

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

**International Financial
Reporting Standards
Financial Statements
and Independent Auditor's Report**

31 December 2012

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

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DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of Damu Entrepreneurship Development Fund JSC ("the Fund").

Management of the Fund is responsible for the preparation of the financial statements that present fairly, in all material respects the financial position of the Fund as at 31 December 2012, the financial results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

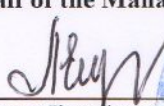
- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed; and
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Fund will continue in business for the foreseeable future.

Management is also responsible for:

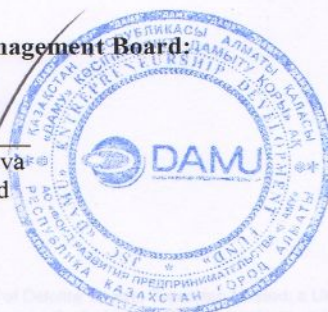
- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Fund;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Bank, and which enable them to ensure that the financial statements of the Fund comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Fund; and
- Detecting and preventing fraud, errors and other irregularities.

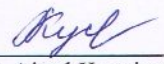
The financial statements for the year ended 31 December 2012 were authorized for issue on 7 March 2013 by the Management Board.

On behalf of the Management Board:


Ms. Lyazzat Ibragimova
Chairman of the Board

7 March 2013
Almaty, Kazakhstan




Ms. Aigul Kusaiynova
Chief Accountant

7 March 2013
Almaty, Kazakhstan

The notes set out on pages 8 to 54 form an integral part of this condensed interim financial information.

INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of Damu Entrepreneurship Development Fund JSC

Report on the Financial Statements

We have audited the accompanying financial statements Damu Entrepreneurship Development Fund JSC ("the Fund"), which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, the statement of changes in equity and cash flows statement 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 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 auditor's judgment, 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 Damu Entrepreneurship Development Fund JSC 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.

Emphasis of Matter

We draw attention to Note 5 to the financial statements which describes the restatement of corresponding figures for the year ended 31 December 2011. Our audit opinion is not qualified in that respect.

Other Matter

The financial statements of the Fund for the year ended 31 December 2011 were audited by another auditor who expressed an unqualified opinion on those statements on 27 March 2012.

As part of our audit of the 2012 financial statements, we also audited the adjustments described in Note 5 that were applied to amend the 2011 corresponding figures. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2011 financial statements of Damu Entrepreneurship Development Fund JSC other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2011 financial statements taken as a whole.

Deloitte, LLP
State license on auditing in the Republic of Kazakhstan
Number 0000015, type MFU-2, issued by the Ministry of Finance
of the Republic of Kazakhstan
dated September 13, 2006

7 March 2013
Almaty, Kazakhstan

Nurlan Bekenov
Engagement Partner
Auditor's qualification certificate #0082,
The Republic of Kazakhstan
dated 13 June 1994
General Director
Deloitte, LLP

Approved for issue and signed on behalf of Management Board on 7 March 2013.

Ms. Lyazzat Begenova
Chairman of the Board

Ms. Aigul Kussynova
Chief Accountant

The notes set out on pages 8 to 54 form an integral part of these financial statements.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

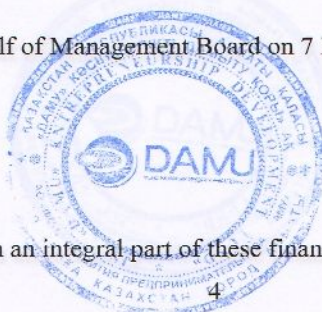
STATEMENT OF FINANCIAL POSITION

(IN THOUSANDS OF KAZAKHSTANI TENGE)

	Note	31 December 2012	31 December 2011
ASSETS			
Cash and cash equivalents	6	14,938,338	9,758,144
Securities at fair value through profit or loss	7	10,647,919	9,328,978
Due from financial institutions	8	136,668,029	161,555,259
Reverse repurchase agreements	9	4,003,453	-
Due from subsidy programmes	16	2,454,801	290,531
Loans and advances to customers	10	274,206	1,297,451
Investment securities available for sale	11	5,099,494	5,188,075
Premises and equipment	12	549,643	566,472
Intangible assets		54,279	80,437
Current income tax asset		4,320,841	3,754,751
Deferred income tax asset	23	781,665	878,112
Other assets	13	405,017	298,464
TOTAL ASSETS		180,197,685	192,996,674
LIABILITIES			
Borrowed funds	14	92,241,597	128,675,362
Subordinated debt	15	5,420,112	13,227,500
Liabilities on subsidy programmes	16	4,448,488	4,208,443
Deferred income and liabilities on financial guarantees	17	904,696	631,223
Other liabilities	18	320,973	381,671
TOTAL LIABILITIES		103,335,866	147,124,199
EQUITY			
Share capital	19	72,920,273	44,920,273
Additional paid-in-capital		250,240	-
Revaluation reserve for investment securities available for sale		(145,206)	(466,652)
Other reserves		316,430	316,430
Retained earnings		3,520,082	1,102,424
TOTAL EQUITY		76,861,819	45,872,475
TOTAL LIABILITIES AND EQUITY		180,197,685	192,996,674

Approved for issue and signed on behalf of Management Board on 7 March 2013.

Ms. Lyazzat Ibragimova
Chairman of the Board



Ms. Aigul Kusaiynova
Chief Accountant

The notes set out on pages 8 to 54 form an integral part of these financial statements.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

STATEMENT OF COMPREHENSIVE INCOME

(IN THOUSANDS OF KAZAKHSTANI TENGE)

	Note	2012	2011
Interest income	20	12,555,811	14,382,157
Interest expense	20	(6,668,962)	(8,750,132)
Interest income, net		5,886,849	5,632,025
Recovery of provision for impairment of loans and advances to customers and amounts due from financial institution	8,10	737,861	1,235,609
Net interest income after recovery for loan portfolio impairment		6,624,710	6,867,634
Fee and commission income	21	921,984	652,826
Gains less losses from securities at fair value through profit or loss		(185,370)	(79,506)
Foreign exchange losses, net of gains		(4,642)	(989)
Recovery/(provision) for credit related commitments		211,530	(154,316)
Impairment of investment securities available for sale	11	(20,524)	(108,829)
Other operating income and expenses		(261,586)	18,049
Payroll expense	22	(1,744,858)	(1,702,584)
General and administrative expenses	22	(1,109,221)	(1,053,862)
Profit before tax		4,432,023	4,438,423
Income tax expense	23	(975,819)	(1,048,067)
PROFIT FOR THE YEAR		3,456,204	3,390,356
Other comprehensive income			
Investment securities available-for-sale:			
- Gains less losses arising during the year		300,922	2,603
- Gains less losses recycled to profit or loss upon disposal or impairment		20,524	108,829
Other comprehensive income for the year		321,446	111,432
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,777,650	3,501,788

Profit and total comprehensive income for both periods are fully attributable to the Fund's owners.

Approved for issue and signed on behalf of Management Board on 7 March 2013.

Ms. Lyazzat Ibragimova
Chairman of the Board



Ms. Argul Kusaiynova
Chief Accountant

The notes set out on pages 8 to 54 form an integral part of these financial statements.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

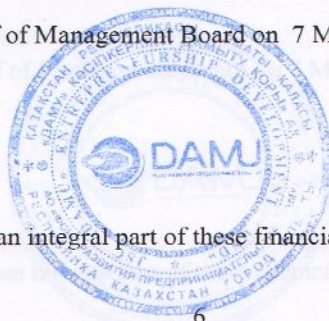
STATEMENT OF CHANGES IN EQUITY

(IN THOUSANDS OF KAZAKHSTANI TENGE)

	Share capital	Additional paid-in-capital	Revaluation reserve for investment securities available for sale	Other reserve	Retained earnings	Total
Balance at 1 January 2011	44,920,273	-	(578,084)	316,430	(180,492)	44,478,127
Profit for the year	-	-	-	-	3,390,356	3,390,356
Other comprehensive income	-	-	111,432	-	-	111,432
Total comprehensive income for the year	-	-	111,432	-	3,390,356	3,501,788
Dividends paid	-	-	-	-	(2,107,440)	(2,107,440)
Balance at 31 December 2011	44,920,273	-	(466,652)	316,430	1,102,424	45,872,475
Profit for the year	-	-	-	-	3,456,204	3,456,204
Other comprehensive income	-	-	321,446	-	-	321,446
Total comprehensive income for the year	-	-	321,446	-	3,456,204	3,777,650
Issue of ordinary shares	28,000,000	-	-	-	-	28,000,000
Additional paid-in-capital	-	250,240	-	-	-	250,240
Dividends paid	-	-	-	-	(1,038,546)	(1,038,546)
Balance at 31 December 2012	72,920,273	250,240	(145,206)	316,430	3,520,082	76,861,819

Approved for issue and signed on behalf of Management Board on 7 March 2013.

