Explanatory note
to financial report of "Bayan Sulu" JSC for
9 months 2014 года.

General information

"Bayan Sulu" JSC is formed and carries out its activity in the Republic of Kazakhstan. The company is formed in September 30, 1993. The company passed a re-registration in June 14, 2007 and received the certificate of the state re-registration № 84-1937-AO. The juridical address of the company: 198 Borodin str., Kostanay, the Republic of Kazakhstan, 110006.

For the purpose of attraction of means for implementation of the activity the company issues stocks, has the property isolated from property of its shareholders, independent balance, bank accounts. On its own behalf it accrues and carries out the property and personal non-property rights, performs duties, and also has other rights and performs the duties connected with its activity necessary for implementation of activity.

The company has structural divisions (branches).

The branch of the Company is the isolated structural division which is placed out of a place of its location and carrying out everything or a part of its functions, including representation functions. The branch is not the legal entity. It is allocated with property of the Company and operates on the basis of the provisions approved by it. The branch conducts accounting, makes financial reports in accordance with the established procedure, provides it to the Company and local state authorities.

Financial report of the branch is included into the Company consolidated accounting report.

The primary operating activity of the Company is production and wholesale of confectionery.

The Company is one of the largest producers of confectionery in Kazakhstan . The company has more than 30-year experience in this branch, produces more than 200 names of confectionery, such as caramel, iris, dragee, fruit paste, candies, chocolate, cookies, wafers. The company is the participant of domestic and foreign exhibitions - fairs and the member of confectioners` association of Kazakhstan.

Submission principles of financial report

The financial accounts are closed according to the International Financial Reporting Standard (IFRS and IFRIC), developed by the International council on accounting standards (IASB), as well as with those clauses of the Kazakhstan legislation which are applicable to the companies closing their financial accounts according to the IFRS standards. The financial report is prepared, proceeding from a principle of historical cost, except for investment real estate which is estimated at a fair value.

National currency of Kazakhstan is the Kazakhstani tenge (further "tenge"), which is the currency of Company measurement and the currency used at closing of this financial report according to IFRS. All the financial information is presented in thousands of tenge.

Foreign currency operations are converted into tenge at the exchange rates for the dates of these transactions` carrying out. Monetary assets and the obligations denominated in foreign currency as of reporting date, are converted in tenge at the exchange rate valid as of this reporting date. The exchange differences arising at conversion are admitted in the report of the consolidated returns.

Basic provisions of accounting policies

During the closing of financial report according to IFRS the basic principles of accounting policies developed in the Joint-stock Company were applied.

Stock-in-trade recourses

Primarily stock-in-trade recourses are admit at prime cost with the subsequent reflection according to the lower-range value from prime cost and net value of realization with usage of the average weighted method for determination of cost of interchangeable units.

Prime cost of stock-in-trade recourses includes the expenses suffered in the result of their accrue and their rendering in the current location and condition. In a case with stock-in-trade recourses and the objects of incomplete construction carried out by the Company, prime cost includes the corresponding share of the production overhead charges.

Net value of realization is based on the assessment of possible realization cost after deduction of all expected expenses connected with completion, marketing, realization and goods delivery.

Cash assets

Cash assets include assets on bank accounts, cash assets in the till and on deposits are not subjected to essential risks of cost fluctuations and are reflected at the par value.

Advance payments and other non-operating assets

Advance payments or prepayments carried out on account of delivery of the goods, works and services are admitted as other operating and non-operating assets taken stock at historical cost. The non-operating part of the made advance payments consists of the prepayment carried out by suppliers for non- operating assets acquiring.

Trading and other accounts receivable

Trading and other accounts receivable are represented by non-productive financial instruments with the fixed or measured payments which aren't quoted in the active market and aren't qualified neither as taken stock at fair value through profit or a loss, nor available for sale. Such assets are admitted at the amortized cost with use of an effective interest rate method. Incomes and losses are admitted in profit at the termination of recognition or depreciation of trading and other accounts receivables, and also by means of amortization.

