

iX Global Emerging Markets Bonds SPC Limited

**Interim condensed financial statements
for six months ended 30 June 2020**

Contents

Interim condensed financial statements

Interim statement of financial position.....	1
Interim statement of comprehensive income.....	2
Interim statement of cash flows.....	3
Interim statement of changes in equity.....	4

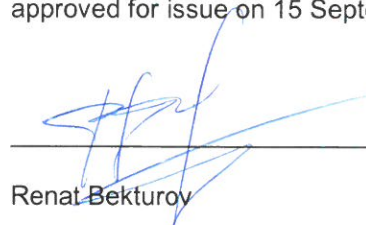
Selected explanatory notes to interim condensed financial statements

1. General information.....	5
2. Basis of preparation.....	5
3. Financial assets and liabilities at fair value through profit or loss.....	6
4. Commitments and contingencies.....	7
5. Fair values of financial instruments.....	8
6. Related party disclosures.....	9
7. Events after the end of the interim period.....	10

iX Global Emerging Markets Bonds SPC Limited
Interim statement of financial position
As at 30 June 2020
(all amounts are presented in KZT thousands)

	Notes	30 June 2020	31 December 2019
Assets			
Cash and cash equivalents		460	379
Financial assets at fair value through profit or loss	3	92,524	75,834
Total assets		92,984	76,213
Liabilities			
Financial liabilities at fair value through profit or loss	3	92,983	76,212
Total liabilities		92,983	76,212
Equity			
Share capital		1	1
Retained earnings		–	–
Total equity		1	1
Total equity and liabilities		92,984	76,213

These Interim condensed financial statements of the Company for six months ended 30 June 2020 were approved for issue on 15 September 2020 by the Management of the Company.


 Renat Bekturov

Director

Notes on pages from 5 to 10 are the integral part of the Interim condensed financial statements.

iX Global Emerging Markets Bonds SPC Limited
Interim statement of comprehensive income
for the six months ended 30 June 2020
(all amounts are presented in KZT thousands)

	Notes	For the six months ended 30 June 2020
Net gains from financial liabilities at fair value through profit or loss		3,304
Net losses from financial assets at fair value through profit or loss		<u>(3,285)</u>
Operating income		<u>19</u>
Other operating expenses	6	<u>(19)</u>
Profit before income tax expense		–
Income tax expense		–
Profit for the period		<u>–</u>
Other comprehensive income for the period		–
Total comprehensive income for the period		<u><u>–</u></u>

Notes on pages from 5 to 10 are the integral part of the Interim condensed financial statements.

iX Global Emerging Markets Bonds SPC Limited
Interim statement of cash flows
for the six months ended 30 June 2020
(all amounts are presented in KZT thousands)

	<i>For the six months ended 30 June 2020</i>
Note	
Cash flows from operating activities	
Placement of exchange traded notes	78
Management fee	(19)
Net cash flows from operating activities	<u>59</u>
Net change in cash and cash equivalents	59
Effect of exchange rates changes on cash and cash equivalents	22
Cash and cash equivalents, beginning of the period	379
Cash and cash equivalents, ending of the period	<u><u>460</u></u>

Non-cash transactions:

- 6,400 shares of exchange traded funds were acquired in exchange of exchange trade notes, issued by the Company (Note 3).

Notes on pages from 5 to 10 are the integral part of the Interim condensed financial statements.

iX Global Emerging Markets Bonds SPC Limited
Interim statement of changes in equity
for the six months ended 30 June 2020
(all amounts are presented in KZT thousands)

	<i>Notes</i>	<i>Share capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
As at 1 January 2020		1	–	1
Profit for the period		–	–	–
Total comprehensive income		–	–	–
As at 30 June 2020		1	–	1

Notes on pages from 5 to 10 are the integral part of the Interim condensed financial statements.