Ms. Lyazzat Ibragimova
Chairman of the Board



Ms. Aigul Kusainyova
Chief Accountant

The notes set out on pages 8 to 54 form an integral part of these financial statements.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

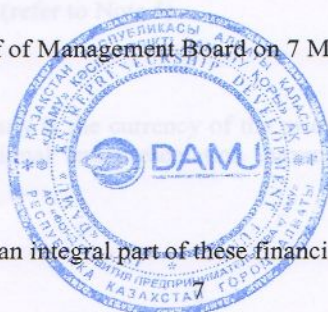
STATEMENT OF CASH FLOWS

(IN THOUSANDS OF KAZAKHSTANI TENGE)

	2012	2011
Cash flows from operating activities:		
Interest received	10,651,979	11,747,829
Interest paid	(7,148,197)	(8,399,176)
Commissions received	673,340	709,999
Cash inflows from other operating activities	12,393	14,484
Recovery of loans to customers previously written-off	173,568	301,692
Payroll costs paid	(1,782,032)	(1,591,875)
General and Administrative expenses paid	(1,172,989)	(1,072,326)
Income tax paid	-	-
Cash flows from operating activities before changes in operating assets and liabilities	1,408,062	1,710,627
Net (increase)/decrease in securities at fair value through profit or loss	(952,983)	5,335,649
Net decrease in due from other financial institutions	24,757,984	6,905,028
Net decrease in loans and advances to customers	1,577,885	1,906,667
Net decrease in other assets	104,071	58,208
Net increase/(decrease) in other liabilities	315,007	(23,774)
Net increase in deferred income and liabilities on financial guarantees	-	393,729
Net cash from operating activities	27,210,026	16,286,134
Cash flows from investing activities		
Acquisition premises and equipment	(110,711)	(103,058)
Acquisition of intangible assets	-	(26,139)
Net cash used in investing activities	(110,711)	(129,197)
Cash flows from financing activities		
Issue of ordinary shares	28,000,000	-
Proceeds from borrowed funds	2,600,000	22,300,000
Repayment of borrowed funds	(38,375,395)	(49,575,038)
Repayment of subordinated debt	(7,673,109)	(910,000)
Proceeds from subsidy programmes	17,492,350	10,107,296
Repayments on subsidy programmes	(18,920,968)	(9,862,938)
Dividends paid	(1,038,546)	(2,107,440)
Net cash used in financing activities	(17,915,668)	(30,048,120)
Net increase /(decrease) in cash and cash equivalents	9,183,647	(13,891,183)
Cash and cash equivalents at the beginning of the year	9,758,144	23,649,327
Cash and cash equivalents at the end of the year	18,941,791	9,758,144

Approved for issue and signed on behalf of Management Board on 7 March 2013.

Ms. Lyazzat Ibragimova
Chairman of the Board



Ms. Aigul Kusaiynova
Chief Accountant

The notes set out on pages 8 to 54 form an integral part of these financial statements.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS

(IN THOUSANDS OF KAZAKHSTANI TENGE)

1 INTRODUCTION

Damu Entrepreneurship Development Fund JSC (the “Fund”) was established in pursuance of Decree of the Government of the Republic of Kazakhstan No. 665 dated 26 April 1997. The Fund is incorporated and domiciled in the Republic of Kazakhstan as a joint stock company and provides financial services.

As at 31 December 2012 the sole shareholder of the Fund is National Welfare Fund Samruk-Kazyna JSC (the “Parent” or “Shareholder”). The Parent and its subsidiaries are jointly called as the “Shareholder’s Group”. In accordance with decree #136 of the President of the Republic of Kazakhstan issued on 10 August, 2011, the Fund was passed under fiduciary management of the Ministry of Economic Development and Trade of the Republic of Kazakhstan. The Fund is ultimately controlled by the Government of the Republic of Kazakhstan. Information on transactions with related parties is disclosed in Note 28.

Principal activity.

The main activity of the Fund is lending to small and medium size enterprises and microfinance organisations through funding of commercial banks. Credit risk on loans to end-borrowers is transferred to commercial banks. The Fund uses its own and borrowed funds to finance small and medium sized entities throughout Kazakhstan.

The Fund has 16 regional branches. The Head office is located in Almaty, Kazakhstan.

Registered address and place of business.

The Fund’s registered address is: 111 Gogol Street, Almaty, Kazakhstan.

Presentation currency.

These financial statements are presented in Kazakhstani Tenge, unless otherwise stated.

2 OPERATING ENVIRONMENT OF THE FUND

Emerging markets such as the Republic of Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in the Republic of Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of the Republic of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because the Republic of Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of available-for-sale financial assets, and financial instruments categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 5).

Foreign currency translation.

Functional currency of the Company is the currency of the primary economic environment in which the entity operates. The Company’s functional and presentation currency is the national currency of the Republic of Kazakhstan, Tenge.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Transactions denominated in foreign currency are recorded at the exchange rate prevailing at the transaction date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in the statement of comprehensive income using the exchange rate ruling on that date.

Monetary assets and liabilities denominated in foreign currencies are translated into Tenge using official exchange rate of Kazakhstani Stock Exchange ("KASE") at the balance sheet date. Non-monetary assets and liabilities and transactions in foreign currencies are recorded at the official exchange rate of KASE at the transaction date. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Resulting foreign exchange gains and losses are reported on a net basis in the statement of comprehensive income.

At 31 December 2012, the official rate of exchange used for translating foreign currency balances was the US dollar (USD) 1= Tenge 150.74 (31 December 2011: USD 1= Tenge 148.4). Exchange restrictions and currency controls exist relating to converting Tenge into other currencies. The Tenge is not freely convertible in most countries outside of the Republic of Kazakhstan.

Financial instruments - key measurement terms.

Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and the current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Fund may use mid-market prices as a basis for establishing fair values for the offsetting risk positions, and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure at fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*(IN THOUSANDS OF KAZAKHSTANI TENGE)*

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments.

Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date on which the Fund commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets.

The Fund derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Fund has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Cash and cash equivalents.

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements and reverse sale and repurchase agreements with other banks with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Trading securities.

Trading securities are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader’s margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Fund classifies securities into trading securities if it has an intention to sell them within a short period after purchase. The Fund may choose to reclassify a non-derivative trading financial asset out of the fair value through the profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of fair value through the profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Fund has the intention and ability to hold these financial assets for the foreseeable future, or until maturity.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest method is presented in profit or loss for the year as interest income. Dividends are included in dividend income within other operating income when the Fund's right to receive the dividend payment is established, and it is probable that the dividends will be collected. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss for the year as gains less losses from trading securities in the period in which they arise.

Other securities at fair value through profit or loss.

Other securities at fair value through profit or loss are financial assets designated irrevocably, at initial recognition, into this category. Management designates securities into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Fund's Board of Directors. Recognition and measurement of this category of financial assets is consistent with the above policy for trading securities.

Due from financial institutions.

Amounts due from financial institutions are recorded when the Fund advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Loans and advances to customers.

Loans and advances to customers are recorded when the Fund advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates, and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Impairment of financial assets carried at amortised cost.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Fund determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Fund considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by the borrower's financial information that the Fund obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the value of collateral significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

Repossessed collateral.

Repossessed collateral represents financial and non-financial assets acquired by the Fund in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, other financial assets or inventories within other assets depending on their nature and the Fund's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Where repossessed collateral results in acquiring control over a business, the business combination is accounted for using the purchase method of accounting with fair value of the settled loan representing the cost of acquisition (refer to the accounting policy for consolidation). Accounting policy for associates is applied to repossessed shares where the Fund obtains significant influence, but not control. The cost of the associate is the fair value of the loan settled by repossessing the pledged shares.

Credit related commitments.

The Fund issues financial guarantees and commitments to provide loans. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Fund will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

Investment securities available for sale.

This classification includes investment securities which the Fund intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Investment securities available for sale are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method, and recognised in profit or loss for the year. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year when the Fund's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for the year.

Sale and repurchase agreements and lending of securities.

Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or other borrowed funds.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Fund, are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the consolidated financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed for a fixed fee are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in other borrowed funds.

Offsetting.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Premises and equipment.

Premises and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation.

Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	up to 100 years
Computers, equipment and fixtures and fittings	up to 8 years
Vehicles	up to 7 years
Other	up to 10 years

The residual value of an asset is the estimated amount that the Fund would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets.

The Fund's intangible assets other than goodwill have definite useful life and primarily include capitalised computer software or off-the-shelf-software.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Fund are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 7 years.

Operating leases.

Where the Fund is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Fund, the total lease payments are charged to profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

Finance lease receivables.

Where the Fund is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within in profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of finance lease receivables. The Fund uses the same principal criteria to determine whether there is objective evidence that an impairment loss has occurred, as for loans carried at amortised cost. Impairment losses are recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred), discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Borrowed funds.

Borrowings are recorded when money or other assets are advanced to the Fund by counterparties. The non-derivative liability is carried at amortised cost. If the Fund purchases its own debt, the liability is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt.

Trade and other payables.

Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Provisions for liabilities and charges.

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Uncertain tax positions.

The Fund's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Dividends.

Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Kazakhstani legislation identifies the basis of distribution as the current year net profit.

Share capital.

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Income taxes.

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Income and expense recognition.

Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Fund to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Fund will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Fund does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees relating to investment funds are recorded rateably over the period that the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continually provided over an extended period of time.

Recognition of income on repurchase and reverse repurchase agreements.

Gain/loss on the sale of the above instruments is recognized as interest income or expense in the statement of profit or loss based on the difference between the repurchase price accreted to date using the effective interest method and the sale price when such instruments are sold to third parties. When the reverse repo/repo is fulfilled on its original terms, the effective yield/interest between the sale and repurchase price negotiated under the original contract is recognized using the effective interest method.

Staff costs and related contributions.

Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Fund. The Fund has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

4 NEW AND REVISED IFRSS IN ISSUE BUT NOT YET EFFECTIVE

The Fund has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 Financial Instruments²;
- IFRS 13 Fair Value Measurement¹;
- Amendments to IFRS 7 Financial Instruments: Disclosures – “Disclosures – Offsetting Financial Assets and Financial Liabilities”¹;
- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – “Mandatory Effective Date of IFRS 9 and Transition Disclosures”²;
- Amendments to IAS 32 Financial Instruments: Presentation – “Offsetting Financial Assets and Financial Liabilities”³;

¹ Effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

² Effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

³ Effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments, issued in November 2009 and amended in October 2010, introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9 *Financial Instruments*, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 *Financial Instruments* requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

The Fund management anticipates that IFRS 9 *Financial Instruments* in the future may have a significant impact on amounts reported in respect of the Fund's financial assets and financial liabilities (e.g. the Fund's investments in redeemable notes that are currently classified as available-for-sale investments will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 *Financial Instruments* until a detailed review has been completed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

IFRS 13 Fair Value Measurement

IFRS 13 *Fair Value Measurement* establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 *Fair Value Measurement* is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures amount fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 *Fair Value Measurement* are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 *Fair Value Measurement* to cover all assets and liabilities within its scope.

The Fund management anticipates that the application of the new Standard may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Amendments to IFRS 7 Financial Instruments: Disclosures and IAS 32 Financial Instruments: Presentation – “Offsetting Financial Assets and Financial Liabilities and the related disclosures”

The amendments to IAS 32 *Financial Instruments: Presentation* clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realization and settlement’. The amendments to IFRS 7 *Financial Instruments: Disclosures* require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The disclosures should be provided retrospectively for all comparative periods.

