SkyBridge Invest JSC

Financial Statements

For the year ended 31 December 2019

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SKYBRIDGE INVEST JSC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Management is responsible for the preparation of the financial statements that fairly present the financial position of SkyBridge Invest JSC (hereinafter – the "Company") and its controlled entities as at 31 December 2019 and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (hereinafter – "IFRS").

In preparing the financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- application of reasonable and expedient estimates and;
- providing additional disclosures when compliance with the requirements of IFRS is insufficient for users of the financial statements to understand the impact of transactions, as well as other events and conditions on the financial position and financial results of the Company's operations; and
- assessment of the Company's ability to continue as a going concern in the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining the effective and reliable functionality of the internal control system of the Company;
- maintaining adequate accounting system, that are sufficient to show and explain the Company's transactions and allowing the preparation of information about the Company's financial position at any time with reasonable accuracy, and to ensure compliance of financial statements with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan and IFRS;
- adopting measures within its competence to safeguard assets of the Company; and
- preventing and detecting fraud and other irregularities.

The financial statements of the Company for the year ended 31 December 2019 were approved by management on 20 February 2020.

Қазақстан Республикасы Алматы қаласы Акционерлік қоғамы "SkyBridge Invest" Акционерное общество город Алматы Республика Казахстан

Ainabayeva Sh. R.	Davletshina I. N.
Chairman of the Management Board	*Chief Accountant*

20 February 2020
Almaty, the Republic of Kazakhstan

Grant Thornton LLP

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and management of SkyBridge Invest JSC

Opinion

We have audited the financial statements of SkyBridge JSC (hereinafter – the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (hereinafter – "IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (hereinafter – "ISAs"). Our responsibilities under those standards are further described in the *"Auditor's Responsibilities for the Audit of the Financial Statements"* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit 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 Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the SkyBridge JSC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company's to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's Responsibility for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report under the requirements of the legislation of the Republic of Kazakhstan

The Company's management is responsible for implementation by the Company of the legislation requirements of the Republic of Kazakhstan regarding reporting on the assets of AIFN Sputnik JSC and ZPIFRI Khan Tengri (hereinafter – the "Funds"), accepted by the Company into the investment management, for accounting and reporting in relation to these assets and for the internal control system necessary for reporting on the assets of the Funds accepted into investment management.

In accordance with the requirements of the Law of the Republic of Kazakhstan "On Investment Funds" dated 7 July 2004 No. 576-II, during the audit, we evaluated the compliance with the requirements of the legislation of the Republic of Kazakhstan on the accounting procedure and reporting on the assets of the Funds accepted by the Company into investment management. In our opinion, the statements on page 36-39 regarding the assets of the Funds taken by the Company into investment management, which comprise of a report on the assets of the investment fund and a profit or loss statement on the assets of the investment fund, have been prepared in all material respects, in accordance with the requirements of the respective legislation of the Republic of Kazakhstan.

Grant Thornton LLP

Evgeny Zhemaletdinov

Auditor/Engagement partner

Certified Auditor of the Republic of Kazakhstan
Qualification certificate
№МФ-00000553 dated 20 December 2003
The Republic of Kazakhstan

Yerzhan Dossymbekov

General Director
Grant Thornton LLP

State license №18015053 (date of initial issue - 27 July 2011), for providing audit service on the territory of the Republic of Kazakhstan issued by the Internal Audit Committee of the Ministry of Finance of the Republic of Kazakhstan on 3 August 2018

20 February 2020
Almaty, the Republic of Kazakhstan

SKYBRIDGE INVEST JSC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

In thousands of tenge	Note	**31 December 2019**	31 December 2018*
ASSETS			
Cash and cash equivalents	5	405,880	163,828
Commission receivables	6	40,457	98,221
Financial assets at fair value through other comprehensive income	7	143,533	499,013
Financial assets at fair value through profit or loss	8	610,264	808,863
Property and equipment	9	157,474	67,451
Intangible assets	10	11,122	9,685
Deferred corporate income tax assets	11	4,671	8,330
Current corporate income tax assets		51,594	26,448
Other assets	12	42,354	39,895
TOTAL ASSETS		**1,467,349**	**1,721,734**
EQUITY AND LIABILITIES			
Equity			
Share capital	13	744,798	744,798
Revaluation reserve and impairment of financial assets at fair value through other comprehensive income		4,519	(9,300)
Retained earnings		545,037	533,872
Total equity		**1,294,354**	**1,269,370**
Liabilities			
Lease liabilities	3	101,852	–
Other liabilities	14	71,143	452,364
Total liabilities		**172,995**	**452,364**
TOTAL EQUITY AND LIABILITIES		**1,467,349**	**1,721,734**

**The Company made certain reclassifications in the statement of financial position as at 31 December 2018, in order to bring it in line with the presentation as at 31 December 2019 (Note 3).*

The notes on pages 6-39 are an integral part of these financial statements.

Казақстан Республикасы Алматы қаласы Акционерлік қоғамы "SkyBridge Invest" Акционерное общество город Алматы Республика Казахстан

Chairman of the Management Board Ainabayeva Sh. R.

Chief Accountant Davletshina I. N.

20 February 2020
Almaty, the Republic of Kazakhstan

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

In thousands of tenge	Note	2019	2018*
Fee and commission income from fiduciary assets	15	23,600	570,971
Income from consulting and underwriting services	16	273,772	250,711
Income from brokerage and nominal holder services	17	481,904	469,496
Interest income	18	26,952	58,905
Net gain/(loss) on financial assets at fair value through profit or loss		115,885	(27,491)
Net (loss)/gain from foreign currencies operations		(7,658)	183,524
Net (loss)/gain on financial assets at fair value through other comprehensive income		(5,713)	1,834
Other expenses		(217)	(13,563)
Operating income		**908,525**	**1,494,387**
Personnel expenses	19	(405,395)	(752,838)
General and administrative expenses	20	(289,976)	(262,738)
Expenses on brokerage services		(163,783)	(132,877)
Amortization		(19,291)	(15,415)
Operating expenses		**(878,445)**	**(1,163,868)**
Finance expenses		(14,841)	–
Profit before corporate income tax expense		**15,239**	**330,519**
Corporate income tax expense	11	(4,074)	(73,810)
Profit for the year		**11,165**	**256,709**
Other comprehensive income			
Other comprehensive income to be reclassified subsequently to profit or loss when specific conditions are met:			
Net change in fair value of debt instruments measured at fair value through other comprehensive income		8,106	(8,202)
Amount reclassified to profit or loss as a result of the disposal of debt instruments measured at fair value through other comprehensive income		5,713	(1,834)
Other comprehensive income/(loss) for the year, net of corporate income tax		13,819	(10,036)
Total comprehensive income for the year		**24,984**	**246,673**

** The Company made certain reclassifications in the statement of profit and loss for the year ended 31 December 2018 in order to bring it into line with the presentation for the year ended 31 December 2019 (Note 3).*

The notes on pages 6 – 39 are an integral part of these financial statements.

Chairman of the Management Board

Ainabayeva Sh. R.

Chief Accountant

Davletshina I. N.

