SkyBridge Invest JSC

Financial statements

For the year ended 31 December 2016
with independent auditor's report

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To the Shareholders and Board of Directors of SkyBridge Invest JSC

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Opinion

We have audited the financial statements of SkyBridge Invest JSC (the Company), which comprise the statement of financial position as at 31 December 2016, and the statement of 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 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management 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 has no realistic alternative but to do so.

Auditor's responsibilities 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 Company'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 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.
- We communicate with management of the Company 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 on regulatory requirements of the Republic of Kazakhstan

Management of the Company is responsible for its compliance with regulatory requirements of the Republic of Kazakhstan related to preparation of the statements on assets of Joint Stock Venture "Investment Fund "Alem Capital" (the Fund), taken by the Company for investment management, for accounting and reporting for these assets and for maintenance of internal controls necessary to enable preparation of the statements on the Fund's assets taken for investment management.

In accordance with the Law of the Republic of Kazakhstan *On Investment Funds* No. 576-II dated 7 July 2004, during our audit we conducted review of compliance with regulatory requirements of the Republic of Kazakhstan related to accounting and reporting for the Fund's assets, taken by the Company for investment management. In our opinion, the accompanying statements on the Fund's assets taken by the Company for investment management, on pp. 26-27, comprising of the statement on assets of investment fund, statement of profit or loss on assets of investment fund are prepared, in all material respects, in accordance with the applicable legislation of the Republic of Kazakhstan.

28 April 2017

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

(In thousands of tenge)

	Notes	2016	2015
Assets			
Cash and cash equivalents	5	**335,442**	364,160
Amounts due from credit institutions	6	**267,181**	238,737
Commission receivable	7	**87,077**	190,526
Trading securities	8	**5,859**	6,633
Property and equipment	9	**51,695**	44,736
Intangible assets	10	**9,533**	7,667
Deferred corporate income tax assets	11	**5,753**	7,643
Current corporate income tax prepaid		**31,838**	9,282
Other assets	12	**21,476**	19,890
Total assets		**815,854**	889,274
Liabilities			
Other liabilities	13	**194,202**	358,449
Total liabilities		**194,202**	358,449
Equity			
Share capital	14	**744,798**	744,798
Accumulated deficit		**(123,146)**	(213,973)
Total equity		**621,652**	530,825
Total equity and liabilities		**815,854**	889,274

Signed and authorized for issue on behalf of the Management Board of the Company:

Ainabayeva Sh.R. Chairman of the Management Board

Tsikunova O.B. Chief accountant

28 April 2017

The accompanying notes on pages 5 to 27 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

(In thousands of tenge)

	Notes	2016	2015
Fee and commission income from asset management	16	**622,964**	859,456
Income from consulting and underwriting services	17	**19,014**	7,855
Interest income		**10,843**	21,614
Income from brokerage and nominal holder services	18	**95,064**	61,907
Net income from foreign currencies operations		**30,283**	612,934
Other income	19	**713**	6,458
Operating income		**778,881**	1,570,224
Personnel expenses	20	**(448,783)**	(575,195)
General and administrative expenses	21	**(174,217)**	(77,803)
Expenses on brokerage services		**(27,260)**	(12,018)
Depreciation of property and equipment and amortization of intangible assets	9, 10	**(12,003)**	(8,946)
Net (loss)/gain on dealing with trading securities	8	**(533)**	12,204
Operating expenses		**(662,796)**	(661,758)
Profit before corporate income tax expense		**116,085**	908,466
Corporate income tax expense	11	**(25,258)**	(177,860)
Profit for the year		**90,827**	730,606
Other comprehensive income		**–**	–
Total comprehensive income for the year		**90,827**	730,606

The accompanying notes on pages 5 to 27 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

(In thousands of tenge)

	Share capital	*Accumulated deficit*	*Total*
At 31 December 2014	744,798	(258,474)	486,324
Profit for the year	–	730,606	730,606
Other comprehensive income for the year	–	–	–
Total comprehensive income for the year	–	730,606	730,606
Dividends *(Note 14)*	–	(686,105)	(686,105)
At 31 December 2015	744,798	(213,973)	530,825
Profit for the year	**–**	**90,827**	**90,827**
Other comprehensive income for the year	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**90,827**	**90,827**
Dividends *(Note 14)*	**–**	**–**	**–**
At 31 December 2016	**744,798**	**(123,146)**	**621,652**

The accompanying notes on pages 5 to 27 are an integral part of these financial statements.