The Fund management anticipates that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regards to offsetting financial assets and financial liabilities in the future.

Annual Improvements to IFRSs 2009-2011 Cycle issued in May 2012

The *Annual Improvements to IFRSs 2009-2011 Cycle* include a number of amendments to various IFRSs. Amendments to IFRSs include:

Amendments to IAS 32 Financial Instruments: Presentation

The amendments to IAS 32 *Financial Instruments: Presentation* clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income Taxes*. The Fund management anticipates that the amendments to IAS 32 *Financial Instruments: Presentation* will have no effect on the Fund’s financial statements as the Fund has already adopted

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

5 RESTATEMENT

In 2012 the Fund's management determined that bonuses to management related to 2011 year had not been appropriately presented in the financial statements for the year ended 31 December 2011. In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," these financial statements have been restated as detailed below.

The below restatement do not affect the comparative statement of financial position materially and, as such, the Management believes that there is no need to present the third statement of financial position and related notes and that the absence of this information is not a material omission.

The effect of the adjustments made to the financial statements for the year ended 31 December 2011 is as follows and opening balance to the statement of financial position as at 31 December 2011:

Financial statement line item	As previously reported December 31, 2011/year ended December 31, 2011	Amount of adjustment	As restated December 31, 2011/ year ended December 31, 2011
Statement of Financial Position			
Other liabilities	310,2	71,4	381,6
Retained earnings	1,1	(71,4)	1,1
Statement of Comprehensive Income			
Payroll expense	(1,6)	(71,4)	(1,7)
Profit before tax	4,5	(71,4)	4,4
Profit for the period	3,4	(71,4)	3,3
Total comprehensive income for the period	3,5	(71,4)	3,5
Statement of Changes in Equity			
Profit for the period	3,4	(71,4)	3,3
Total comprehensive income for the year ended 31 December 2011	3,4	(71,4)	3,3
Balance at 31 December 2011	1,1	(71,4)	1,1

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

6 CASH AND CASH EQUIVALENTS

	31 December 2012	31 December 2011
Current accounts with banks	14,5	9,7
Cash on hand	335	887
Total cash and cash equivalents	14,5	9,7

The credit quality of cash and cash equivalents balances is summarised based on Standard and Poor's ratings as follows at 31 December 2012 and 2011:

	31 December 2012 Balances in bank accounts on- demand	31 December 2011 Balances in bank accounts on- demand
<i>Neither past due nor impaired</i>		
- B- to B+	7,7	9,0
- BB- to BB+	3,4	275,9
- BBB- to BBB+	299,3	429,0
- Unrated	3,4	21,7
	14,9	9,7
Cash on hand	335	887
Total	14,9	9,7

As at 31 December 2012 the Fund had seven counterparty banks (31 December 2011: three banks) whose balances in aggregate exceeded 10% of the equity. The gross value of these balances as at 31 December 2012 is Tenge 7,686,182 thousand (31 December 2011: Tenge 8,189,385 thousand).

As at 31 December 2012, for the purpose of cash flow statements cash and cash equivalents included reverse repurchase agreements with original maturity of less than 3 months for the amount of KZT 4,003,453 thousand (2011: nil). As at 31 December 2012, cash and cash equivalents amounted to KZT 18,941,791 thousand for cash flow purposes (2011: KZT 9,758,144 thousand).

7 SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2012	31 December 2011
Kazakhstan government bonds	5,464,880	3,756,908
Corporate bonds	5,183,039	5,572,070
Total securities at fair value through profit or loss	10,647,919	9,328,978

The Fund irrevocably designated the above securities, which are not a part of the Fund's trading book, at the initial recognition as at fair value through profit or loss. These securities are managed and evaluated on their fair values basis in accordance with a strategy documented in the Investment policy.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Securities designated at fair value through profit or loss are carried at fair value which also reflects any credit risk related write-downs. Analysis by credit quality of debt securities designated at fair value through profit or loss outstanding at 31 December 2012 is as follows:

	Kazakhstan government bonds	Corporate bonds	Total
<i>Neither past due nor impaired</i>			
- BBB+	5,4	-	5,4
- BBB	-	2,2	2,2
- B	-	1,4	1,4
- BBB3	-	898,7	898,7
- BBB-	-	498,6	498,6
Total securities at fair value through profit or loss	5,4	5,1	10,6

Analysis by credit quality of debt securities at fair value through profit or loss outstanding at 31 December 2011 was as follows:

	Kazakhstan government bonds	Corporate bonds	Total
<i>Neither past due nor impaired</i>			
- BBB+	3,7	-	3,7
- BBB	-	1,9	1,9
- BBB-	-	205,9	205,9
- B+	-	1,7	1,7
- B	-	1,6	1,6
Total securities at fair value through profit or loss	3,7	5,5	9,3

The credit ratings are based on Standard & Poor's ratings where available or Moody's rating converted to the nearest equivalent on the Standard & Poor's rating scale. None of the securities at fair value through profit or loss is past due.

Refer to Note 26 for disclosure of the fair value of securities at fair value through profit or loss. Information on securities at fair value through profit or loss issued by related parties is disclosed in Note 27.

8 DUE FROM FINANCIAL INSTITUTIONS

	31 December 2012	31 December 2011
Loans given to banks	135,7	161,4
Placements with other banks with original maturities of more than three months	2,5	1,7
Less: Provision for loan portfolio impairment	(1,6)	(1,6)
Total due from financial institutions	136,6	161,5

Within balance of loans given to banks Tenge 20,467,898 thousand is balance receivable from BTA bank as at 31 December 2012 (2011: Tenge 28,282,522 thousand). Management of the Fund considers these amounts will be received in full and on time, and no impairment has been charged against those balances as at 31 December 2012 (2011: nil).

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Amounts due from financial institutions are not collateralised. Analysis by credit quality of amounts due from financial institutions outstanding at 31 December 2012 is as follows:

	Placements with other banks	Loans to banks	Total
<i>Neither past due nor impaired</i>			
- B- to B+	1,7	90,0	91,8
- Unrated	829,2	45,6	46,5
Total neither past due nor impaired	2,5	135,7	138,3
<i>Balances individually determined to be impaired</i>			
- over 360 days overdue	-	1,6	1,6
Total individually impaired	-	1,6	1,6
Less provision for impairment	-	(1,6)	(1,6)
Total due from financial institutions	2,5	134,1	136,6

The credit ratings are based on Standard & Poor's ratings where available or Moody's rating converted to the nearest equivalent on the Standard & Poor's rating scale.

Analysis by credit quality of amounts due from financial institutions outstanding at 31 December 2011 is as follows:

	Placements with other banks	Loans to banks	Total
<i>Neither past due nor impaired</i>			
- BBB- to BBB+	-	21,9	21,9
- B- to B+	1,7	133,6	135,3
- Unrated	-	5,9	5,9
Total neither past due nor impaired	1,7	161,4	163,2
<i>Balances individually determined to be impaired</i>			
- over 360 days overdue	-	1,6	1,6
Total individually impaired	-	1,6	1,6
Less provision for impairment	-	(1,6)	(1,6)
Total due from financial institutions	1,7	159,8	161,5

The primary factor that the Fund considers in determining whether a deposit is impaired is its overdue status. As a result, the Fund presents above an ageing analysis of deposits that are individually determined to be impaired.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Movements in the provision for impairment of due from financial institutions are as follows:

	2012	2011
	Loans to banks	Loans to banks
Provision for impairment at 1 January	1,6	1,7
Recovery of provision for impairment during the year	-	(78,9)
Provision for impairment at 31 December	1,6	1,6

Refer to Note 26 for the estimated fair value of each class of amounts due from financial institutions. Information on related party balances is disclosed in Note 27.

9 REVERSE REPURCHASE AGREEMENTS

Fair value of assets pledged and carrying amount of loans under the reverse repurchase agreements as at December 31, 2012 and 2011 comprise:

	December 31, 2012		December 31, 2011	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	4,00	4,44	-	-
Total	4,00	4,44	-	-

As at December 31, 2012 and 2011 assets with a fair value of KZT 4,443,083 thousand and nil, respectively, received as a pledge under the reverse repurchase agreements.

10 LOANS AND ADVANCES TO CUSTOMERS

	31 December 2012	31 December 2011
Loans to small and medium size entities	1,9	2,9
Loans to microfinance organisations	1,5	1,9
Net investments in finance lease	311,8	418,1
Loans to others	11,9	26,6
Less: Provision for loan impairment	(3,5)	(4,0)
Total loans and advances to customers	274,2	1,2

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Movements in the provision for loan impairment during 2012 are as follows:

	Loans to small and medium size entities	Loans to microfinance organisations	Net investments in finance lease	Loans to others	Total
Provision for loan impairment at 1 January 2012	2,0	1,6	333,2	12,9	4,0
Recovery of impairment during the period	(300,5)	(203,9)	(58,7)	(991)	(564,2)
Provision for loan impairment at 31 December 2012	1,7	1,4	274,5	11,9	3,5

The recovery of provision for impairment during the year differs from the amount presented in the statement of comprehensive income for the year due to Tenge 173,568 (2011: 270,389 thousand) thousand, recovery of amounts previously written off as uncollectible. The amount of the recovery was credited directly to the provisions line in profit or loss for the year.