Value added tax (VAT)

Value added tax, arising at goods selling, is to be payed into the national budget after the shipment of the goods to the buyers. Value added tax, included into the price of the purchased goods and services, is to be compensated by the offset. Such offset is perfomed according to the tax legislation. When generating the reserve under the decline in value of the receivables, the whole sum of the doubtful debt is reserved, including value added tax.

Fixed assets

Fixed assets are originally recognized according to the prime cost. As well as the acquisition cost, the prime cost includes direct cost. Afterwards fixed assets are reflected by the historical cost after deduction of the cumulative depreciation and cumulative losses from devaluation.

Into the balance cost of the unit of fixed assets the Company includes the expenses on improvement and repairing, which prolong the useful durability of the assets or improve their ability to bring in return. Expenses on repairing and maintenance, non corresponding to this criteria of capitalization, are recognized in the report of the consolidated returns as the expenses according to their appearance.

Ground and objects of incomplete constructions are not to be depreciated. The depreciation of the fixed assets is reflected in the report of consolidated returns in the articles: the prime cost of realization, expenses on realization and administrative expenses with the purpose of the charge-off of the amortized value during the period of useful durability of the asset, and is calculated by using the method of direct charge-off. If the components of the unit of the fixed assets have different useful durabilities, they are taken stock as separate units.

Amortized value is the prime cost or the cost of the fixed assets unit after deduction of the residual value. Residual value is the calculated sum, which the Company may get from the elimination of the fixed assets unit after the deduction of the estimated cost on elimination, when the assets already reached the age or the condition, expected at the end of their useful durability.

Residual value, useful durability and the method of amortization are reviewed in the end of every financial year. The results of any changes of previous valuations are considered as changes of accounting valuation.

Expected terms of useful durability (years) are:

Buildings and constructions	10-50
Machinery and equipment	4-25
Vehicles	2-10
Other	2-15

Profits or losses from realization or elimination of fixed assets are determined as the difference between sales proceeds and the balance cost of the asset and is recognized in the report of consolidated returns.

Incomplete construction project

Long-term objects of incomplete construction are recognized according to the prime cost after deduction of recognized losses from devaluation.

Incomplete construction includes expenses, directly related to the construction of fixed assets or investment property, including suitably distributed variable overhead costs imputable to the construction and qualified expenses on loans.

When the assets are ready to be used according to their intended purpose, their value is reclassified into appropriate class of fixed assets or investment property.

Intangible assets

Intangible assets are identified non-monetary assets of intangible character.

Intangible assets are taken stock according to the acquisition cost after deduction of cumulative amortization and losses from devaluation.

Intangible assets with the definite useful durability are amortized using rectilineal method during expected useful durability.

Investment property

Investment property includes buildings, ground, which are the property of the Company with the purpose of profit realization in the form of the rent and increase of the capital cost. The Company evaluates its investment property at the fair price considering profits and losses, appeared with the change of the fair price, which are included into the net income or loss for the period, during which they were realized or lost. The part of the property used by the Company is reflected in the structure of the fixed assets.

Long-term accounts receivable

Indebtedness on settling with buyers and customers for realized assets and provided services during more than one year is referred to long-term accounts receivable.

The lease, conditions of which mean the transfer of all risks and profits, related to the ownership of assets, is classified as financial lease. All the rest types of rent are classified as operating lease.

The assets transferred by the Company into financial lease, are recognized as receivable in the sum equal to pure investment into lease. The recognition of the financial profit is based on the graphic, reflecting the constant periodical norm of profit for outstanding pure investment into financial lease.

Te rents, carried out within operating lease, are reflected in the report of profits and losses by the direct method during the term of lease.

Loans

Bank loans originally are recognized at fair cost after deduction of any direct expenses, related to the loan directly. Such liabilities for which remuneration is paid, are valued further at amortized cost with use of the method of the efficient percent rate that allows to add the interest on liability balance reflected in balance sheets at constant rate for the whole period up to full redemption.

Other interest loans originally recognized at fair cost after deduction of direct incidental expenses, related to the loan directly. After initial recognition other interest loans are taken stock at amortized cost, herewith any difference between initial cost and cost at redemption is recognized in the report of consolidated returns for the period of the loan on the base of the efficient interest.