Қазақстан Республикасы Алматы қаласы Акционерлік қоғамы "SkyBridge Invest" Акционерное общество город Алматы Республика Казахстан

20 February 2020
Almaty, the Republic of Kazakhstan

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

In thousands of tenge	Share capital	Revaluation reserve and impairment of financial assets at fair value through other comprehensive income	Retained earnings	Total
As at 31 December 2017	**744,798**	**736**	**337,160**	**1,082,694**
Profit for the year	–	–	256,709	256,709
Other comprehensive loss for the year	–	(10,036)	–	(10,036)
Total comprehensive (loss)/income for the year	–	**(10,036)**	**256,709**	**246,673**
Dividends (Note 13)	–	–	(59,997)	(59,997)
As at 31 December 2018	**744,798**	**(9,300)**	**533,872**	**1,269,370**
Profit for the year	–	–	11,165	11,165
Other comprehensive income for the year	–	13,819	–	13,819
Total comprehensive income for the year	–	**13,819**	**11,165**	**24,984**
As at 31 December 2019	**744,798**	**4,519**	**545,037**	**1,294,354**

The notes on pages 6 – 39 are an integral part of these financial statements.

Chairman of the Management Board — Ainabayeva Sh. R.

Chief Accountant — Davletshina I. N.

Қазақстан Республикасы Алматы қаласы Акционерлік қоғамы "SkyBridge Invest" Акционерное общество город Алматы Республика Казахстан

20 February 2020
Almaty, the Republic of Kazakhstan

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

In thousands of tenge	Note	2019	2018
Operating activities			
Profit before corporate income tax expense		**15,239**	330,519
Adjustments to reconcile profit before income tax to net cash flows			
Interest income accrued		**(26,952)**	(58,905)
Depreciation and amortization of property and equipment, right-of-use assets and intangible assets	9, 10	**96,780**	15,410
Loss on disposal of property and equipment	9	**169**	353
Net (gain)/loss from operations with financial assets at fair value through profit or loss		**(1,798)**	6,181
Change in accrued unused vacation reserves		**4,025**	3,788
Net unrealized gain on foreign currency transactions		**(21,379)**	(24,384)
Accrued interest on lease		**(14,841)**	–
Change in working capital			
Decrease/(increase) in commissions receivable		**83,420**	(9,522)
Increase in other assets		**(2,459)**	(23,406)
(Decrease)/increase in other liabilities		**(385,246)**	32,880
Cash flows (used in)/received from operating activities		**(253,042)**	**272,914**
Interest received		**1,296**	56,941
Corporate income tax paid		**(25,561)**	(103,518)
Net cash flows (used in)/received from operating activities		**(277,307)**	**226,337**
Investing activities			
Purchase of property and equipment	9	**(8,513)**	(19,910)
Purchase of intangible assets	10	**(5,546)**	(1,237)
Sale of financial assets at fair value through profit or loss		**8,169,105**	3,678,487
Purchase of financial assets at fair value through profit or loss		**(7,935,620)**	(4,183,892)
Sale of financial assets at fair value through other comprehensive income		**452,337**	66,576
Purchase of financial assets at fair value through other comprehensive income		**(95,059)**	(166,564)
Deposit withdrawal		**–**	152,746
Net cash flows received from/ (used in) investing activities		**576,704**	**(473,794)**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

In thousands of tenge	Note	2019	2018
Financing activities			
Dividends paid	13	–	(59,997)
Repayment of lease obligations		**(57,657)**	–
Net cash flows used in financing activities		**(57,657)**	**(59,997)**
Net change in cash and cash equivalents		**241,740**	(307,454)
Effect of changes in exchange rates on cash and cash equivalents		**312**	506
Cash and cash equivalents as at 1 January	5	**163,828**	470,776
Cash and cash equivalents as at 31 December	5	**405,880**	**163,828**

The notes on pages 6 – 39 are an integral part of these financial statements.

Chairman of the Management Board — Ainabayeva.Sh. R.

Chief Accountant — Davletshina I. N.

20 February 2020
Almaty, the Republic of Kazakhstan

1. GENERAL INFORMATION

SkyBridge Invest Joint Stock Company (hereinafter – the "Company") was registered in accordance with the legislation of the Republic of Kazakhstan in 2003. The Company's activities are regulated by the National Bank of the Republic of Kazakhstan (hereinafter – the "NBRK") and are performed based on the license No. 4.2.192/113 dated 20 July 2016, which allows to perform the following activities:

1. Brokerage and dealing activities at the securities market with the right to keep clients' accounts as a nominal holder;

2. Investment portfolio management activities, including investment management without the right to attract voluntary pension contributions.

The Company's main activities include management of investment portfolios of joint stock investment and mutual funds, investment of clients' assets in fiduciary management as well as brokerage and dealing activities with the right to keep clients' accounts as a nominal holder and financial consulting services.

As at 31 December 2019 and 2018, the Company's shareholders were:

	31 December 2019	31 December 2018
Yeskindirov Adl Makhmudovich	**50.0%**	91.0%
SB Solutions LLP	**50.0%**	9.0%
	100.0%	100.0%

The address of the Company's registered office is: 12 floor, Essentai Tower Business Center, 77/7, Al-Farabi ave., 050040, Republic of Kazakhstan.

These financial statements were approved for issue by the management of the Company on 20 February 2020.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments.

Functional and presentation currency

The financial statements were presented in tenge, the currency of the economic environment in which the Company operates. For the purposes of these financial statements, the financial results and financial position of the Company are expressed in tenge (hereinafter - "tenge"), which is the functional and presentation currency for these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies

The Company, for the first time, has applied certain amendments to standards that come into force for annual periods beginning on or after 1 January 2019. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature and effect of each amendment is described below:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies (continued)

IFRS 16 "Leases"

IFRS 16 replaces IAS 17 "Leases", clarification of IFRIC 4 "Determining whether an agreement contains a lease", clarification of SIC 15 "Operating leases – incentives" and clarification of SIC 27 "Evaluating the substance of transactions involving the legal form of a lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application at 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The impact of applying IFRS 16 as at 1 January 2019 is presented below:

Assets	
Right-of-use assets	174,350
Total assets	**174,350**
Liabilities	
Lease liabilities	174,350
Total liabilities	**174,350**

(a) The impact of the first application of IFRS 16

The Company has lease agreements for various items of property and equipment. Before the adoption of IFRS 16, the Company classified each of its leases (as a lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if the Company transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company, otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised within other assets and other liabilities, respectively.

As a result of adoption of IFRS 16, the Company applied a common approach in recognition and measurement for all leases, except for short-term leases and leases of low-value assets. The Company applies specific transition requirements and practical expedients, which is provided by the standard.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies (continued)

Leases previously classified as operating leases

For leases previously classified as operating leases, except for short-term leases and leases of low-value assets, the Company recognised assets as the right-of-use assets and lease liabilities as at 31 December 2019. Most of the right-of-use assets agreements were recognised on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some of the lease agreements, the right-of-use assets were recognised based on the value equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments that were previously recognised. Lease liabilities that were recognised at the present value of the remaining lease payments, discounted using the borrowing rate at the date of initial application. The Company also applied practical simplifications, as result of which they:

- used a single discount rate of 12.4% for a portfolio of leases with reasonably similar characteristics;
- used, as an alternative to impairment testing, an analysis of the onerous nature of leases immediately prior to the date of initial application;
- applied the exemption from recognition for short-term leases to leases that expire within 12 months from the date of initial application;
- excluded initial direct costs from the valuation of an asset in the form of a right of use at the date of initial application;
- used retroactive judgments in determining the lease term if the contract contained an option to extend or terminate the lease.