Movements in the provision for loan impairment during 2011 are as follows:

	Loans to small and medium size entities	Loans to microfinance organisations	Net investments in finance lease	Loans to others	Total
Provision for loan impairment at 1 January 2011	2,4	2,1	419,1	38,0	4,9
Recovery of impairment during the period	(365,1)	(410,1)	(85,8)	(25,0)	(886,2)
Provision for loan impairment at 31 December 2011	2,0	1,6	333,2	12,9	4,0

Economic sector risk concentrations within the customer loan portfolio are as follows:

	31 December 2012		31 December 2011	
	Amount	%	Amount	%
Services	87,2	32%	762,3	59%
Financial services	74,6	27%	234,2	18%
Trade	48,0	17%	15,8	1%
Individuals	28,0	10%	28,0	2%
Production industry	23,5	9%	150,4	12%
Agriculture	7,2	3%	45,4	3%
Transport and communications	3,2	1%	48,6	4%
Construction	2,1	1%	12,3	1%
Total loans and advances to customers	274,2	100%	1,2	100%

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Information about collateral at 31 December 2012 is as follows:

	Loans to small and medium size entities	Loans to microfinance organisations	Net investments in finance lease	Total
Unsecured loans	84,1	217	-	84,4
Residential real estate	74,1	67,7	9,9	151,9
Movable property	3,4	-	27,3	30,7
Loans guaranteed by other banks	436	-	-	436
Other assets	-	6,6	-	6,6
Total loans and advances to customers	162,2	74,6	37,3	274,2

Information about collateral at 31 December 2011 is as follows:

	Loans to small and medium size entities	Loans to microfinance organisations	Net investments in finance lease	Total
Unsecured loans	24,5	305	1,0	25,8
Loans guaranteed by other banks	579,3	83	-	579,4
Real estate, other than residential	342,8	233,2	22,3	598,4
Movable property	32,7	376	54,3	87,5
Other assets	-	6,1	-	6,1
Total loans and advances to customers	979,4	240,1	77,8	1,2

In the disclosure above the carrying value of loans was allocated based on weight of the assets taken as collateral. Loans to others are not secured by collateral.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Analysis by credit quality of loans outstanding at 31 December 2012 is as follows:

	Loans to small and medium size entities	Loans to microfinance organisations	Net invest- ments in finance lease	Loans to others	Total
<i>Past due but not individually impaired</i>					
- less than 30 days overdue	65,3	33,71	37,05	-	136,12
- 30 to 90 days overdue	-	-	-	-	-
Total past due but not individually impaired	65,3	33,71	37,05	-	136,12
<i>Loans individually determined to be impaired (gross)</i>					
- less than 30 days overdue	16,7	-	-	-	16,75
- 30 to 90 days overdue	586	4,72	11,30	-	16,62
- 91 to 180 days overdue	20,3	-	404	-	20,79
- 181 to 360 days overdue	19,8	34,72	1,26	-	55,82
- over 360 days overdue	1,7	1,49	261,80	11,96	3,55
Total individually impaired loans	1,8	1,52	274,77	11,96	3,66
Less impairment provisions	(1,7)	(1,49)	(274,51)	(11,96)	(3,52)
Total loans and advances to customers	162,2	74,66	37,32	-	274,20

Analysis by credit quality of loans outstanding at 31 December 2011 is as follows:

	Loans to small and medium size entities	Loans to microfinance organisations	Net invest- ments in finance lease	Loans to others	Total
<i>Past due but not individually impaired</i>					
- less than 30 days overdue	251,8	174,37	76,62	-	502,85
- 30 to 90 days overdue	10,4	137	-	-	10,59
Total past due but not individually impaired	262,3	174,50	76,62	-	513,42
<i>Loans individually determined to be impaired (gross)</i>					
- less than 30 days overdue	9,9	10,36	3,92	-	24,19
- 30 to 90 days overdue	669,9	5,76	6,12	-	681,89
- 91 to 180 days overdue	17,9	54,71	-	1,95	74,64
- 181 to 360 days overdue	48,0	132,61	2,92	-	183,59
- over 360 days overdue	1,9	1,58	328,52	24,62	3,92
Total individually impaired loans	2,7	1,78	341,52	26,62	4,82
Less impairment provisions	(2,0)	(1,65)	(333,22)	(12,92)	(4,09)
Total loans and advances to customers	933,0	265,84	84,90	13,62	1,29

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

The Fund applied the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and created portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by the end of the reporting period. The Fund's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

The primary factors that the Fund considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if any. As a result, the Fund presents above an ageing analysis of loans that are individually determined to be impaired.

The fair value of collateral in respect of loans past due but not impaired and in respect of loans individually determined to be impaired at 31 December 2012 was as follows:

	Loans to small and medium size entities	Loans to microfinance organisations	Net investments in finance lease	Total
<i>Fair value of collateral - loans past due but not impaired</i>				
- residential real estate	2,4	796,2	230,3	3,5
- movable property	107,8	-	262,3	370,2
- other assets	48,5	129,1	-	177,7
- right to request	-	20,0	-	20,0
<i>Fair value of collateral – individually impaired loans</i>				
- residential real estate	2,6	1,3	62,9	4,0
- movable property	188,0	48,7	173,1	409,9
- right to request	-	73,1	-	73,1
- bank guarantees	13,8	-	-	13,8
- other assets	2,1	22,7	-	24,9
Total	5,4	2,4	728,7	8,6

The fair value of collateral in respect of loans past due but not impaired and in respect of loans individually determined to be impaired at 31 December 2011 was as follows:

	Loans to small and medium size entities	Loans to microfinance organisations	Net invest-ments in finance lease	Total
<i>Fair value of collateral - loans past due but not impaired</i>				
- real estate	1,6	856,8	98,7	2,5
- movable property	160,3	3,9	190,3	354,6
- bank guarantees	16,5	-	-	16,5
<i>Fair value of collateral – individually impaired loans</i>				
- real estate	2,2	1,6	75,1	3,9
- bank guarantees	625,0	5,0	-	630,0
- movable property	201,1	56,0	276,3	533,5
- other guarantees, including credit insurance	4,2	28,6	-	32,9
Total	4,8	2,5	640,5	8,0

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Neither past due nor impaired, but renegotiated loans represent the carrying amount of loans that would otherwise be past due or impaired whose terms have been renegotiated. Past due but not impaired loans primarily include collateralised loans where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual installments that are past due.

Refer to Note 26 for the estimated fair value of each class of loans and advances to customers. Information on related party balances is disclosed in Note 27.

11 INVESTMENT SECURITIES AVAILABLE FOR SALE

	31 December 2012	31 December 2011
Corporate bonds	8,4	8,5
Less: Provision for loan impairment	(3,3)	(3,3)
Total investment securities available for sale	5,0	5,1

The content of the available for sale portfolio has not changed since the latest year end. Analysis by credit quality of debt securities outstanding at 31 December 2012 and 2011 is as follows:

	31 December 2012 Corporate bonds	31 December 2011 Corporate bonds
<i>Neither past due nor impaired</i>		
- BBB- to BBB+	3	407,277
- B- to B+	5,0	4,7
- Unrated	59,6	-
Total neither past due nor impaired	5,0	5,1
<i>Debt securities individually determined to be impaired (gross)</i>		
- over 360 days overdue	3,3	3,3
Total individually impaired debt securities	3,3	3,3
Less impairment provisions	(3,3)	(3,3)
Total debt securities available for sale	5,0	5,1

The credit ratings are based on Standard & Poor's ratings where available or Moody's rating converted to the nearest equivalent on the Standard & Poor's rating scale.

The primary factor that the Fund considers in determining whether a debt security is impaired is its overdue status. As a result, the Fund presents above an ageing analysis of debt securities that are individually determined to be impaired. During the year 2012, impairment of Tenge 20,524 thousand (2011: impairment in the amount of Tenge 108,829 thousand on JSC BTA Ipoteka and JSC Temirbank) was recognized in statement of comprehensive income on securities of JSC BTA Ipoteka.

Refer to Note 26 for disclosure of the fair value of investment securities available for sale. Information on related party balances is disclosed in Note 27.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

12 PREMISES AND EQUIPMENT

	Land and buildings	Equipment	Fixtures and fittings	Vehicles	Total
Cost at 1 January 2011	307,2	380,1	106,1	111,5	905,1
Accumulated depreciation	(131,5)	(138,7)	(39,5)	(16,3)	(326,0)
Carrying amount at 1 January 2011	175,7	241,4	66,6	95,2	579,1
Additions	-	61,7	41,7	-	103,5
Disposals	-	(7,4)	(3,1)	(5,6)	(16,2)
Depreciation charge	(40,3)	(40,1)	(15,8)	(15,2)	(111,5)
Accumulated depreciation disposal	-	5,2	2,0	4,3	11,6
Carrying amount at 31 December 2011	135,3	260,8	91,4	78,7	566,4
Cost at 31 December 2011	307,2	434,5	144,7	105,9	992,4
Accumulated depreciation	(171,9)	(173,6)	(53,2)	(27,1)	(426,0)
Carrying amount at 31 December 2011	135,3	260,8	91,4	78,7	566,4
Additions	-	27,6	28,2	54,9	110,9
Disposals	-	(12,0)	(3,7)	(5,0)	(20,8)
Depreciation charge	(40,4)	(53,2)	(13,3)	(15,0)	(122,0)
Accumulated depreciation disposal	-	7,7	2,4	5,0	15,1
Carrying amount at 31 December 2012	94,9	230,9	105,1	118,6	549,6
Cost at 31 December 2012	307,2	450,0	169,3	155,8	1,0
Accumulated depreciation	(212,3)	(219,1)	(64,1)	(37,2)	(532,9)
Carrying amount at 31 December 2012	94,9	230,9	105,1	118,6	549,6

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

13 OTHER ASSETS

	31 December 2012	31 December 2011
Accounts receivable	303,9	298,8
Impairment allowance	(265,1)	(255,6)
Total financial assets within other assets	38,8	43,2
Inventories	279,7	163,9
Taxes other than on income	34,1	37,6
Services prepaid	18,3	25,3
Other	33,9	28,1
Total other assets	405,0	298,4

Movements in the provision for impairment during 2012 and 2011 are as follows:

	2012	2011
Balance at the beginning of the year	255,6	223,2
Provision for impairment during the year	9,4	32,4
Balance at the end of the year	265,1	255,6

As at 31 December 2012, included in other assets are overdue receivables of Tenge 265,118 thousand (at 31 December 2011: Tenge 255,642 thousand), all of which are overdue for more than one year.

Refer to Note 26 for disclosure of the fair value of other financial assets.

14 BORROWED FUNDS

	Nominal interest %	31 December 2012	31 December 2011
Shareholder	2% - 6.5%	67,2	101,211,532
Asian Development Bank	4.99 %	22,0	21,929,809
Municipal authorities	1.00 %	1,6	3,360,026
Stressed Assets Fund JSC	1.00 % - 7.42 %	1,1	2,005,000
Ministry of Finance of the Republic of Kazakhstan	5.00 % - 7.00 %	171,2	168,995
Total borrowed funds		92,2	128,675,362

The funds borrowed from the Shareholder and state authorities are intended for local banks to support financing of small and medium-sized enterprises in accordance with the approved government programmes.

