicles under operating lease. Lease is mainly executed for the initial period of one year with the option to renew upon expiry of the said period. Lease payments are usually increased annually to reflect market terms of lease. Lease does not include contingent lease.

16 Related party transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can 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.

The Government of the Republic of Kazakhstan has significant influence over the Holding Company since it is the ultimate controlling party. The Holding Company has decided to apply an exemption from disclosure of individually insignificant transactions and outstanding balances with state owned entities.

The balances as at 30 June 2015 for transactions with related parties are as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	Subsidiaries, unaudited	Transactions with state owned entities, unaudited
Cash and cash equivalents	-	34,375
Loans to subsidiaries	186,608,860	-
Investment in subsidiaries	718,382,161	-
Dividends receivable	5,111,464	-
Current income tax prepayment	-	129,483
Debt securities issued	-	183,879,699
Deferred income tax liability	-	511,520
Other liabilities	-	30,867

The income and expense items on the related party transactions for the six-month period ended 30 June 2015 were as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	Subsidiaries, unaudited	Transactions with state owned entities, unaudited
Interest income	4,470,851	-
Interest expense	-	(4,556,365)
Dividend income	8,966,795	-
Other operating income	(211,433,116)	212,813,992
Administrative and other operating expenses	-	(186,676)
Income tax expense	-	(226,568)

16 Related party transactions (continued)

The balances as at 31 December 2014 for transactions with related parties are as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	Subsidiaries	Transactions with state owned entities
Loans to subsidiaries	93,163,685	-
Investment in subsidiaries	718,382,161	-
Current income tax prepayment	-	69,312
Debt securities issued	-	(91,667,385)
Deferred income tax liability	-	(284,952)
Other liabilities	-	(129,730)

The income and expense items on the related party transactions for the six-month period ended 30 June 2014 were as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	Subsidiaries, unaudited	Transactions with state owned entities, unaudited
Interest income	376,364	-
Interest expense	-	(373,461)
Dividend income	4,173,036	-
Other operating income	(70,347,832)	70,952,072
Administrative and other operating expenses	-	(156,386)

Total remuneration to the members of the Management Board and Board of Directors is as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2015, unaudited	Six-month period ended 30 June 2014, unaudited
Members of the Board of Directors	93,325	91,899
Members of the Management Board	52,860	50,422

17 Subsequent events

On 20 August 2015, the NBRK announced that the KZT, which had previously been managed within an exchange rate corridor, would float freely against other currencies going forward.

The KZT closed at 255.26 per USD after the announcement, down approximately 36% from the exchange rate quoted in the previous day's morning trading. As the switch to a floating exchange rate occurred after the reporting date, these separate interim financial statements have not been adjusted for the rate change.

As at 30 June 2015, the Holding company has no significant foreign currency exposure.