Based on the above, as at 1 January 2019:

- "Right-of-use assets" in the amount of 174,350 thousand tenge were recognized and presented as part of Property and equipment;
- Additional lease obligations in the amount of 174,350 thousand tenge were recognized.

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period from 1 January 2019 to 31 December 2019:

	Right-of-use asset	Lease liability
As at 1 January 2019	**174,350**	**174,350**
Amortization expenses	(77,489)	–
Interest expenses	–	14,841
Payments	–	(87,339)
As at 31 December 2019	**96,861**	**101,852**

For the year ended 31 December 2019, the Company recognized expenses related to short-term leases in the amount of 31,561 thousand tenge.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies (continued)

Lease obligations (continued)

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be implemented over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses weighted average rate of the National Bank of Kazakhstan for loans or the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low–value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgment in determining the lease term in renewal contracts

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- how an entity considers changes in facts and circumstances.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Interpretation did not have an impact on the financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

Changes in accounting policies (continued)

Amendments to IFRS 9 Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Company.

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is required to determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset). The amendments had no impact on the financial statements of the Company.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the financial statements as the Company does not have long-term interests in its associate and joint venture.

Annual Improvements 2015-2017 Cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Annual Improvements 2015-2017 Cycle (continued)

IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

The Company applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the Company first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Company current practice is in line with these amendments, they had no impact on the financial statements of the Company.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The Company applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. The Company applies those amendments for annual reporting periods beginning on or after 1 January 2019. Early application permitted. Since the Company current practice is in line with these amendments, they had no impact on the financial statements of the Company.

Fair value measurement

The Company measures financial assets at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI), at fair value at each reporting date.

Fair value is the price that would have been received for the sale of an asset or paid for the transfer of a liability in a transaction that is normally conducted between market participants at the valuation date. The fair value measurement assumes that a transaction to sell an asset or transfer a liability occurs:

- either in the main market for this asset or liability;
- or, in the absence of a primary market, in the most favorable market for the asset or liability.

The Company must have access to the main or most favorable market. The fair value of an asset or liability is measured using assumptions that market participants would use to determine the price of the asset or liability, assuming that market participants are acting in their best interests. The fair value measurement of a non-financial asset takes into account the ability of a market participant to generate economic benefits from using the asset in the best and most efficient way or selling it to another market participant who will use this asset in the best and most efficient way.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

The Company uses valuation techniques that are acceptable in the circumstances and for which sufficient data are available to measure fair value, while maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities whose fair value is measured or disclosed in the financial statements are classified within the hierarchy of fair value sources described below based on the lowest level of input data that is relevant to the overall fair value measurement:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – valuation models in which inputs that are relevant to fair value measurements that relate to the lowest level of the hierarchy are directly or indirectly observable in the market.
- Level 3 – valuation models in which inputs that are relevant to fair value measurements that relate to the lowest hierarchy level are not observable in the market.

In the case of assets and liabilities that are recognized in the financial statements on a periodic basis, the Company determines the fact of transfer between levels of hierarchy sources, re-analyzing the classification (based on the initial data of the lowest level, which are significant for assessing the fair value as a whole) at the end of each reporting period.

Financial instruments

Initial recognition

Date of recognition

The purchase or sale of financial assets and liabilities on standard terms is recognized at the date of transaction, i.e. on the date when the Company undertakes to purchase an asset or liability. A purchase or sale on standard terms includes the purchase or sale of financial assets and liabilities within the framework of an agreement, under the terms of which the delivery of assets and liabilities is required within the period established by the rules or agreements adopted on the market.

Initial assessment

The classification of financial instruments upon initial recognition depends on the contractual terms and the business model used to manage the instruments. Financial instruments are initially measured at fair value, including transaction costs, unless financial assets and financial liabilities are measured at fair value basis.

Categories of valuation of financial assets and liabilities

The Company classifies all its financial assets based on the business model used for asset management and the contractual terms of the assets as being valued at:

- Amortized cost;
- FVOCI;
- FVPL.

The Company classifies and evaluates derivatives and instruments held for trading in accordance with FVPL. The Company may, at its discretion, classify financial instruments as valued in accordance with FVPL, if such a classification eliminates or significantly reduces the inconsistency in applying the principles of measurement or recognition.

Financial liabilities are measured at amortized cost, or at FVPL if they are held for trading and derivatives or are classified at the entity's discretion as measured at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Initial assessment (continued)

Debt instruments valued at FVOCI

The Company evaluates debt instruments at FVOCI if both of the following conditions are met:

- the instrument is held in the framework of a business model, the goal of which is achieved both by obtaining the cash flows stipulated by the contract and by selling financial assets;
- the contractual terms of the financial asset comply with the SPPI test criteria.

FVOCI debt instruments are subsequently measured at fair value, and gains or losses resulting from changes in fair value are recognized in other comprehensive income. Interest income and gains or losses on changes in foreign exchange rates are recognized in profit or loss in the same manner as for financial assets at amortized cost. Upon derecognition, accumulated gain or loss previously recognized in other comprehensive income is reclassified from the other comprehensive income to profit or loss.

Expected credit losses for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which continue to be measured at fair value. Instead, an amount equal to the reserve for expected credit losses that would have been created when the asset was measured at amortized cost is recognized in other comprehensive income as the accumulated impairment amount with the corresponding amounts recognized in profit or loss. The cumulative amount of losses recognized in other comprehensive income and estimate statements is reclassified to profit or loss upon derecognition of the asset.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank accounts and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Reclassification of financial assets and liabilities

The Company does not reclassify financial assets after their initial recognition, except in certain cases, when it changes the financial asset management business model. Financial liabilities are never reclassified.

Repurchase and reverse repurchase agreements

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest revenue and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the statement of financial position. Securities borrowed are not recorded in the statement of financial position, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the statement of profit or loss. The obligation to return them is recorded at fair value as a trading liability.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) ceases to be recognized in the statement of financial position if:

- the rights to receive cash flows from the asset have expired;
- the Company transferred the right to receive cash flows from the asset or accepted the obligation to transfer the received cash flows in full without significant delay to a third party under the terms of a "transit" agreement; and
- the Company either (a) transferred almost all the risks and benefits of the asset, or (b) did not transfer, but does not retain all the risks and benefits of the asset but transferred control of the asset.

If the Company transferred its rights to receive cash flows from the asset, while neither transferring, nor retaining practically all the risks and benefits associated with it, nor transferring control of the asset, such an asset is accounted for within the ongoing participation of the Company in this asset. Continuation of participation in the asset, which takes the form of a guarantee for the transferred asset, is measured at the lower of the initial carrying amount of the asset and the maximum amount of compensation that may be presented for payment to the Company.

Financial liabilities

A financial liability is derecognized when the relevant obligation is fulfilled, cancelled, or expires.

When replacing one existing financial obligation with another obligation to the same creditor, on substantially different conditions, or in the event of significant changes to the conditions of the existing obligation, the initial obligation is deregistered, and the new obligation is recorded with the recognition of the difference in the carrying amount of obligations in the composition profit or loss.

Expected credit losses recognition

The Company recognizes the estimated allowance for expected credit losses on financial assets measured at amortized cost and fair value through other comprehensive income in an amount equal to expected credit losses for the entire period if the credit loss has increased significantly since initial recognition.