The loans and credits are classified as short-term liabilities, except for the cases, when the Company has an unconditional right to postpone of extinction of obligation at least for one year after the reporting date.

Provisions

Provisions are recognized in case the Company has current or implied liability in the result of the previous event and exists probability that the outflow of economic resources for the liability redemption will be necessary, as well as its reasonable cost estimation can be made. In case the influence of the temporary cost of the cash assets is essential, provisions are calculated by discounting of expected future flow of the bankrolls at rate before deduction of the taxes, reflecting current market estimations in respect of temporary cost of the bankrolls where appropriately, risks, inherent in this liability is appropriate. The amortization of the provisions` discounts are recognized as financing expenses.

Trade and other accounts receivable

Trade accounts receivable and other short-term money obligations are taken stock at initial cost, which is fair cost of the amount to be paid in the future for the received goods or services regardless of that whether the accounts are rendered to the Company or not.

The capital stock

Financial instruments issued by the Company are estimated as the capital only in case they are not denominated as financial obligation. The capital stock is divided into common shares. The capital stock of the Company is formed by means of shares payment by the shareholders.

In case the Company acquires its own shares, the cost of their acquisition, including corresponding transaction expenses with deduction of the income-tax, is subtracted from capital as redeemed own shares up to the moment of their cancellation or repeated issue. At purchasing, the sale, issue of such shares or cancellation of own share instruments of the Company any profit or loss are not recognized in the consolidated returns report. At the next sale or the repeated issue of such shares the received amount is included into the composition of the capital. The redeemed own shares are taken stock at the average weighted cost.

Recognition of the proceeds

The proceeds are recognized at fair cost of the compensation, received or subjected to reception, and represents amounts, subjecting to reception for goods and services, rendered in the course of usual activity after deduction of discounts and sales taxes. The proceeds are recognized when all the essential risks and advantages, connected with possession of goods, as well as the efficient checking, are rendered to the buyers.

The Receipts are recognized only when exists the probability of the reception by the Company of the economic advantages, connected with the deal, and exists the possibility to evaluate authentically the amount of the income and accompanying expenses, suffered in relation of the corresponding deal.

Employee compensation

The Company realizes the payments of the salary to employees according to the fixed systems of labour payment and realizes the obligatory allocations into pension saving funds on behalf of their own workmen in accordance with the pension legislation of the Republic of Kazakhstan. The obligatory payments into the pension funds and individual income-tax expenses are refrained from employee`s salary and are recognized in the report on the consolidated returns as salary expenses. The Company refrains 10% from the charged employee`s salary as the pension allocations into the corresponding pension funds. The maximum level of the pension allocations is set in the amount of 75 minimum month salaries. In accordance with Kazakhstan legislation in force workmen bear responsibility for their pension provision themselves.

Financing incomes and losses

Interest expenses on the loans, exchange differences on the interest obligations. are included into the composition of the financial expenses.

All the expenses connected with the attraction of the borrowed funds, are recognized in the total revenue report with the use of the method of the compensation efficient rate with the exclusion of loans expenses, directly referred to the acquisition, construction or production of the qualified assets, which are recognized in the cost of such assets.

Interest incomes on the invested assets, positive exchange differences are included into the composition of the financial incomes. The income in the form of compensation (the interest) is recognized in the total revenue report while charging with the use of the efficient interest rate.

Dividends

The dividends are recognized as the obligations and are subtracted from the amount of the capital as of the reporting date in the case they have been declared before the reporting date inclusive. The dividends information is represented in the report in case they have been recommended before the reporting date, as well as recommended or declared after the reporting date, but before the date the financial report is ready to be issued.

The income per share

The Company presents the indexes of the base and watered profit per share in respect of their own common shares. The base profit per share is calculated as the quotient from the division of the profit or loss, which are due to the owners of the common shares to the Company to average weighted amount of the common shares outstanding within reported period. The watered profit per share is calculated by the adjustment of the value of the profit or loss due to the owners of the common shares, and average weighted amount of the common shares outstanding to the watered effect of all the potential common shares, including the converted debt obligations and workers` shares options.