1 General Information

iX Global Emerging Markets Bonds SPC Limited (hereinafter the “Company”) was registered on 29 October 2019 as a Special Purpose Company at the Astana International Financial Centre (AIFC) under the identification number 191040900264 in accordance with the Constitutional Law of the Republic of Kazakhstan “On the Astana International Financial Centre” and the legislation of AIFC. Company operates under the legislation of AIFC, which is a financial hub based in Nur-Sultan, Kazakhstan.

The sole shareholder is AIX FM Limited, which is, in turn, owned and managed by Astana International Exchange Limited (AIX Limited), a private company registered at AIFC. The owners of AIX Limited are AIFC Authority JSC – 62.59%, Shanghai Stock Exchange – 25.10% and others. The ultimate owner is the Government of the Republic of Kazakhstan represented by National Bank of the Republic of Kazakhstan, which transferred its shares in trust to the Ministry of Finance of the Republic of Kazakhstan.

Legal address of the Company is: 55/15, Mangilik El Ave., Block C 3.4, Expo Center, Nur-Sultan, Republic of Kazakhstan.

As a Special Purpose Company, the activity of the Company is mostly limited to issuing exchange traded notes and holding foreign financial assets received for the sale of the former. Exchange traded notes are then placed on AIX stock exchange and mirror the market value of Company's financial assets.

The interim condensed financial statements of the Company for six months ended 30 June 2020 were approved for release by the management of the Company on 15 September 2020.

2 Basis of preparation

The interim condensed financial statements for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2019.

Effect of COVID-19 pandemic

Due to rapid spread of COVID-19 pandemic in the early of 2020 many governments, including Kazakhstani Government, have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues and lockdown of certain area. These measures have affected the global supply chain, demand for goods and services, as well as scale of business activity. It is expected that pandemic itself as well as measures for its consequences' minimization may influence the business of the entities in wide range of industries. Since March 2020 significant volatility in stock, currency and commodity markets exists, including decrease in crude prices and decrease in KZT to USD and EUR foreign exchange rates.

In 2020, support measures were introduced by the Government of Kazakhstan to counter the economic downturn caused by the COVID-19 pandemic. These measures include, among others, subsidized lending to affected industries and individuals, payment holidays and easing of certain regulatory restrictions to help the financial sector maintain its capabilities to provide resources and to help customers avoid liquidity shortages as a result of the COVID-19 containment measures.

2 Basis of preparation (continued)

Effect of COVID-19 pandemic (continued)

The Company continues to assess pandemic effect and changing micro- and macroeconomic conditions on its activities, financial position and financial results.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in a voluntary transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. When measuring fair value, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2019.

The Company has early adopted Amendment to IFRS 16: Covid-19-Related Rent Concessions, which provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. No other standard, interpretation or amendment that has been issued but is not yet effective was early adopted by the Company.

Several other amendments effective since 1 January 2020 were applied but do not have an impact on the interim condensed financial statements of the Company.

3 Financial assets and liabilities at fair value through profit or loss

As at 30 June 2020 financial assets at fair value through profit or loss include investment in the form of exchange traded funds.

<i>Issuer</i>	<i>Currency</i>	<i>30 June 2020</i>		<i>31 December 2019</i>	
		<i>Number of shares</i>	<i>Market value</i>	<i>Number of shares</i>	<i>Market value</i>
iShares J.P. Morgan USD EM Bond UCITS ETF	US Dollar	40,710	92,524	34,310	75,834
		40,710	92,524	34,310	75,834

Financial liabilities at fair value through profit or loss include exchange traded notes issued by the Company.

<i>Issuer</i>	<i>Currency</i>	<i>30 June 2020</i>		<i>31 December 2019</i>	
		<i>Number of shares</i>	<i>Market value</i>	<i>Number of shares</i>	<i>Market value</i>
iX Global Emerging Markets Bonds SPC Limited	US Dollar	40,710	92,983	34,310	76,212
		40,710	92,983	34,310	76,212

The financial instruments at fair value through profit or loss were issued by the Company and transferred to the AIFC Authority JSC. The exchange traded notes are unsecured and can be redeemed by the Company prior to maturity, which is 5 December 2029.