The Company does not reduce the carrying amount of a financial asset at fair value through other comprehensive income but recognizes an estimated reserve in other comprehensive income.

In determining whether there is a significant increase in the credit risk of a financial asset since its initial recognition, the Company focuses on changes in the risk of a default occurring over the life of the credit instrument, and not on changes in the amount of expected credit losses. If the terms and conditions of the cash flows for a financial asset stipulated by the agreement have been revised or modified and the recognition of the financial asset has not been terminated, the Company assesses whether the credit risk for the financial instrument has changed significantly by comparing:

- risk assessment of default as of the reporting date (based on modified contractual terms);
- risk assessment of the occurrence of default upon initial recognition (based on the initial unmodified contractual terms)

If there is no significant increase in credit risk, the Company recognizes an allowance for losses on a financial asset in the amount equal to 12-month expected credit losses, with the exception of:

1) acquired or created credit-impaired financial assets;
2) trade receivables; and
3) lease receivables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expected credit losses recognition (continued)

For financial assets referred to in paragraphs (1)-(3), the Company estimates the allowance for losses in the amount of expected credit losses for the entire term.

If in the previous reporting period the Company estimated the estimated allowance for losses on a financial instrument in an amount equal to the expected credit losses for the entire period, but as of the current reporting date determines that there is no significant increase in credit risk, then at the current reporting date the Company should evaluate the estimated a provision equal to 12-month expected credit losses.

The Company recognizes, as profit or loss from impairment, the amount necessary to adjust the estimated allowance for losses to the amount of expected credit losses as at the reporting date.

For acquired or created credit-impaired financial assets, the Company recognizes favorable changes in expected credit losses for the whole term as a recovery of impairment losses, even if the expected credit losses for the whole period are less than the expected credit losses that were included in the estimated cash flows at initial recognition .

Assessment of expected credit losses the Company estimates expected credit losses on a financial instrument in a manner that reflects:

1) an unbiased and weighted amount of probability, determined by assessing the range of possible results;

2) the time value of money;

3) reasonable and confirmed information about past events, current conditions and projected future economic conditions available at the reporting date.

The maximum period considered in assessing expected credit losses is the maximum period under the contract (including extension options) during which the Company is exposed to credit risk.

To achieve the goal of recognizing expected credit losses for the entire period arising from a significant increase in credit risk since initial recognition, it may be necessary to assess a significant increase in credit risk on a group basis, for example, by analyzing information indicating a significant increase in credit risk for a group or subgroup of financial instruments . This ensures that the Company achieves the goal of recognizing expected credit losses for the entire period in the event of a significant increase in credit risk, even if confirmation of such a significant increase in credit risk at the level of an individual instrument is not yet available.

Taxation

The current corporate income tax charge is calculated in accordance with the regulations of the Republic of Kazakhstan.

Deferred corporate income tax assets and liabilities are calculated in respect of all temporary differences using the liability method. Deferred corporate income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred corporate income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
A deferred corporate income tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred corporate income tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

In addition, the Republic of Kazakhstan has various operating taxes applicable to the activities of the Company. These taxes, in addition to corporate income tax, are included in the statement of comprehensive income as general and administrative expenses.

Property and equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Useful life in years
Capital improvements of leased office	4-5
Machinery and equipment	3-10
Motor vehicles	10
Furniture	5-10

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to running repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Intangible assets

Intangible assets consist of software.

Intangible assets acquired separately, at initial recognition, are measured at historical cost. After initial recognition, intangible assets are carried at cost less accumulated depreciation and any accumulated impairment losses.

Intangible assets are amortized over the useful economic lives of 2-7 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and 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 obligation can be made.

Retirement and other employee benefit obligations

The Company does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments. These expenses are charged in the period the related salaries are earned. The Company has no post-retirement benefits requiring accrual.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share capital

Share capital

Common shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are approved before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

Fiduciary assets

Assets held in fiduciary capacity are not reported in the financial statements, as they are not the assets of the Company.

Contingents assets and liabilities

Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Revenue and expense recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before income is recognized:

Interest and similar income and expense

The Company calculates interest revenue on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts.

The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

When a financial asset becomes credit-impaired, the Company calculates interest revenue by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest revenue on a gross basis.

Revenue

The Company earns income from a diverse range of services it provides to its customers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and expense recognition (continued)

Fee and commission income

Commission income obtained for rendering the services during a certain period of time are accrued during this period. These items include commission income and fees.

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as where the Company's performance obligation is the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Fees or components of fees that are linked to certain performance obligations are recognized after fulfilling the corresponding criteria. When the contract provides for a variable consideration, fee and commission income is only recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur until the uncertainty associated with the variable consideration is subsequently resolved.

Fees earned for the provision of services over a period of time are accrued over that period as respective performance obligations are satisfied. These fees include commission income and asset management, custody and other management and advisory fees.

Expenses

Expenses are recognised on an accrual basis when the services are provided to the Company.

Foreign currency recalculation

The financial statements are presented in Kazakhstani tenge, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency market rate at the date of the transaction established by the National Bank of the Republic of Kazakhstan. Monetary assets and liabilities denominated in foreign currencies are retranslated in the functional currency at the official exchange rate established by the Kazakhstan Stock Exchange (hereinafter – the "KASE") and valid at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the statement of comprehensive income as gains less losses from foreign currencies – translation differences.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the official exchange rates established by KASE as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the official exchange rates established by KASE at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the market exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies.

The market exchange rates as at 31 December 2019 and 2018 were 382.59 tenge and 384.20 tenge to 1 USD, respectively.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the *Company*'s financial statements are disclosed below. The *Company* intends to adopt these standards, if applicable, when they become effective.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life insurance and insurance other than life insurance, direct insurance and reinsurance) regardless of the type of organization that issues them, as well as certain guarantees and financial instruments with conditions discretionary participation.

There are several exceptions to the scope of the standard. The main objective of IFRS 17 is to provide an accounting model for insurance contracts that is more efficient and consistent for insurers. Unlike the requirements of IFRS 4, which are mainly based on previous local accounting policies, IFRS 17 provides a comprehensive accounting model for insurance contracts, covering all relevant aspects of accounting. IFRS 17 is based on a common model, supplemented by the following:

- certain modifications for insurance contracts with direct participation conditions (variable remuneration method);
- a simplified approach (premiu9m distribution-based approach) mainly for short-term contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, and comparative information is required. Early adoption is permitted provided that the entity also applies IFRS 9 and IFRS 15 at the date of first application. In 2019, the Company will continue to evaluate the possible impact of IFRS 17 on its financial statements.

Amendments to IFRS 3: Definition of Business

In October 2018, the IASB issued amendments to IFRS 3 "Business Combinations", which changed the definition of the term "business" and should help organizations determine whether the acquired combination of activities and assets is a business or not. These amendments clarify the minimum business requirements, exclude the assessment of whether market participants are able to replace any missing element, add guidance to help organizations assess whether the acquired process is significant, narrow down the definitions of "business" and "return", and also introduce optional test for fair value concentration. Along with the amendments, new illustrative examples were also presented.

Since these amendments are applied prospectively to transactions or other events that occur on or after the date of their initial application, these amendments will not affect the Company at the date of transition.