Refer to Note 26 for disclosure of the fair value of each class of borrowed funds. Information on related party balances is disclosed in Note 27.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

15 SUBORDINATED DEBT

	31 December 2012	31 December 2011
Shareholder	5,4	13,2
Total subordinated debt	5,4	13,2

As at 31 December 2012 and 2011, subordinated loans include loans from the parent company which mature in 2014 and carry an interest rate of 7 percent per annum. In case of bankruptcy, the subordinated loans will be repaid after a full settlement of all other liabilities of the Fund. The loans from the Shareholder were intended for local banks to support financing of small and medium-sized enterprises.

Refer to Note 26 for disclosure of the fair value of subordinated debt. Information on related party balances is disclosed in Note 27.

16 LIABILITIES ON SUBSIDY PROGRAMMES

	31 December 2012	31 December 2011
Banks	3,5	-
Municipal authorities	639,8	3,5
Ministry of Economic Development and Trade of the Republic of Kazakhstan	216,8	651,1
Total liabilities on subsidy programmes	4,4	4,2

Liabilities on subsidy programmes are placed by Banks, the Ministry of Economic Development and Trade of the Republic of Kazakhstan and municipal authorities. These funds are further transferred to local banks as payment for governmentally subsidised projects under the “Business Road Map 2020” programme.

Due from subsidy programmes

	31 December 2012	31 December 2011
Due from subsidy programmes	2,4	290,2
Total due from on subsidy programmes	2,4	290,2

Refer to Note 26 for disclosure of the fair value of liabilities and assets on subsidy programmes. Information on related party balances is disclosed in Note 27.

17 DEFERRED INCOME AND LIABILITIES ON FINANCIAL GUARANTEES

	Note	31 December 2012	31 December 2011
Deferred income		739,6	351,0
Financial guarantees (provision on contingent liabilities)	25	165,0	280,2
Total deferred income and liabilities on financial guarantees		904,6	631,2

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Fund issues financial guarantees under “Business Road Map 2020” programme, initiated by the Government, to the small and medium sized entities. This program is subsidized by the government (hereinafter - Principal), in accordance with government regulation #301 issued as at 13 April, 2010, wherein Fund acts as an agent between the Principal and the final recipient and receives 20 percent commission of the insured amount.

Refer to Note 26 for disclosure of the fair value of liabilities on subsidy programmes.

18 OTHER LIABILITIES

	31 December 2012	31 December 2011
Accounts payable	70,6	49,9
Accrued liabilities and other creditors	14,9	30,3
Total financial liabilities within other liabilities	85,6	80,2
Unused vacation reserve	97,5	45,4
Taxes payable other than on income	58,8	116,1
Accrued employee benefit costs	43,1	137,6
Advances received	14,5	1,8
Other	21,2	428
Total other liabilities	320,9	381,6

All of the above liabilities are expected to be settled within twelve months after the end of the period. Refer to Note 26 for disclosure of the fair value of other financial liabilities.

19 SHARE CAPITAL

<i>In thousands of Kazakhstani Tenge except for number of shares</i>	Number of outstanding shares (in thousands)	Ordinary shares	Total
As at 1 January 2010	27,1	44,9	44,9
New shares issued	-	-	-
As at 31 December 2011	27,1	44,9	44,9
New shares issued	280	28,0	28,0
At 31 December 2012	27,4	72,9	72,9

At the Shareholders' meeting on 8 May 2012, the Fund declared dividends in respect of the year ended 31 December 2011, totalling to Tenge 1,038,546 thousand (Tenge 38.20 per share). The whole amount of dividends was paid to the shareholder on 31 May 2012. No dividends were declared or distributed during year ended 31 December 2012.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

20 INTEREST INCOME AND EXPENSE

	2012	2011
Interest income		
Due from financial institutions	10,1	11,5
Cash and cash equivalents	878,5	978,2
Investment securities available for sale	481,1	453,8
Securities at fair value through profit or loss	604,7	735,9
Loans and advances to customers	285,2	472,6
Fines and fees on loans and advances to customers	78,5	78,0
Fines and fees on funds due from financial institutions	77,7	129,3
Amounts receivable under reverse repurchase agreements	3,4	-
Total interest income	12,5	14,3
Interest expense		
Borrowed funds	5,8	7,7
Subordinated debt	734,9	910,0
Securities at fair value through profit or loss	35,9	75,0
Investment securities available for sale	7,2	9,4
Total interest expense	6,6	8,7
Net interest income	5,8	5,6

Included within various line items under interest income for the year ended 31 December 2012 is a total of Tenge 1,191,873 thousand (2011: Tenge 461,428 thousand) accrued on impaired financial assets.

21 FEE AND COMMISSION INCOME

	2012	2011
Fee and commission income		
- Financial agent services	601,1	448,2
- Guarantees issued	320,7	18,8
- Support services to first-time entrepreneurs	-	185,7
Total fee and commission income	921,9	652,8

Fee and commission income is comprised of commission income received from issued guarantees (see Note 17), agency fees received in connection with subsidy programme (see Note 16), initiated the Ministry of Economic Development and Trade of the Republic of Kazakhstan and municipal authorities, and support services rendered to start-up entrepreneurs within of the “Business Road Map 2020” programme, initiated by the Government, to the small and medium sized entities.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2012	2011
Payroll expense	1,7	1,7
Rent expense	118,5	95,3
Advertising and marketing services	114,2	92,7
Depreciation of premises and equipment	122,0	111,5
Legal and consulting services	102,8	206,2
Business trip and representative expenses	117,4	79,1
Communication services	77,2	54,3
Training	74,3	71,7
Repair and technical maintenance	62,2	54,9
Transportation expense	41,3	14,7
Materials	28,4	21,8
Amortisation of intangible assets	26,1	24,6
Insurance expenses	24,0	16,9
Security services	16,1	12,2
Bank charges	12,8	12,2
Utilities	12,2	11,9
Stationery	11,4	20,4
Taxes other than on income	5,9	10,4
Broker fees	5,3	18,0
Other	136,2	124,0
Total	2,8	2,7

Staff costs include social tax of Tenge 121,379 thousand (2011: Tenge 146,780 thousand).

23 INCOME TAX

The income tax expense recognized in profit and loss for the year comprises the following:

	2012	2011
Current tax expense	879,3	958,8
Deferred income tax expense	96,4	89,2
Income tax expense for the year	975,8	1,0

The income tax rate applied to most of the Fund's income is 20% (2011: 20%).

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

	2012	2011
Profit before tax	4,4	4,4
Theoretical tax charge at statutory rate (2012: 20%; 2011: 20%)	886,4	887,6
Tax effects of items which are not deductible or assessable for taxation purposes:		
- Income from Government securities, exempt from tax	(208,5)	(186,1)
- Non-taxable income on finance leasing	(30,3)	(61,5)
- Other non-taxable income	51,8	(27,5)
- Non-taxable provision expense on issued guarantee	-	35,8
- Other non-taxable expenses	(3,0)	66,6
- Adjustment of prior year tax expense estimate	279,5	332,9
Income tax expense for the year	975,8	1,0

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Further, on 17 November 2009, the President of the Republic of Kazakhstan approved new changes and amendments to the Tax Code. The key amendment was to keep corporate income tax rate at 20 percent until 1 January 2013, and to apply the rate of 17.5 percent in 2013 and 15 percent onwards.

Further, on 26 November 2010, the President of the Republic of Kazakhstan signed the *Law on Amendments to Certain Legislative Acts of the Republic of Kazakhstan Concerning Taxation*, according to which the corporate income tax rate was fixed at 20 percent without changes in rates in subsequent years. The mentioned reconsideration of tax rates led to an increase in deferred tax liabilities arising from long term temporary differences.

Temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes give rise to net deferred tax liabilities as at 31 December 2012 and 2011. The specified deferred tax assets were recorded in these financial statements.

Any future tax benefits could be realized only when the Fund receives profits against which the unrealized tax loss could be offset, given that there are no changes in the legislation which could have a negative impact on the Fund's ability to claim deductions in future periods.

Movements in temporary differences during the period ended 31 December 2012 are detailed below:

	1 January 2012	(Charged)/ credited to profit or loss	31 December 2012
<i>Tax effect of deductible/(taxable) temporary differences</i>			
Loans to customers	826,2	(149,5)	676,7
Premises and equipment and intangible assets	(27,4)	1,1	(26,3)
Deferred Income	70,2	41,5	111,7
Other liabilities	9,0	10,4	19,5
Deferred tax asset, net	878,1	(96,4)	781,6
Recognized deferred tax asset	905,5	(97,5)	807,9
Recognized deferred tax liability	(27,4)	1,1	(26,3)
Net deferred tax asset	878,1	(96,4)	781,6

Movements in temporary differences during the period ended 31 December 2011 are detailed below:

	1 January 2011	(Charged)/ credited to profit or loss	31 December 2011
<i>Tax effect of deductible/(taxable) temporary differences</i>			
Loans to customers	980,1	(153,8)	826,2
Premises and equipment and intangible assets	(21,9)	(5,5)	(27,4)
Deferred Income	-	70,2	70,2
Other liabilities	9,1	(50)	9,0
Deferred tax asset, net	967,3	(89,2)	878,1
Recognized deferred tax asset	989,2	(83,7)	905,5
Recognized deferred tax liability	(21,9)	(5,5)	(27,4)
Net deferred tax asset	967,3	(89,2)	878,1

24 FINANCIAL RISK MANAGEMENT

Management of risk is fundamental to the Fund's business and is an essential element of its operations. The Fund manages risks in the course of the ongoing process of risk identification, monitoring, assessment and control as well as by establishment of the risk limits and other internal control arrangements. The risk management process is critical to support the Fund's stable profitability and each employee of the Fund is responsible for the risks associated with his/her duties. Market risk (including price risk, interest rate risk and currency risk), as well as credit risk and liquidity risk are the major risks which the Fund has to manage in the course of its normal business.

Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Fund, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered, and emerging best practice.