4 Commitments and contingencies

Operating environment

The Company's activities are carried out in the Republic of Kazakhstan. The Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The economy of Kazakhstan has been negatively impacted by a decline in oil prices. The Tenge interest rates remained high. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Company's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

As the COVID-19 outbreak continues there remains uncertainty about further developments of pandemic duration and the extent of the possible economic recovery in the nearest future. Government responses, their corresponding effects are still evolving and the Company's management continues its estimation of increased risks and effects of the pandemic and the measures taken by the government.

Legal issues

In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Company.

Taxation

The Company currently has a Constitutional Statute on AIFC and a Tax Code of the Republic of Kazakhstan that regulates main taxation matters. Tax environment in the Republic of Kazakhstan is subject to change and inconsistent application and interpretations. Differences in the interpretation of Kazakhstan laws and regulations of the Company and Kazakh authorities may lead to the accrual of additional taxes, fines and penalties.

Kazakhstan legislation and taxation practices are in a state of continuous development, and therefore subject to varying interpretations and frequent changes that may have retroactive effect. In some cases, in order to determine the taxable base, tax legislation refers to IFRS provisions, while interpretation of the relevant provisions of IFRS by Kazakhstan tax authorities may differ from the accounting policies, judgments and estimates applied by management in preparing these financial statements, which can lead to origination of additional tax liabilities of the Company. Tax authorities may conduct a retrospective audit during five years after the end of the tax year.

The Company's management believes that its interpretations of the relevant legislation are appropriate and the Company's tax position will be sustained.

5 Fair values of financial instruments

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- ▶ Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- ▶ Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

	<i>Recurring fair value measurement</i>					<i>Unrecognized gain/ (loss)</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>	<i>Carrying value</i>	
As at 30 June 2020						
Assets measured at fair value						
Financial assets at fair value through profit or loss	92,524	–	–	92,524	92,524	–
Assets for which fair values are disclosed						
Cash and cash equivalents	460	–	–	460	460	–
Liabilities measured at fair value						
Financial liabilities at fair value through profit or loss	92,983	–	–	92,983	92,983	–
	<i>Recurring fair value measurement</i>					<i>Unrecognized gain/ (loss)</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>	<i>Carrying value</i>	
As at 31 December 2019						
Assets measured at fair value						
Financial assets at fair value through profit or loss	75,834	–	–	75,834	75,834	–
Assets for which fair values are disclosed						
Cash and cash equivalents	379	–	–	379	379	–
Liabilities measured at fair value						
Financial liabilities at fair value through profit or loss	76,212	–	–	76,212	76,212	–

During 6 months 2020 the Company did not make transfers between levels of the fair value hierarchy for financial instruments recorded at fair value.

5 Fair values of financial instruments (continued)

Fair value hierarchy (continued)

Recurring fair value measurements

The following is a description of the determination of fair value for recurring fair value measurements which are recorded using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are valued using market observable inputs and based on price quotations at the reporting date.

Financial assets and financial liabilities carried at amortised cost

The fair value of unquoted instruments, financial assets and liabilities, is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

6 Related party disclosures

The parties, one of which is in the position to exercise control over the other, may have significant influence on operational and financial decisions of the other party, or which are under joint control, are considered related. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

Transactions with shareholder

Income and expenses arising from transactions with the Shareholder are as follows:

	<i>For the six months ended 30 June 2020</i>
Other income	700
Other operating expenses (remuneration for the Company's management)	19

Other income represents the reimbursement of such Company's expenses as audit and custody services of KZT 700 thousand by the Shareholder under the management agreement. Such reimbursed expenses are netted in the Interim condensed financial statements.

Transactions with other related party

The outstanding balances of other related party, represented by AIFC Authority JSC, comprise the following:

	<i>30 June 2020</i>	<i>31 December 2019</i>
Financial liabilities at fair value through profit or loss	83,086	66,587

7 Events after the end of the interim period

There were no material events after the end of the interim period.