Amendments to IAS 1 and IAS 8, Determination of Materiality

In October 2018, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* to harmonize the definition of materiality in different standards and clarify some aspects of this definitions. According to the new definition, "information is material if it can reasonably be expected that its omission, distortion or disguise will affect the decisions of the main users of general financial statements made on the basis of these financial statements that provide financial information about a particular reporting entity."

Amendments to the definition of materiality are not expected to significantly affect the financial statements of the Company.

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (continued)

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7(continued)

As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments come into effect from 1 January 2020, but entities may choose to apply them earlier. The amendments are not expected to have a significant impact on the Company's financial statements.

Reclassification and adjustments

The Company made certain reclassifications in the statement of financial position and in the statement of profit or loss for the year ended 31 December 2018, in order to bring it into line with the presentation for the year ended 31 December 2019, as follows:

In thousands of tenge	Note	31 December 2018 (before re-classification)	Reclas-sification	31 December 2018 (after re-classification)
Cash and cash equivalents	5	**150,105**	13,723	**163,828**
Other assets	12	**53,618**	(13,723)	**39,895**
Fee and commission income from trust and asset management activities	15	**567,756**	3,215	**570,971**
Income from consulting and underwriting services	16	**173,872**	76,839	**250,711**
Income from brokerage and nominal holder services	17	**517,180**	(47,684)	**469,496**
Expenses on brokerage services		**(105,507)**	(32,370)	**(132,877)**

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

For application of the Company's accounting policies, management has used its judgments and made estimates in determining the amounts recognized in the financial statements. The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values

Expected credit losses

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, when determining ECLs / impairment losses and assessing a significant increase in credit risk, it is necessary to evaluate the amount and timing of future cash flows and the value of collateral. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- the Company's internal credit grading model, which assigns PDs to the individual grades;
- the Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Expected credit losses (continued)

- the segmentation of financial assets when their ECL is assessed on a collective basis;
- development of ECL models, including the various formulae and the choice of inputs;
- identification of the relationships between macroeconomic scenarios and economic data, for example, unemployment rate and collateral value, as well as the impact on the probability of default (PD), the value at risk of default (EAD) and the level of loss in default (LGD);

selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Lease -estimation of the rate of raising additional borrowed funds.

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease

Taxation

Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementation of these regulations is often unclear or non-existent and insignificant amount of precedents has been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations; thus, creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Company is in compliance with the tax laws of the Republic of Kazakhstan regulating its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

5. CASH AND CASH EQUIVALENTS

As at 31 December cash and cash equivalents comprised the following:

In thousands of tenge	**31 December 2019**	31 December 2018
Current accounts in Kazakhstani banks in USD	148,824	91,289
Reverse REPO transactions	140,098	30,036
Cash on brokerage accounts in US dollars	91,724	13,723
Current accounts in Kazakhstani banks in tenge	24,953	28,173
Cash on hand	281	607
	405,880	**163,828**

As at 31 December 2019 and 2018, cash and cash equivalents were neither overdue nor impaired. As at 31 December 2019 and 2018, the Company concluded reverse REPO agreements at Kazakhstan Stock Exchange. Governmental securities were received as collateral under these agreements. As at 31 December 2019 and 2018, fair value of collateral under these agreements made up 140,291 thousand tenge and 30,058 thousand tenge, respectively.

6. COMMISSION RECEIVABLES

As at 31 December commission receivable comprised the following:

In thousands of tenge	31 December 2019	31 December 2018
Commission receivable for consulting services	22,737	84,610
Commission receivable for brokerage services	16,703	16,334
Commission receivable for assets management	1,600	193
Less: allowance for expected credit losses	(583)	(2,916)
	40,457	**98,221**

As at 31 December 2019 and 2018, commission receivable was denominated in tenge and was neither overdue nor impaired.

For the years ended 31 December 2019 and 2018, the movement in allowance for expected credit losses on receivables compromised the following:

In thousands of tenge	2019	2018
As at 1 January	**(2,916)**	–
Restored/(accrued) for the year	2,333	(2,916)
As at 31 December	**(583)**	**(2,916)**

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2019 and 2018, financial assets at fair value through other comprehensive compromised the following:

In thousands of tenge	31 December 2019	31 December 2018
Debt securities at fair value through other comprehensive income		
Eurobonds of Kazakhstan financial institutions		
With credit rating from B- to B+	–	161,460
With credit rating from BB- to BB+	62,268	156,623
Eurobonds of Kazakhstan non-financial institutions		
With credit rating from BBB to BBB+	81,265	180,930
	143,533	**499,013**

Below is an analysis of the changes in gross book value and the corresponding estimated allowance for ECL for debt securities at fair value through other comprehensive income:

Debt securities at fair value through other comprehensive income	Stage 1	Total
Gross book value as at 1 January 2019	399,025	**399,025**
Reserve adjustment	(3,772)	**(3,772)**
Purchased assets	66,576	**66,576**
Changes in accrued interest	3,077	**3,077**
Fair value revaluation	(39,854)	**(39,854)**
Forex gain	73,961	**73,961**
As at 31 December 2019	**499,013**	499,013
Reserve adjustment	(169)	**(169)**
Purchased assets	(355,480)	**(355,480)**
Changes in accrued interest	3,581	**3,581**
Fair value revaluation	1,272	**1,272**
Forex loss	(4,684)	**(4,684)**
As at 31 December 2018	**143,533**	**143,533**

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Debt securities at fair value through other comprehensive income	Stage 1	Total
Estimated allowance as at 1 January 2018	–	–
Allowance adjustment	(3,772)	(3,772)
As at 31 December 2018	**(3,772)**	**(3,772)**
Allowance adjustment	(169)	(169)
As at 31 December 2019	**(169)**	**(169)**

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December financial assets at fair value through profit or loss are presented as follows:

In thousands of tenge	31 December 2019	31 December 2018
Foreign companies' equity instruments at fair value through profit or loss		
With credit rating from BBB- to BBB+	117,711	193,780
With credit rating from BB- to BB+	9,765	17,782
Without rating	398,339	469,412
Debt instruments at fair value through profit and loss of Kazakhstan companies		
With credit rating from BB- to BB+	84,449	127,889
	610,264	**808,863**

Credit ratings are presented in accordance with the standards of the Standard and Poor's rating Agency or similar standards of other international rating agencies.