Information for the financial report

The financial report of the Company includes :

The Statement of Financial Position;
The Statement of incomes, losses and other comprehensive income;
The Statement of Cash Flows;
The Statement of Changes in Equity;
The Explanatory note.

The Accounting balance contains three main elements of the financial report: assets, obligation and capital.

Cash assets (line code 010)

	As of the end of the reported period	**As of the beginning of the reported period**
Cash assets on the bank accounts	1 480 621	798 053
Cash assets in the till	50 003	2 839
Total	**1 530 624**	**800 892**

Receivables (line code 016)

	As of the end of the reported period	**As of the beginning of the reported period**
Trade receivables	912 577	2 242 082

the doubtful debts reserve	(6 756)	(6 756)
Other receivables	89 331	37 723
Total	**995 152**	**2 273 049**

The current income tax (line code 017)

The current income tax is the amount of the advance payments for the corporative tax, paid into the budget during the reported period according to the requirements of the tax legislation. The current income tax as of the beginning of the reported period is 43 thousands of tenge, for the end of the reported period – 36 thousand of tenge.

Resources (line code 018)

	As of the end of the reported period	**As of the beginning of the reported period**
Row materials and materials	2 013 659	2 092 651
Finished product	1 135 417	659 522
Goods for resale	893 906	349 803
Other	292 055	263 916
Reserve for the devaluation	(33 120)	(33 120)
Total	**4 301 917**	**3 332 772**

Other short-term assets (line code 019)

	As of the end of the reported period	**As of the beginning of the reported period**
Advance payments made for the acquisition of goods and services	2 757 547	1 770 069
Other	8 791	7 077
Total	**2 766 338**	**1 777 146**

Financial investments (line code 114)

The investments into the associated companies for the reported date amounted to 30 thousands of tenge.

Long-term trade and other receivables (line code 115)

	As of the end of the reported period	**As of the beginning of the reported period**
Receivables on the financial lease	-	-
Advance payments made against the long-term assets	-	194 779
Total	-	**194 779**

Investment property (line code 117)

Investment property for the reporting date amounts to 317 518 thousand of tenge. Investment property as of the beginning of the reported period amounts to 439 933 thousand tenge.

Fixed assets (line code 118)

	As of the end of the reported period	As of the beginning of the reported period
Ground, buildings and constructions	2 018 027	1 890 033
Machinery and equipment	5 291 223	5 603 708
Vehicles	206 365	112 111
Other	142 592	110 948
Total	**7 658 207**	**7 716 800**

Other long-term assets (line code 123)

In other long-term assets expenses on incomplete construction are taken stock. **As** of the end of the reporting period the sum of other long-term assets amounts to 850 111 thousands of tenge, and as of the beginning of the reporting period – 103 857 thousands of tenge.

Intangible assets (line code 121)

	As of the end of the reported period	As of the beginning of the reported period
Program providing	678	833
Other intangible assets (trade mark)	1 194 690	1 194 690
Total	**1 195 368**	**1 195 523**

Credits and loans (line code 210, 310)

	As of the end of the reported period	As of the beginning of the reported period
Current loans liabilities	327 487	1 316 721
Long term loans liabilities	2 538 848	1 082 313
Total	**2 866 335**	**2 399 034**

Short-term trading and other account payable (line code 213)

	As of the end of the reported period	As of the beginning of the reported period
Trading accounts payable for raw materials, the goods, services	1 798 465	864 391
Arrears of wages	117 278	77 944
Other	6 423	4 540
Total	**1 922 166**	**946 875**

Reserves (line code 214, 314)

Short-term reserves as of the end of the reporting period are presented by a reserve on holidays of workers and a reserve on returns of finished goods. Compensation liabilities to employees are referred to the long-term reserves.

	As of the end of the reported period	As of the beginning of the reported period
Unused holidays liability	81 920	81 920
Reserve on finished goods returns	28 253	28 253
Short-term reserves Total	**110 173**	**110 173**
Compensation liabilities to employees	85 520	85 520
Long-term reserves Total	**85 520**	**85 520**

The current tax obligations on income tax (line code 215)

Current tax obligation on income tax as of the report date amounts to 11 674 thousands of tenge, and as of the beginning of the reporting period – 7 709 thousands of tenge.