The risk management strategy is set forth in the Fund's risk management policy, which has been worked out in accordance with the risk management strategy of the Fund's sole shareholder – National Welfare Fund Samruk-Kazyna JSC.

The aims of the risk management policy are as follows:

- To build up an effective integrated system and create an integrated process of risk management as an element of the Fund management and continuously improve the Fund's operations on the basis of the unified standardized approach to the risk management methods and procedures;
- To ensure that the Fund takes the acceptable risks adequate to the scale of its operations;
- To determine the retention ability and ensure the effective management of the risk accepted;
- To identify risk in good time; and
- To minimize losses and reduce current expenses on potential losses.

Risk management structure:

The Fund's risk management structure is represented by risk management at a few levels with involvement of the following bodies and business units of the Fund: Board of Directors, Management Board, Risk Committee, Risk Management Function, Internal Audit Service, collegial bodies and other business units.

Board of Directors

The first level of risk management is represented by the Fund's Board of Directors. The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and system of the corporate risk management.

The Board of Directors sets the aims of the Fund operations and approves the documents related to risk management, retention ability and risk appetite.

Management Board

The second level of risk management is represented by the Fund's Management Board. The Management Board is responsible for establishment of the effective risk management system and structure for risk control to ensure compliance with the corporate policy requirements. The Management Board is responsible for creation of the "risk awareness" culture, which reflects the Fund's risk management and philosophy. The Management Board is also responsible for implementation of the effective risk management system in which all employees have well-defined responsibilities for risk management and are held liable for proper fulfilment of their duties. The Management Board is authorized to carry out a part of its functions in the area of risk management through the establishment of appropriate committees.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Risk Committee

The Committee is a permanent collegial advisory body of the Fund, which coordinates the process of the risk management system functioning. The key aims of the Committee are as follows: to build up an effective integrated system and create an integrated risk management process within the Fund and continuously improve operations of the Fund on the basis of a unified standardized approach to the risk management methods and procedures.

Credit Committee

The Credit Committee is the Fund's permanent body responsible for implementation of the internal credit policy. The Credit Committee competence is limited within the framework of the thresholds set by the Fund's Management Board. The key objective of the Credit Committee is to form a high-quality loan portfolio.

Asset and Liability Management Committee (ALCO)

ALCO is a permanent collegial body of the Fund, which is accountable to the Management Board and which carries out its activity within the powers assigned by the Management Board. ALCO key aims are as follows: to ensure making of timely and appropriate decisions in the sphere of the Fund's asset and liability management; attract partners to cooperate with the Fund; maintain the sufficient level of the financial stability; increase the Fund profitability and minimize risks when making the investment decisions.

Risk Management Department

The third level of the risk management process is represented by the Risk Management Department. The objectives of the Risk Management Department include general risk management and exercise of control over compliance with the current legislation, as well as control over implementation of common principles and methods for identifying, assessing, managing and reporting both financial and non-financial risks.

Internal Audit Function

The Fund's Internal Audit Function, in the course of the risk management, conducts audit of the risk management procedures and risk assessment methods and works out proposals aimed at improvement of the efficiency of risk management procedures. It provides reports on the risk management system for the Fund's Board of Directors and performs other functions in accordance with the approved regulatory documents.

Business Units

One of the important elements in the structure of risk management is the Fund's business units each represented by employee. The business units (risk owners) play a key role in the risk management process. The Fund's employees, on a daily basis, deal with risks, manage risks and monitor their potential impact within their sphere of action. The business units are responsible for implementation of the risk management action plan, timely identification and informing about major risks in their sphere of action and development of proposals related to risk management to be included into the action plan.

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, credit spreads and equity prices will affect the Fund's income or the value of its holdings of financial instruments. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in relation to interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall responsibility for market risk management is vested in the Management Board, which is chaired by the Chairman of the Management Board. Market risk limits are approved by the Management Board based on recommendations of the Risk Management Department.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

The Fund manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the Management Board.

The Fund also uses different stress tests and back testing to simulate possible financial impact of certain exceptional market scenarios on certain trading portfolios and general position of the Fund. Stress tests make it possible to determine the potential amount of losses that may arise under extreme circumstances. Stress tests used by the Fund include the following: stress tests of the risk factors, as a part of these tests each risk category is subject to stress changes and special stress tests, which include application of possible stress events with regard to certain positions. Back test is the test of accuracy of evaluation of interest rate risk models on the basis of the actual data on the net interest income.

Interest rate risk is the risk that changes in the interest rates will affect the Fund's income or the value of its holdings of financial instruments.

The Fund is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

Interest rate risk management is based on the principles of the full coverage of expenses – the interest income earned should cover the expenses related to attraction and placement of funds and ensure generation of the net income and competitiveness.

The interest rate risk report presents the distribution of assets, liabilities, off-balance assets and liabilities sensitive to changes in the interest rates grouped into the economically homogeneous and material items, by time periods depending on their maturity dates (in case of fixed rates), or time remaining until the next regular review (in case of floating rates). Time limits and items of the assets and liabilities, or off-balance assets and liabilities subject to accounting may be changed by the Fund's Management Board.

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity risk exists when the maturities of assets and liabilities do not match, which will affect the availability of the sufficient liquid funds in the Fund at the price acceptable for the Fund to settle its balance and off-balance liabilities as they become due. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to management of the financial institutions, including the Fund. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Fund maintains liquidity management with the objective of ensuring that funds will be available at all times to settle all cash flow obligations as they become due. The Fund's policy on managing liquidity risks is approved by the Board of Directors.

The Fund manages liquidity risk as a part of the Fund's Rules for Liquidity Loss Risk Management approved by the Board of Directors. The Rules determine the key processes and procedure of the liquidity loss risk management as well as function and powers of the Fund's business units involved in this process with a view of effective liquidity loss risk management and ensuring that the Fund has sufficient funds to settle all its liabilities. The Rules are mandatory for use by all employees, business units and collegial bodies of the Fund.

As a party of said Rules the liquidity loss risk is measured and monitored by means of the following tools/analytical reports: statutory and contractual liquidity ratios; analysis of the current balances of liquid funds; planned inflows/outflows of liquid funds; internal liquidity ratios; and liquidity gap analysis. For avoidance of liquid funds surplus or shortage, the Asset and Liability Management Committee monitors the activities related to attraction and use of the liquid funds. Current and short-term liquidity of the Fund is managed by the business unit in charge of risk management on the basis of the analysis of the current balances of liquid funds and planned inflows/outflows of liquid funds. Based on the analysis made, said business unit makes the report *Time Structure of Assets and Liabilities* on the consolidated basis and submits it to the Fund's Management Board.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Asset and Liability Management Committee monitors liquidity risk by means of analysis of the liquidity risk levels to take measures for reduction of the liquidity loss risk of the Fund. Current liquidity is managed by the Treasury, which carries out operations in the financial markets in order to maintain current liquidity and optimize the cash flows.

The liquidity management policy of the Fund requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- developing debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans; and
- monitoring liquidity ratios against regulatory requirements.

The Treasury Department monitors liquidity position in the financial market on a daily basis. Under the normal market conditions, liquidity reports covering the liquidity position are regularly presented to senior management. Decisions on liquidity management policy are made by the Management Board and ALCO.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

An analysis of the liquidity and interest rate risks is presented in the following table:

	Demand and less than 1 month	3-6 months	6-12 months	Over 1 year	Over 5 years	31 December 2012 Total
FINANCIAL ASSETS						
Cash and cash equivalents	6,0	-	-	-	-	6,0
Securities at fair value through profit or loss		404,7	-	6,4	3,8	10,6
Due from financial institutions	14,5	3,1	16,5	97,8	4,6	136,6
Reverse repurchase agreement	4,0	-	-	-	-	4,0
Loans and advances to customers	138,3	43,0	62,8	29,8	-	274,2
Investment securities available for sale	-	-	-	4,6	498,5	5,0
Total interest bearing financial assets	24,7	3,5	16,6	108,8	8,9	162,7
Cash and cash equivalents	8,8	-	-	-	-	8,8
Due from Subsidy Programs	2,4	-	-	-	-	2,4
Other financial assets	38,8	-	-	-	-	38,8
Total non- interest bearing financial assets	11,3	-	-	-	-	11,3
Total financial assets	36,0	3,5	16,6	108,8	8,9	174,1
FINANCIAL LIABILITIES						
Borrowed funds	11,3	32,6	9,9	68,9	1,9	92,2
Subordinated debt	93,2	-	-	5,3	-	5,4
Total interest bearing financial liabilities	11,4	32,6	9,9	74,3	1,9	97,6
Liabilities on subsidy programs	4,4	-	-	-	-	4,4
Deferred Revenue/ Guarantee Liabilities	904,6	-	-	-	-	904,6
Other financial liabilities	85,6	-	-	-	-	85,6
Total non- interest bearing financial liabilities	5,4	-	-	-	-	5,4
Total financial liabilities	16,8	32,6	9,9	74,3	1,9	103,1
Liquidity gap	19,2	3,5	6,6	34,5	6,9	
Interest sensitivity gap	13,2	3,5	6,6	34,5	6,9	
Cumulative interest sensitivity gap	13,2	16,8	23,5	58,1	65,0	
Cumulative interest sensitivity gap as a percentage of total financial assets	7.64%	9.68%	13.52%	33.38%	37.37%	