9. PROPERTY AND EQUIPMENT

As at 31 December 2019 and 2018, property and equipment compromised the following:

In thousands of tenge	Vehicles	Machinery and equipment	Other	Right-of-use assets (Note 3)	Total
Initial cost					
At 31 December 2017	53,141	29,791	9,955	–	92,887
Additions	–	16,370	3,540	–	19,910
Disposals	–	(2,054)	(600)	–	(2,654)
At 31 December 2018	**53,141**	**44,107**	**12,895**	–	**110,143**
The effect of the adoption of IFRS 16 (Note 3)	–	–	–	**174,350**	**174,350**
At 1 January 2019	**53,141**	**44,107**	**12,895**	**174,350**	**284,493**
Additions	–	**6,538**	**1,975**	–	**8,513**
Disposals	–	**(169)**	–	–	**(176)**
At 31 December 2019	**53,141**	**50,476**	**14,870**	**174,350**	**292,837**
Accumulated depreciation					
At 31 December 2017	**(11,087)**	**(16,065)**	**(4,972)**	–	**(32,124)**
Charge for the year	(5,288)	(5,964)	(1,617)	–	**(12,869)**
Disposals	–	2,044	257	–	**2,301**
At 31 December 2018	**(16,375)**	**(19,985)**	**(6,332)**	–	**(42,692)**
Charge for the year	(5,288)	(8,130)	(1,764)	(77,489)	**(92,671)**
At 31 December 2019	**(21,663)**	**(28,115)**	**(8,096)**	**(77,489)**	**(135,363)**
Net book value					
At 31 December 2018	**36,766**	**24,122**	**6,563**	–	**67,451**
At 31 December 2019	**31,478**	**22,361**	**6,774**	**96,861**	**157,474**

10. INTANGIBLE ASSETS

As at 31 December 2019 and 2018, intangible assets compromised the following:

In thousands of tenge	Licenses	Software	Other intangible assets	Total
Initial cost				
At 31 December 2017	8,562	11,683	2,527	**22,772**
Additions	1,213	24	–	**1,237**
At 31 December 2018	9,775	11,707	2,527	**24,009**
Additions	12	5,534	–	**5,546**
At 31 December 2019	**9,787**	**17,241**	**2,527**	**29,555**
Accumulated depreciation				
At 31 December 2017	(7,145)	(4,603)	(35)	**(11,783)**
Charge for the year	(803)	(1,728)	(10)	**(2,541)**
At 31 December 2018	**(7,948)**	**(6,331)**	**(45)**	**(14,324)**
Charge for the year	(1,279)	(2,824)	(6)	**(4,109)**
At 31 December 2019	**(9,227)**	**(9,155)**	**(51)**	**(18,433)**
Net book value				
At 31 December 2018	**1,827**	**5,376**	**2,482**	**9,685**
At 31 December 2019	**560**	**8,086**	**2,476**	**11,122**

11. TAXATION

The corporate income tax expenses comprised the following:

In thousands of tenge	2019	2018
Current corporate income tax expense	**415**	77,633
Deferred corporate income tax expense/(benefit)	**3,659**	(3,823)
Corporate income tax expense	**4,074**	**73,810**

	2019	2018
Profit before corporate income tax expense	**15,239**	330,519
Statutory tax rate	**20%**	20%
Theoretical income tax expenses at the statutory rate	**3,048**	**66,104**
Non-taxable income		
Non-taxable income from securities listed on KASE at the income accrual date	**(9,329)**	(3,222)
Non-deductible expenses		
Other non-deductible expenses	**10,355**	10,928
	4,074	**73,810**

Kazakhstan legal entities are obliged to file corporate income tax declarations. In accordance with the tax legislation of the Republic of Kazakhstan, corporate income tax rate for 2019 and 2018 was 20%.

Deferred corporate income tax assets and liabilities as of 31 December and their movements for the respective years comprise the following:

11. TAXATION (CONTINUED)

In thousands of tenge	2017	Origination and reversal of temporary differences in the statement of profit and loss	2018	Origination and reversal of temporary differences in the statement of profit and loss	2019
Tax effect of deductible temporary differences					
Impairment of available-for-sale securities	2,000	–	2,000	–	**2,000**
Provision for unused vacations	2,098	344	2,442	610	**3,052**
Expected credit losses	–	–	–	117	**117**
Consulting services	1,082	235	1,317	(1,317)	–
Taxes other than income tax	165	3,732	3,897	(3,897)	–
Deferred tax asset	**5,345**	**4,311**	**9,656**	**(4,487)**	**5,169**
Tax effect of deductible temporary differences					
Property and equipment and intangible assets	(838)	(488)	(1,326)	1,030	**(296)**
Taxes other than corporate income tax	–	–	–	(202)	**(202)**
Deferred tax liability	**(838)**	**(488)**	**(1,326)**	**828**	**(498)**
Net deferred corporate income tax assets	**4,507**	**3,823**	**8,330**	**(3,659)**	**4,671**

12. OTHER ASSETS

As at 31 December, other assets comprised the following:

In thousands of tenge	31 December 2019	31 December 2018
Advances paid for goods and services	18,574	13,221
Office rental guarantee payments	13,832	13,832
Deferred expenses	4,814	4,654
Advance payments to employees	800	5,204
Other assets	4,334	2,984
	42,354	**39,895**

13. SHARE CAPITAL

As at 31 December 2019 and 2018, the Company has 800,000 issued shares, of which 729,798 shares were fully paid by shareholders at a placement price of 1,021 tenge per common share for a total of 744,798 thousand tenge.

Each common share is entitled to one vote and shares rank equally for dividends. On 31 May 2018, the Annual general shareholders meeting decided to pay dividends on common shares in the amount of 59,997 thousand tenge from 2017 net income. The amount of the dividend per one common share of the Company was 82.21 tenge. No dividends were declared or paid in 2019.

14. OTHER LIABILITIES

As at 31 December, other liabilities comprised the following:

In thousands of tenge	31 December 2019	31 December 2018
Amounts due to employees	31,819	356,912
Accrual for unused vacations	18,305	14,280
Taxes payable other than corporate income tax	15,025	47,633
Accounts payable	579	23,580
Other liabilities	5,415	9,959
	71,143	**452,364**

15. FEE AND COMMISSION INOME FROM FIDUCIARY ASSETS

Revenue from contracts with clients

The Company's revenue under contracts with customers is mainly represented by commission income.

Fee and commission income from trust and asset management activities for the years ended 31 December 2019 and 2018 comprised the following:

In thousands of tenge	2019	2018
Fee and commission income from fiduciary assets	23,600	570,971
	23,600	**570,971**

In accordance with the contract for asset management, the Company receives success fees from the actual income received / client remuneration on financial instruments, depending on the type of income received. In accordance with contracts for asset management with other clients, the commission depends on the size of assets under the management. During 2018, the Company placed assets of other clients under trust management in short-term deposits in SB Sberbank JSC and Halyk Bank JSC at market rates, as well as in securities on foreign markets and issued loans to Kazakhstani companies.

In 2019, Real Estate Joint Stock Investment Fund Sputnik Joint Stock Company and Closed-End Risk Investment Unit Investment Fund Khan Tengri were under trust management of the Company.

16. INCOME FROM CONSULTNG AND UNDERWRITING SERVICES

Income from consulting and underwriting services for the years ended 31 December 2019 and 2018 is presented as follows:

In thousands of tenge	2019	2018
Fee and commission income from consulting and underwriting services	273,772	250,711
	273,772	**250,711**

17. INCOME FROM BROKARAGE AND NOMINAL HOLDERS SERVICES

Income from brokerage and nominal holders services for the years ended 31 December 2019 and 2018, is presented as follows:

	2019	2018
Brokerage income	481,904	469,496
	481,904	**469,496**

18. INTEREST INCOME

Interest income for the years ended 31 December 2019 and 2018, is presented as follows:

In thousands of tenge	2019	2018
Financial assets at fair value through profit or loss	**25,705**	41,715
Reverse REPO transactions	**1,247**	15,226
Amounts due from credit institutions	–	1,964
	26,952	**58,905**

19. PERSONNEL EXPENSES

Personnel expenses for the years ended 31 December are presented as follows:

In thousands of tenge	2019	2018
Salaries and other benefits	372,035	687,913
Social security contributions	33,360	64,925
	405,395	**752,838**

20. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December 2019 and 2018, comprised the following:

In thousands of tenge	2019	2018
Amortization of right-of-use assets	77,489	–
Informational services	45,457	35,644
Office maintenance	37,565	37,425
Rent expenses	31,561	96,638
Professional services	29,832	34,505
Taxes other than corporate income tax	23,269	28,552
Security and insurance	9,093	3,657
Bank services	8,284	4,728
Travel expenses	7,421	6,261
Communication services	6,146	4,968
Representative expenses	5,981	3,924
Membership fee	2,372	1,143
Personnel training and recruiting	1,433	845
Advertisement	1,345	1,672
Other	2,728	2,776
	289,976	**262,738**

21. COMMINTMENTS AND CONTINGENCIES

The environment in which the financial and economic activities of the Company are carried out

The economy of the Republic of Kazakhstan continues to show the features inherent in developing countries. Among others, such characteristics include the absence of a freely convertible national currency outside the country and a low level of liquidity of bonds and shares in the markets.