Other short-term obligations (line code 217)

Other short-term obligations are presented by the short-term advance payments received as of the end of the reporting period. The sum on these advance payments amounts to 56 512 thousands of tenge, as of the beginning of the period – 2 080 thousands tenge.

The deferred tax obligations (line code 315)

The deferred tax obligations as of the end of the reporting period amounts to 938 443 thousands of tenge.

Authorized capital (line code 410)

The authorized capital of "Bayan Sulu" JSC as of the beginning of the reporting period amounts to 9 625 985 thousands of tenge; as for the reporting date the size of authorized capital amounts to 9 625 985 thousands of tenge.

The balance cost of one common share is calculated according to the formula :

$BV_{cs} = NAV/NO_{cs}$, where

BV_{cs} – (book value per common share) balance cost of one common share for calculation date;

NAV– (net asset value) net assets for common shares for calculation date;

NO_{cs} – (number of outstanding common shares) number of common shares for calculation date;

Net assets for common shares are calculated according to the formula:

NAV= (TA - IA) – TL – PS, where

TA – (total assets) assets of the issuer of actions in the financial state report of the shares` issuer for calculation date;

IA – (intangible assets) intangible assets in the financial state report of the shares` issuer for calculation date;

TL – (total liabilities) liabilities in the financial state report of the shares` issuer for calculation date;

PS – (preferred stock) balance of the account «authorized capital, privileged shares» in the financial state report of the shares` issuer for calculation date;

	The sum as of 30.09.2014г. (thousands of tenge)	**The sum as of 01.01.2014г. (thousands of tenge)**
TA	19 615 301	17 834 824
IA	1 195 368	1 195 523
TL	5 990 823	4 489 834
PS	0	0
NAV	12 429 110	12 149 467
NO_{cs}	44 660 000 шт	44 660 000 шт

The balance cost of one common share as of 01.01.2014 equals to:

$BV_{cs} = 12149467/44660000 = 272$ tenge.

The balance cost of one common share as of 30.06.2014 equals to:

$BV_{cs} = 12429110/44660000 = 278$ tenge.

Unallotted income (line code 414)

As of the reporting date the unalloted income amounts to 3 998 493 thousands of tenge.

Proceeds (line code 010)

The income for the reporting period amounts to 13 203 838 thousands of tenge. The income for the previous period amounts to 11 127 086 thousands of tenge.

Prime cost of realized production and the rendered services(line code 011)

Prime cost of realized production and the rendered services for the reporting period amounts to 10 863 860 thousands of tenge. Prime cost of realized production and the rendered services for the previous period amounts to 9 660 161 thousands of tenge.

Financing income and expenses (line code 021, 022)

	As of the reported period	As of the previous period
Financing incomes	13	(76 537)
Financing expenses	111 113	144 970

Other incomes and expenses (line code 015, 016)

Other incomes for the reporting period amount to 218 489 thousands of tenge.

Other expenses for the reporting period amount to 228 825 thousands of tenge.

Realization expenses (line code 013)

Realization expenses for the previous period amount to 542 325 thousands of tenge, and for the reporting period – 960 921 thousands of tenge.

Administrative expenses (line code 014)

Administrative expenses for the previous period amount to 406 196 thousands of tenge, and for the reporting period – 570 115 thousands of tenge.

The income per share (line code 600)

The income per share is calculated by the division of net profit into the average weighted number of the common stocks circulated for the date of the reporting. Calculation of base profit per share is based on the following data:

	As of the end of the reported period	As of the and of the reported period

The income during the period (in thousand of tenge)	687 234	307 351
The average weighted number of common stocks in the turn (in pieces)	44 660 000	44 660 000
The income per share (in tenge)	**15,39**	**6,88**

For the reporting period the total profit in the amount of 687 234 thousands of tenge is realized by the joint-stock company « Bayan Sulu».

Chairman of the board of Directors-
President Traiber V.A.

Chief accountant Bashkatova Y.A.