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

	Demand and less than 1 month	3-6 months	6-12 months	Over 1 year	Over 5 years	31 December 2011 Total
FINANCIAL ASSETS						
Cash and cash equivalents	7,9	-	-	-	-	7,9
Securities at fair value through profit or loss	1,7	84,3	40,2	1,6	5,7	9,3
Due from financial institutions	15,2	2,8	17,5	123,8	2,0	161,5
Loans and advances to customers	739,8	213,1	255,5	88,8	-	1,2
Investment securities available for sale	2,3	51,1	-	2,3	468,5	5,1
Total interest bearing financial assets	28,0	3,1	17,8	127,9	8,3	185,2
Cash and cash equivalents	1,8	-	-	-	-	1,8
Due from Subsidy Programs	290,5	-	-	-	-	290,5
Other financial assets	43,2	-	-	-	-	43,2
Total non- interest bearing financial assets	2,1	-	-	-	-	2,1
Total financial assets	30,2	3,1	17,8	127,9	8,3	187,4
FINANCIAL LIABILITIES						
Borrowed funds	15,3	2,9	16,8	93,2	267,2	128,6
Subordinated debt	227,5	-	-	13,0	-	13,2
Total interest bearing financial liabilities	15,5	2,9	16,8	106,2	267,2	141,9
Liabilities on subsidy programs	4,2	-	-	-	-	4,2
Deferred Revenue/ Guarantee Liabilities	631,2	-	-	-	-	631,2
Other financial liabilities	80,2	-	-	-	-	80,2
Total non- interest bearing financial liabilities	4,9	-	-	-	-	4,9
Total financial liabilities	20,4	2,9	16,8	106,2	267,2	146,8
Liquidity gap	9,7	195,0	963,9	21,6	8,0	
Interest sensitivity gap	12,5	195,0	963,9	21,6	8,0	
Cumulative interest sensitivity gap	12,5	12,7	13,6	35,3	43,3	
Cumulative interest sensitivity gap as a percentage of total financial assets	7.19%	7.30%	7.85%	20.30%	24.92%	

The following tables show the undiscounted cash flows on the Fund's financial liabilities on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual undiscounted cash flow on the financial liabilities or off-balance liabilities. Future cash flows of the Fund may differ significantly from such analysis.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

The maturity analysis for financial liabilities as at 31 December 2012 is as follows:

	Demand and less than 1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Total
FINANCIAL LIABILITIES						
Borrowed funds	12,2	586,6	10,8	71,0	8,8	103,5
Subordinated debt	93,2	-	93,2	186,4	5,7	6,1
Liabilities under subsidy programmes	4,4	-	-	-	-	4,4
Deferred income and liabilities on financial guarantees	904,6	-	-	-	-	904,6
Other financial liabilities	85,6	-	-	-	-	85,6
Total financial liabilities	17,7	586,6	10,9	71,2	14,6	115,1
Credit related commitments	9,9	-	-	-	-	9,9

The maturity analysis for financial liabilities as at 31 December 2011 is as follows:

	Demand and less than 1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Total
FINANCIAL LIABILITIES						
Borrowed funds	1,8	11,9	4,0	15,9	114,0	147,7
Subordinated debt	227,5	-	227,5	455,0	14,9	15,8
Liabilities under subsidy programmes	4,2	-	-	-	-	4,2
Deferred income and liabilities on financial guarantees	351,0	-	-	-	-	351,0
Other financial liabilities	80,2	-	-	-	-	80,2
Total financial liabilities	6,7	11,9	4,2	16,3	129,0	168,2
Credit related commitments	3,1	-	-	-	-	3,1

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Weighted Average interest rates.

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2012 and 2011. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2012 Average effective interest rate	2011 Average effective interest rate
Interest bearing assets		
Cash and cash equivalents	5.07%	5.63%
Securities at fair value through profit or loss	7.94%	7.94%
Due from financial institutions	7.40%	7.63%
Reverse repurchase agreements	5.18%	-
Loans and advances to customers	9.11%	7.11%
Investment securities available for sale	7.95%	7.95%
Other financial assets	-	-
Interest bearing liabilities		
Borrowed funds	5.39%	5.67%
Subordinated debt	7.00%	7.00%
Liabilities under subsidy programmes	-	-
Deferred income and liabilities on financial guarantees	-	-
Other financial liabilities	-	-

Interest rate sensitivity analysis.

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring of the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rate repricing risk based on a simplified scenario of a 500 basis points (bp) for 2012 and 100 basis point (bp) for 2011 symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2012 and 2011 is as follows:

	2012		2011	
	Profit or loss	Equity	Profit or loss	Equity
500 bp (2011: 100 bp) parallel increase	80,4	25,4	82,4	65,9
500 bp (2011: 100 bp) parallel decrease	(80,4	(25,4	(82,4	(65,9

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund's policy on the currency risk management is to maintain a balance between assets and liabilities denominated in foreign currency. However, it should be noted that the active and speculative foreign exchange transactions are not the prerogative of the Fund by virtue of the mission and purpose of the organization. At the reporting date, the Fund has an insignificant (about 1% of the net position), the negative currency position in USD.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2012:

	KZT	USD	Total
FINANCIAL ASSETS			
Cash and cash equivalents	14,9	-	14,9
Securities at fair value through profit or loss	10,6	-	10,6
Due from financial institutions	136,6	-	136,6
Due from Subsidy Programs	2,4	-	2,4
Reverse repurchase agreements	4,0	-	4,0
Loans and advances to customers	274,1	19	274,2
Investment securities available for sale	5,0	-	5,0
Other financial assets	38,8	-	38,8
Total financial assets	174,1	19	174,1
FINANCIAL LIABILITIES			
Borrowed funds	92,0	171,2	92,2
Subordinated debt	5,4	-	5,4
Liabilities under subsidy programmes	4,4	-	4,4
Deferred income and liabilities on financial guarantees	904,6	-	904,6
Other financial liabilities	85,6	-	85,6
Total financial liabilities	102,9	171,2	103,1
Net position as at 31 December 2012	71,1	(171,1)	71,0

The following table shows the currency structure of financial assets and liabilities as at 31 December 2011:

	KZT	USD	Total
FINANCIAL ASSETS			
Cash and cash equivalents	9,7	-	9,7
Securities at fair value through profit or loss	9,3	-	9,3
Due from financial institutions	161,5	-	161,5
Due from Subsidy Programs	290,5	-	290,5
Loans and advances to customers	1,2	19	1,2
Investment securities available for sale	5,1	-	5,1
Other financial assets	43,2	-	43,2
Total financial assets	187,4	19	187,4
FINANCIAL LIABILITIES			
Borrowed funds	128,5	169,2	128,6
Subordinated debt	13,2	-	13,2
Liabilities under subsidy programmes	4,2	-	4,2
Deferred income and liabilities on financial guarantees	631,2	-	631,2
Other financial liabilities	80,2	-	80,2
Total financial liabilities	146,6	169,2	146,8
Net position as at 31 December 2011	40,8	(169,2)	40,6

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

A strengthening of the Tenge, as indicated below, against the following currencies at 31 December 2012 and 2011 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Fund considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2012	2011
Profit		
US Dollar strengthening by 1.57% (2011: by 10%)	(2,688)	(16,920)
US Dollar weakening by 1.57% (2011: by 10%)	2,688	16,920

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Fund has developed policies and procedures for the management of credit exposures (both for balance and off-balance positions) and determined the powers related to the decision making by the Board of Directors and Management Board with regard to large loans and established a Credit Committee, which is responsible for making decisions on loan issues within the set limits, loan restructuring and which actively monitors credit risk. The credit policy is reviewed and approved by the Board of Directors.

The Fund's credit policy sets the key parameters of lending in terms of credit risk management and is aimed at identification, analysis and management of the credit risks faced by the Fund.

The rules of credit risk management covers the following areas:

- procedures for review and approval of loan applications;
- methodology for the credit assessment of borrowers (small and medium-sized businesses);
- loan documentation requirements;
- methodology for the credit assessment of counterparty banks, issuers and insurance companies;
- methodology for evaluation of collateral;
- setting of limits on the total credit risks in the amount not exceeding 25% of the Fund's equity; and
- procedures for the ongoing monitoring of loans and other credit exposures.

The Fund continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Fund. The current market value of collateral is regularly assessed by either independent appraisal companies or in-house specialists, and in the event of negative movements in market prices the borrower is usually requested to provide additional security.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure of financial assets carrying amount to credit risk at the reporting date is as follows:

	31 December 2012	31 December 2011
ASSETS		
Cash and cash equivalents	14,9	9,7
Securities at fair value through profit or loss	10,6	9,3
Due from financial institutions	136,6	161,5
Due from Subsidy Programs	2,4	290,5
Reverse repurchase agreements	4,0	-
Loans and advances to customers	274,2	1,2
Investment securities available for sale	5,0	5,1
Other financial assets	38,8	333,7
Total maximum exposure	174,124	187,751

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Geographical concentration

All financial assets and financial liabilities are located on the territory of the Republic of Kazakhstan in 2012 and 2011.

25 CONTINGENCIES AND COMMITMENTS

Legal proceedings.

From time to time and in the normal course of business, claims against the Fund 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 financial statements.

Tax legislation.

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 Fund may be challenged by the relevant authorities. The Kazakhstani 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 condition and/or the overall operations of the entity.

Kazakhstan tax legislation does not provide definitive guidance in certain areas. From time to time, the Fund adopts interpretations of such uncertain areas that reduce the overall tax rate of the Fund. 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 condition and/or the overall operations of the entity.

Operating lease commitments.

The Fund leases a number of premises and vehicles under operating leases. The leases typically run for an initial period of one year, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

Credit related commitments.

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Fund will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans. With respect to credit risk on commitments to extend credit, the Fund is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Fund monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

	31 December 2012	31 December 2011
Guarantees issued	5,1	2,1
Undrawn credit lines	2,7	320,0
Guarantees issued as collateral of loans	2,1	938,6
Less: Provision for credit related commitments	(165,0)	(280,2)
Total credit related commitments, net of provision	9,9	3,1

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair values of financial instruments carried at amortised cost.