Prospects for the economic stability of the Republic of Kazakhstan substantially depend on the effectiveness of economic measures taken by the Government, as well as the development of the legal, regulatory and political systems that are outside the scope of control of the Company.

21. COMMINTMENTS AND CONTINGENCIES (CONTINUED)

The environment in which the financial and economic activities of the Company are carried out (continued)

The financial condition and future activities of the Company may deteriorate due to continuing economic problems inherent in a developing country. Management cannot predict either the degree or duration of economic difficulties or assess their impact, if any, on these financial statements. The Company's management believes that it is taking all the necessary measures to maintain the economic sustainability of the Company in these conditions. However, further deterioration of the situation in the areas described above may adversely affect the results and financial position of the Company. At the present time it is impossible to determine exactly what this influence might be.

Legal actions and Claims

In the ordinary course of business, the Company is subject to legal actions and complaints. The Company believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial position or results of operations of the Company. The Company assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated.

22. FINANCIAL RISK MANAGEMENT POLICY

Risk is inherent in the Company's activities. The Company manages these risks through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into currency and interest rate risks and equity price risk. It also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Company's strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the responsibility to monitor the overall risk process within the Company.

Risk management

The Risk Management Unit has the overall responsibility for the development of the risk strategy, implementing and maintaining risk related procedures to ensure an independent control process. This unit is also responsible for monitoring risks associated with the Company's compliance with risk principles, frameworks, policies and limits.

Risk measurement and reporting systems

The Company's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Company also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

22. FINANCIAL RISK MANAGEMENT POLICY (CONTINUED)

Risk measurement and reporting systems (continued)

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept. In addition, the Company monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

For all levels throughout the Company, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of cash and cash equivalents, amount due from credit institutions and commission receivable. While the Company may be subject to losses in the event of non-performance by its counterparties, the management of the Company does not expect such losses to occur in the selection of counterparties.

At the year end, leading international rating agencies lowered their long-term counterparty ratings for a large number of Kazakhstani banks and corporations. In the management's view, the maximum exposure to the credit risk arising from the cash and cash equivalents, amount due from credit institutions held with local banks is equal to the carrying amounts of these assets.

Where financial instruments are recorded at fair value, the amounts in the table represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Impairment assessment

From 1 January 2018, the Company calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD	The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
EAD	The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD	The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

22. FINANCIAL RISK MANAGEMENT POLICY (CONTINUED)

Impairment assessment (continued)

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company has developed a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Credit quality by classes of financial assets

The table below presents an analysis of the credit quality in terms of asset classes for the credit-related items of the statement of financial position based on the Company's credit rating system.

31 December 2019	Note		Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents, except for cash on hand	5	Stage 1	405,599	–	–	**405,599**
Commission receivable	6	Stage 1	40,457	–	–	**40,457**
Financial assets at fair value through other comprehensive income	7	Stage 1	143,533	–	–	**143,533**
Financial assets at fair value through profit or loss	8	Stage 1	211,925	398,339	–	**610,264**
Total			**801,514**	**398,339**	–	**1,199,853**

31 December 2018	Note		Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents except for cash on hand	5	Stage 1	163,221	–	–	**163,221**
Commission receivable	6	Stage 1	98,215	–	–	**98,215**
		Stage 3	–	–	6	**6**
Financial assets at fair value through other comprehensive income	7	Stage 1	499,013	–	–	**499,013**
Financial assets at fair value through profit or loss	8	Stage 1	339,451	469,412		**808,863**
Total			**1,099,900**	**469,412**	**6**	**1,569,318**

Geographical concentration

Investment Committee of the Company exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Company's activity. Investment Committee is an advisory body of the Company created and approved by the Management Board, which makes investment decisions in respect of own assets and assets under trust management. This approach allows the Company to minimize potential losses from the investment climate fluctuations in the Republic of Kazakhstan. The financial assets and financial liabilities of the Company are concentrated in the Republic of Kazakhstan.

22. FINANCIAL RISK MANAGEMENT POLICY (CONTINUED)

Liquidity risk and funding management

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. Also, it manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis.
The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The tables below indicate the currencies to which the Company had significant exposure at 31 December on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the tenge, with all other variables held constant on the statement of comprehensive income. The negative amount in the table reflects a potential net reduction in the income, while a positive amount reflects a net potential increase.

Currency	Change in exchange rates in % 2019	Effect on profit before tax 2019	Change in exchange rates in % 2018	Effect on profit before tax 2018
US Dollar	+10.00%	90,269	+10.00%	127,725
	-10.00%	(90,269)	-10.00%	(127,725)

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual shares. The non-trading equity price risk exposure arises from the Company's investment portfolio.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls include effective segregation of duties, access rights, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

Procedures of fair value measurement

The Company determines the policies and procedures for both recurring fair value measurement, such as unquoted financial assets at fair value through profit or loss and financial assets through other comprehensive income, unquoted derivatives, investment property and for non-recurring measurement, such as assets held for sale.

External valuers are involved for valuation of significant assets, such as properties, trading and available-for-sale securities and derivatives. Involvement of external valuers is decided upon annually after discussion with and approval by the Company's audit committee.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Procedures of fair value measurement (continued)

Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

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 investment committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. Together with the external appraisers, the Company also compares each change in fair value of each asset and liability with relevant external sources to determine whether this change is reasonable. The Company and its external appraisers provide the assessment results on a periodic basis to the audit committee and independent auditors of the Company. In addition, main assumptions used during the appraisal are discussed.

Fair value hierarchy

For the purpose of disclosing the fair values, the Company determined classes of assets and liabilities based on the assets and liabilities nature, characteristics and risks as well as the hierarchy of fair value sources.

The Company uses the following hierarchy for determining the fair value of financial instruments and disclosing information about it, depending on the 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.