STATEMET OF CASH FLOWS

For the year ended 31 December 2016

(In thousands of tenge)

	Notes	*2016*	*2015*
Operating activities			
Profit before corporate income tax expense		**116,085**	908,466
Adjustments to reconcile profit before income tax to net cash flows			
Interest income		**(10,843)**	(1,810)
Depreciation and amortisation		**12,003**	8,946
Loss on disposal of property and equipment		**263**	–
Loss/(gain) from changes in fair value of securities		**533**	(444)
Unused vacation reserve		**(1,522)**	16,708
Provision for fine		**–**	1,061
Net income from foreign currencies operations, unrealized		**(20,414)**	(614,698)
Changes in working capital			
Decrease/(increase) in commission receivable		**103,449**	(87,264)
Increase in other assets		**(1,586)**	(11,119)
(Decrease)/increase in other liabilities		**(162,725)**	108,873
Cash flows from operating activities		**35,243**	328,719
Interest received		**9,531**	20,062
Corporate income tax paid		**(45,221)**	(275,329)
Net cash flows (used in)/received from operating activities		**(447)**	73,452
Investing activities			
Purchase of property and equipment	9	**(17,098)**	(25,602)
Purchase of intangible assets		**(3,993)**	(58)
Proceeds from sale of securities		**–**	283,464
Placement/(withdrawal) of deposits		**(33,343)**	534,763
Net cash flows (used in)/received from investing activities		**(54,434)**	792,567
Financing activities			
Dividends paid	14	**–**	(686,105)
Net cash flows used in financing activities		**–**	(686,105)
Net change in cash and cash equivalents		**(54,881)**	179,914
Effect of changes in exchange rates on cash and cash equivalents		**26,163**	34,271
Cash and cash equivalents, as at 1 January		**364,160**	149,975
Cash and cash equivalents, as at 31 December	5	**335,442**	364,160
Non-cash operations			
Witholding corporate income tax		**703**	838

The accompanying notes on pages 5 to 27 are an integral part of these financial statements.

(In thousands of tenge unless otherwise indicated)

1. Corporate information

SkyBridge Invest JSC ("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.

As at 31 December 2016 and 2015, the shareholders of the Company were as follows:

	31 December 2016	***31 December 2015***
Yeskindirov Adl Makhmudovich	**91.0%**	91.0%
Sky Securities LLP	**9.0%**	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 28 April 2017.

2. Basis of preparation

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

These financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these financial statements. The financial statements are presented in tenge and all amounts are rounded to the nearest thousand, except when otherwise indicated.

3. Summary of significant accounting policies

Changes in accounting policy

The Company applied the following revised IFRS's and interpretations effective for annual reporting periods starting on 1 January 2016.

The Company has adopted the following amended IFRS which are effective for annual periods beginning on or after 1 January 2016:

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016. These amendments had no impact on the Company's accounting policy.

(In thousands of tenge unless otherwise indicated)

3. Summary of significant accounting policies (continued)

Changes in accounting policy (continued)

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements*. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (continued)

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016. These amendments had no impact on the Company's accounting policy.

Annual improvements 2012-2014 cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include, in particular:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively. The amendment had no impact on the Company's accounting policy.

IFRS 7 Financial Instruments: Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments. These amendments had no impact on the Company's accounting policy.

Fair value measurement

The Company measures such financial instrument as available-for-sale securities, derivatives at fair value at each reporting date. Information on fair value of financial instruments measured at amortized cost is disclosed in *Note 23*.

The fair value is a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

(In thousands of tenge unless otherwise indicated)

3. Summary of significant accounting policies (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

In the event of assets and liabilities recognized in the financial statements on a regular basis, the Company determines the fact of transfer between levels of hierarchy sources by analysing the classification once again (based on initial data of the lowest level that are significant for fair value evaluation in whole) at the end of each reporting period.

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, receivables, or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

Date of recognition

All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Accounts receivable

Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trading securities

Trading securities are included in the category ‘financial assets at fair value through profit or loss’. Securities are classified as trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss.

Reclassification of financial assets

A financial asset classified as available for sale that would have met the definition of receivables may be reclassified to receivables category if the Company has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss previously recognized in profit or loss is not reversed. The fair value of the financial asset as at the date of reclassification becomes its new cost or amortised cost.

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.

(In thousands of tenge unless otherwise indicated)

3. Summary of significant accounting policies (continued)

Amounts due from credit institutions

In the normal course of business, the Company maintains current accounts or places deposits for various periods of time with different banks. Amounts from credit institutions with fixed maturity are subsequently measured at amortized cost using an effective interest rate. Amounts without fixed maturity are stated at cost. Amounts due from credit institutions are recorded less any allowances for impairment.

Leases

Operating – Company as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

Measurement of financial instruments at initial recognition

When financial instruments are recognised initially, they are measured at fair value, adjusted, in the case of instruments not at fair value through profit or loss, for directly attributable fees and costs.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price. If the Company determines that the fair value at initial recognition differs from the transaction price, then:

- If the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the Company recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss.
- In all other cases, the initial measurement of the financial instrument is adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Company recognises the deferred difference as a gain or loss only when the inputs become observable, or when the instrument is derecognized.

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.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Amounts due from credit institutions and receivables

For amounts due from credit institutions and receivables carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment of impairment.