Fair values of financial instruments carried at amortised cost are as follows:

	31 December 2012		31 December 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL ASSETS				
<i>Cash and cash equivalents</i>				
- Current accounts with banks	14,9	14,9	9,7	9,7
- Cash on hand	335	335	887	887
<i>Due from financial institutions</i>				
- Loans given to banks	134,1	134,1	159,8	159,8
- Placements with other banks with original maturities of more than three months	2,5	2,5	1,7	1,7
<i>Due from Subsidy Programs</i>				
- Due from Subsidy Programs	2,4	2,4	290,5	290,5
<i>Reverse repurchase</i>				
- Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	4,0	4,4	-	-
<i>Loans and advances to customers</i>				
- Loans to small and medium size entities	162,2	162,2	933,8	933,8
- Loans to microfinance organisations	74,6	74,6	265,8	265,8
- Net investments in finance lease	37,3	37,3	84,9	84,9
- Loans to others	-	-	12,8	12,8
<i>Other financial assets</i>				
- Other	38,8	38,8	43,2	43,2
TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST	158,3	158,8	172,9	172,9
FINANCIAL LIABILITIES				
<i>Borrower funds</i>				
- Shareholder	67,2	67,2	101,2	101,2
- Asian Development Bank	22,0	22,0	21,9	21,9
- Stressed Assets Fund JSC	1,6	1,6	2,0	2,0
- Municipal authorities	1,1	1,1	3,3	3,3
- Ministry of Finance of the Republic of Kazakhstan	171,2	171,2	168,9	168,9
<i>Subordinated debt</i>				
- Subordinated debt	5,4	5,4	13,2	13,2
<i>Liabilities on subsidy programs</i>				
- Banks	3,5	3,5	-	-
- Municipal authorities	639,8	639,8	3,5	3,5
- Ministry of Economic Development and Trade of the Republic of Kazakhstan	216,8	216,8	651,1	651,1
<i>Deferred Income and Liabilities on Financial Guarantees</i>				
- Deferred income	739,6	739,6	351,0	351,0
- Financial guarantees	165,0	165,0	280,2	280,2
<i>Other financial liabilities</i>				
- Other	85,6	85,6	80,2	80,2
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	103,1	103,1	146,8	146,8

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

(b) Analysis by fair value hierarchy of financial instruments carried at fair value.

For financial instruments carried at fair value, the level in the fair value hierarchy into which the fair values are categorised are as follows:

	2012	2011
	Quoted price in an active market (Level 1)	Quoted price in an active market (Level 1)
FINANCIAL ASSETS		
<i>Securities at fair value through profit or loss</i>		
- Kazakhstani government bonds	5,4	3,7
- Corporate bonds	5,1	5,5
<i>Investment securities available for sale</i>		
- Corporate bonds	5,0	5,1
TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE	15,7	14,5

As at 31 December 2012 the Fund does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market observable inputs.

(c) The methods and assumptions applied in determining fair values.

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices were not available, the Fund used valuation techniques. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty and were as follows:

	2012	2011
<i>Cash and cash equivalents</i>		
- Current accounts with banks	0.5 % to 6.0 % p.a	0.5 % to 6.5 % p.a.
<i>Securities at fair value through profit or loss</i>		
- Kazakhstani government bonds	3.2% to 5.8 % p.a.	3.2% to 5.8 % p.a.
- Corporate bonds	6.0 % to 13.0 % p.a.	7.0 % to 13.0 % p.a.
<i>Due from financial institutions</i>		
- Placements with other banks with original maturities of more than three months	8.75 % to 9.0 % p.a	6.2 % to 9.4 % p.a.
- Loans given to banks	2.0 % to 9.35 % p.a	0.5 % to 8.0 % p.a.
<i>Reverse repurchase</i>		
- Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	5.23% to 13.0 % p.a	-
<i>Loans and advances to customers</i>		
- Loans to small and medium size entities	7.0 % to 12.5 % p.a.	7.0 % to 12.5 % p.a.
- Loans to microfinance organisations	6.0 % to 11.0 % p.a.	6.0 % to 11.0 % p.a.
- Net investments in finance lease	7.0 % to 10.0 % p.a.	7.0 % to 10.0 % p.a.
<i>Investment securities available for sale</i>		
- Corporate bonds	4.8 % to 10.4 % p.a.	6.8 % to 10.6 % p.a.
<i>Other financial assets</i>		
- Other	0 % p.a.	0 % p.a.
<i>Borrower funds</i>		
- Shareholder	2.0 % to 7.0 % p.a.	5.5 % to 7.0 % p.a.
- Asian Development Bank	4.99 % p.a. 1.01% to	5.24 % p.a. 1.0 % to
- Municipal authorities	7.42% p.a.	8.35 % p.a.
- Stressed Assets Fund JSC	1.0 % p.a.	1.0 % p.a.
- Ministry of Finance of the Republic of Kazakhstan	0 % to 7.0 % p.a.	0 % to 7.0 % p.a.
<i>Subordinated debt</i>		
- Subordinated debt	7.0 % p.a.	7.0 % p.a.
<i>Liabilities on subsidy programs</i>		
- Municipal authorities	0 % p.a.	0 % p.a.
- Ministry of Economic Development and Trade of the Republic of Kazakhstan	0 % p.a.	0 % p.a.
<i>Deferred Income and Liabilities on Financial Guarantees</i>		
- Deferred income	0 % p.a.	0 % p.a.
- Financial guarantees	0 % p.a.	0 % p.a.
<i>Other financial liabilities</i>		
- Other	0 % p.a.	0 % p.a.

For the purposes of measurement, IAS 39, Financial Instruments: Recognition and Measurement, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2012:

	Loans and receivables	Available-for- sale assets	Assets designated at FVTPL	Total
FINANCIAL ASSETS				
<i>Cash and cash equivalents</i>				
- Current accounts with banks	14,9	-	-	14,9
- Cash on hand	335	-	-	335
<i>Securities at fair value through profit or loss</i>				
- Kazakhstani government bonds	-	-	5,4	5,4
- Corporate bonds	-	-	5,1	5,1
<i>Due from financial institutions</i>				
- Loans given to banks	2,5	-	-	2,5
- Placements with other banks with original maturities of more than three months	134,1	-	-	134,1
<i>Due from Subsidy Programs</i>				
- Due from Subsidy Programs	2,4	-	-	2,4
<i>Reverse repurchase</i>				
- Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	4,0	-	-	4,0
<i>Loans and advances to customers</i>				
- Loans to small and medium size entities	162,2	-	-	162,2
- Loans to microfinance organisations	74,6	-	-	74,6
- Net investments in finance lease	37,3	-	-	37,3
- Loans to others	-	-	-	-
<i>Investment securities available for sale</i>				
- Corporate bonds	-	5,0	-	5,0
<i>Other financial assets</i>				
- Other	38,8	-	-	38,8
TOTAL FINANCIAL ASSETS	158,3	5,0	10,6	174,1

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

The following table provides a reconciliation of financial assets with measurement categories at 31 December 2011:

	Loans and receivables	Available-for- sale assets	Assets designated at FVTPL	Total
FINANCIAL ASSETS				
<i>Cash and cash equivalents</i>				
- Current accounts with banks	9,7	-	-	9,7
- Cash on hand	887	-	-	887
<i>Securities at fair value through profit or loss</i>				
- Kazakhstani government bonds	-	-	3,7	3,7
- Corporate bonds	-	-	5,5	5,5
<i>Due from financial institutions</i>				
- Loans given to banks	1,7	-	-	1,7
- Placements with other banks with original maturities of more than three months	159,8	-	-	159,8
<i>Due from Subsidy Programs</i>				
- Due from Subsidy Programs	290,5	-	-	290,5
<i>Loans and advances to customers</i>				
- Loans to small and medium size entities	933,8	-	-	933,8
- Loans to microfinance organisations	265,8	-	-	265,8
- Net investments in finance lease	84,9	-	-	84,9
- Loans to others	12,8	-	-	12,8
<i>Investment securities available for sale</i>				
- Corporate bonds	-	5,1	-	5,1
<i>Other financial assets</i>				
- Other	43,2	-	-	43,2
TOTAL FINANCIAL ASSETS	172,9	5,1	9,3	187,4

As at 31 December 2012 and 31 December 2011, all liabilities of the fund are measure at amortized cost.

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

27 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.

At 31 December 2012, the outstanding balances with related parties were as follows:

	Shareholder	Entities under common control	Associates	Other related parties
Cash and cash equivalents	-	750,5	-	-
Securities at fair value through profit or loss	-	2,1	-	5,4
Due from financial institutions	-	41,1	-	1,6
Due from subsidy programmes	-	-	-	2,4
Reverse repurchase agreements	-	-	-	4,0
Investment securities available for sale	-	558,2	-	-
Other assets	-	-	10,000	-
Borrowed funds	67,217,437	-	-	1,1
Subordinated debt	-	-	-	803,2
Liabilities on subsidy programmes	5,420,112	-	-	-
Other liabilities	-	-	-	53,4

The income and expense items with related parties for 2012 were as follows:

	Shareholder	Entities under common control
Interest income	-	3,4
Interest expense	(5,2)	-
Dividends	(1,0)	-
Gains less losses from securities available for sale	-	(2,9)
Gains less losses from securities at fair value through profit or loss	-	62,7
Other operating income and expenses	-	69,6
General and administrative expenses	(62)	(104,8)

Aggregate amounts lent to and repaid by related parties during 2012 were:

	Entities under common control
Amounts lent to related parties during the year	595,6
Amounts repaid by related parties during the year	11,47

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

At 31 December 2011, the outstanding balances with related parties were as follows:

	Shareholder	Entities under common control	Associates	Other related parties
Cash and cash equivalents	-	199,8	-	1,2
Securities at fair value through profit or loss	-	1,9	-	3,9
Due from financial institutions	-	52,1	-	22,4
Due from subsidy programmes	-	-	-	290,5
Investment securities available for sale	-	574,8	-	2,6
Other assets	-	-	10,000	-
Borrowed funds	101,211,532	2,0	-	3,5
Subordinated debt	-	-	-	3,9
Liabilities on subsidy programmes	13,227,500	-	-	-
Other liabilities	-	-	-	-

The income and expense items with related parties for 2011 were as follows:

	Shareholder	Entities under common control
Interest income	-	5,7
Interest expense	(8,1)	(242,0)
Dividends	(2,1)	-
Recovery of impairment	-	78,9
General and administrative expenses	-	(70,7)

Aggregate amounts lent to and repaid by related parties during 2011 were:

	Entities under common control
Amounts lent to related parties during the year	16,4
Amounts repaid by related parties during the year	20,3

Key management compensation is presented below:

	2012	2011
<i>Short-term benefits:</i>		
- Salaries	93,6	35,4
- Short-term bonuses	6,7	75,3
- Other cash payments	5,8	3,1
- Benefits in-kind	1,4	1,7
Total	107,7	115,6

28 EVENTS AFTER THE END OF THE REPORTING PERIOD

There have been no significant events after the end of the reporting period.