In thousands of tenge		Fair value measurement using			
As at 31 December 2019	**Date of valuation**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets at fair value					
Financial assets at fair value through profit or loss	31 December 2019	143,533	–	–	**143,533**
Financial assets at fair value through other comprehensive income	31 December 2019	610,264	–	–	**610,264**
Assets and liabilities for which fair value is disclosed					
Cash and cash equivalents	31 December 2019	405,880	–	–	**405,880**
Commission receivable	31 December 2019	–	–	40,457	**40,457**
Lease liabilities	31 December 2019	–	(101,852)	–	**(101,852)**
Other liabilities	31 December 2019	–	–	(32,398)	**(32,398)**

23. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

In thousands of tenge		Fair value measurement using			
As at 31 December 2018	**Date of valuation**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets at fair value					
Financial assets at fair value through profit or loss	31 December 2018	499,013	–	–	**499,013**
Financial assets at fair value through other comprehensive income	31 December 2018	808,863	–	–	**808,863**
Assets and liabilities for which fair value is disclosed					
Cash and cash equivalents	31 December 2018	163,828	–	–	**163,828**
Commission receivable	31 December 2018	–	–	98,221	**98,221**
Other liabilities	31 December 2018	–	–	(380,492)	**(380,492)**

Fair value of financial assets and liabilities not carried at fair value

Fair value of financial assets and liabilities not carried at fair value approximates to their carrying amount.

Valuation methods and assumptions

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

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 their fair value approximates to the carrying amount. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

24. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled:

			2019			2018
	Within one year	**More than one year**	**Total**	Within one year	More than one year	Total
Assets						
Cash and cash equivalents	**405,880**	–	**405,880**	163,828	–	163,828
Commission receivable	**40,457**	–	**40,457**	98,221	–	98,221
Financial assets at fair value through profit or loss	**610,264**	–	**610,264**	808,863	–	808,863
Financial assets at fair value through other comprehensive income	–	**143,533**	**143,533**	–	499,013	499,013
Plant and equipment	–	**157,474**	**157,474**	–	67,451	67,451
Intangible assets	–	**11,122**	**11,122**	–	9,685	9,685
Deferred tax assets	–	**4,671**	**4,671**	–	8,330	8,330
Current corporate income tax assets	**51,594**	–	**51,594**	26,448	–	26,448
Other assets	**42,354**	–	**42,354**	39,895		39,895
Total	**1,150,549**	**316,800**	**1,467,349**	**1,137,255**	**584,479**	**1,721,734**

24. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

Liabilities						
Lease liabilities	–	101,852	101,852	–	–	–
Other liabilities	71,143	–	71,143	452,364	–	452,364
Total	71,143	101,852	172,995	452,364	–	452,364
Net position	1,079,406	214,948	1,294,354	684,891	584,479	1,269,370

25. RELATED PARTY TRANSACTIONS

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or 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.

Related parties may enter transactions which unrelated parties might not. Transactions between related parties may not be affected on the same terms, conditions and amounts as transactions between unrelated parties.

During 2016, the Company entered into an agreement with one of the shareholders of the Company to provide services under a trust management agreement. Under this agreement, the Company received a commission income from asset management in the amount of 815.5 thousand tenge for 2018, as well as the provision of financial consulting services and nominal holding services in the amount of 1,075 thousand tenge.

Compensation to key management personnel

Below is information on the amount of remuneration to 9 members (in 2018: 5 members) of key management personnel:

In thousands of tenge	2019	2018
Salaries and other payments	80,355	225,887
Social security contributions	6,282	20,368
Total compensation to key management personnel	**86,637**	**246,255**

26. CAPITAL ADEQUACY

The Company maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Company's capital is monitored using, among other measures, the ratios established by the NBRK.

During 2018, the Company had complied in full of all its capital requirements established by the NBRK.

The main goal of capital management for the Company is to ensure compliance with external capital requirements and maintain a high credit rating and capital adequacy ratios necessary to carry out activities and maximize shareholder value.

The NBRK requires from companies managing the investment portfolio to maintain a capital adequacy ratio of not less than 1. Liquid assets and liabilities calculated in accordance with the NBRK requirements were derived from the Company's financial statements.

As at 31 December 2019 and 2018, the Company's capital adequacy ratio exceeded the regulatory minimum and amounted to:

	2019	2018
Liquid assets	**930,024**	1,140,912
Liabilities	**(172,995)**	(452,364)
Net liquid assets	**757,029**	688,548
Minimum capital established by the NBRK	**270,577**	259,200
Capital adequacy ratio	**2.80**	2.66

27. TRUST MANAGEMENT OPERATIONS

The Company provides asset management services to mutual funds and other companies, which implies that the Company makes decisions on allocation of assets received. Assets that are held in a fiduciary capacity are not included in these financial statements.

On 11 January 2019, the National Bank of the Republic of Kazakhstan agreed on amendments to the Rules of SkyBridge Khan Tengri Closed Share Investment Fund for Risk Investing, established in 2007. On 28 December 2018, the Company established and on 19 February 2019 registered the Interval Mutual Investment Fund SBI Sustainable. As at 31 December 2019, no initial placements were made and funds for trust management were not received.

The Company carries out investment portfolio management activities for the following funds (hereinafter collectively referred to as the "Funds"):

- Real Estate Joint Stock Investment Fund Sputnik Joint Stock Company (hereinafter – "AIFN Sputnik JSC");
- Closed-End Risk Investment Unit Investment Fund Khan Tengri (hereinafter – "Khan Tengri ZPIFRI").

REPORT ON THE ASSETS OF AIFN SPUTNIK JSC UNDER THE MANAGEMENT OF SKYBRIDGE INVEST JSC

As at 31 December 2019

In thousands of tenge	**31 December 2019**	31 December 2018
Assets		
Cash and cash equivalents	**17,863**	–
Investment property	**6,763,473**	–
Other assets	**67**	–
Total assets available to the fund	**6,781,403**	–
Liabilities		
Lease advances received	**129,648**	–
Liabilities to the management company and the custodian	**950**	–
Total liabilities	**130,598**	–
Net assets value available to the fund	**6,650,805**	–

PROFIT OR LOSS STATEMENT ON ASSETS OF AIFN SPUTNIK UNDER THE MANAGEMENT OF SKYBRIDGE INVEST JSC

For the year ended 31 December 2019

In thousands of tenge	2019	2018
Net assets of the fund under the trust management as at 1 January	–	–
Income from the receipt of assets	6,710,497	–
Rental income	207,602	–
Income from REPO	562	–
Commission expenses	(2,856)	–
Withdrawal of client assets	(265,000)	–
Changes in net assets for the period	6,650,805	–
Net assets value of the fund under the trust management as at 31 December	6,650,805	–

REPORT ON ASSETS OF ZPIFRI KHAN TENGRI UNDER THE MANAGEMENT OF SKYBRIDGE INVEST JSC

In thousands of tenge	**31 December 2019**	31 December 2018
Assets		
Cash and cash equivalents	**240,686**	–
Trading securities	**36,921,900**	–
Total assets available to the fund	**37,162,586**	–
Liabilities		
Liabilities to the management company and custodian	**1,712**	–
Total obligations	**1,712**	–
Net assets value available to the fund	**37,160,874**	–

PROFIT OR LOSS STATEMENT FOR ASSETS OF ZPIFRI KHAN TENGRI UNDER THE MANAGEMENT OF SKYBRIDGE INVEST JSC

In thousands of tenge	2019	2018
Net assets of the fund transferred to management as at 1 January	–	–
Proceeds from the placement of securities	38,460,000	–
Income from dividends	214,132	–
Income from revaluation of securities through profit and loss	18,371,434	–
Expenses from revaluation of securities through profit and loss	(19,851,658)	–
Commission expenses	(20,744)	–
Other expenses	(12,290)	–
Changes in net assets for the period	37,160,874	–
Net assets value of the fund under the trust management as at 31 December	37,160,874	–