(In thousands of tenge unless otherwise indicated)

3. Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Amounts due from credit institutions and receivables (continued)

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' current amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Amounts due from credit institutions together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred by the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If the amounts due from credit institutions have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Company's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Company or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Available-for-sale financial investments

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss − measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss − is reclassified from other comprehensive income to statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income; increases in their fair value after impairment are recognised in other comprehensive income.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and
- The Company either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(In thousands of tenge unless otherwise indicated)

3. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial assets (continued)

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

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 utilised. Deferred corporate income tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

The Republic of Kazakhstan also has various operating taxes that are assessed on the Company's activities. These taxes, exclusive of corporate income tax, are included in the statement of comprehensive income as operating 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:

	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 are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised 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.

(In thousands of tenge unless otherwise indicated)

3. Summary of significant accounting policies (continued)

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.

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

Contingencies

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

Revenue and expense recognition

Revenue is recognised 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 recognised:

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as trading and available-for-sale instruments, interest income or expense is recorded at the effective interest rate, which 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 income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Revenue

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

Fee and commission income

Fee and 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.

(In thousands of tenge unless otherwise indicated)

3. Summary of significant accounting policies (continued)

Revenue and expense recognition (continued)

Income from advisory services

Income received by the Company during a certain period of time for rendering different advisory services are accrued during this period based on the amount of works performed.

Expenses

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

Foreign currency translation

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 recognised 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 KASE exchange rates as at 31 December 2016 and 2015 were KZT 333.29 and KZT 340.01 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 those standards when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by fair value through profit or loss, fair value through other comprehensive income, and amortised cost categories. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through other comprehensive income instruments as fair value through profit or loss, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as fair value through other comprehensive income, with no subsequent reclassification of gains or losses to the income statement. The accounting for financial liabilities will largely be the same as the requirements of IAS 39.

IFRS 9 will also fundamentally change the approach to loan impairment. The standard will replace IAS 39's incurred loss approach with a forward-looking expected credit loss approach. The Company will be required to record an allowance for expected losses for all loans and other debt financial assets not carried at fair value through profit or loss, as well as for loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case the allowance would be based on the probability of default over the life of the asset.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not required; the effect on the transition date – 1 January 2018 – would be recorded in retained earnings. The adoption of IFRS 9 is expected to have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities. The Company expects a significant impact on its equity due to adoption of IFRS 9 impairment requirements, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(In thousands of tenge unless otherwise indicated)

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 *Leases*).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The Company does not anticipate early adopting IFRS 15 and is currently evaluating its impact.

IFRS 16 Leases

The IASB issued the new standard for accounting for leases – IFRS 16 *Leases* in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. The Company does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

Amendments to IAS 12 Income Taxes

In January 2016, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The Company does not anticipate that adopting the amendments would have a material impact on its financial statements.

Amendments to IAS 7 Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 *Statement of Cash Flows* with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017. The Company is currently evaluating the impact.

4. Significant accounting judgements and estimates

In the process of applying the Company's accounting policies, management has used its judgment and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements 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 judgement is required in establishing fair values. More details are provided in *Note 23*.

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 nonexistent and insignificant amount of precedents has been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; 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.

(In thousands of tenge unless otherwise indicated)

4. Significant accounting judgements and estimates (continued)

Taxation (continued)

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:

	2016	*2015*
Reverse REPO transactions	**243,252**	–
Current accounts in Kazakhstani banks in USD	**15,212**	355,259
Current accounts in Kazakhstani banks in KZT	**76,929**	7,887
Cash on hand	**49**	1,014
	335,442	364,160

As at 31 December 2015 and 2016, cash and cash equivalents were neither overdue nor impaired. As at 31 December 2016, the Company concluded reverse REPO agreements with Kazakhstan Stock Exchange. Governmental securities are pledged under these agreements.

6. Amounts due from credit institutions

As at 31 December 2016, the Company had short-term deposit with Halyk Bank of Kazakhstan JSC in the total amount of KZT 266,632 thousand or equivalent to USD 800 thousand with interest rate of 1.5% per annum. As at 31 December 2016, the amount of accrued and not paid interest was equal to KZT 549 thousand.

As at 31 December 2015, the Company had a short-term deposits with Halyk Bank Kazakhstan JSC in the total amount of KZT 238,007 thousand (or equivalent to USD 700 thousand) with an interest rate of 1.6% per annum. As at 31 December 2015, the amount of accrued and not paid interest was equal to KZT 730 thousand.

7. Commission receivable

As at 31 December, commission receivable comprised the following:

	2016	*2015*
Commission for asset management	**78,995**	190,526
Commission for brokerage services	**8,082**	–
	87,077	190,526

As at 31 December 2016 and 2015, commission receivable was denominated in tenge and was neither overdue nor impaired.

8. Trading securities

As at 31 December, trading securities comprised the following:

	2016	*2015*
Corporate bonds of Kazakhstani financial institutions	**5,859**	6,633
	5,859	6,633

In November 2015, the Company sold all NC KazMunaiGas JSC eurobonds due to early redemption of eurobonds, announced by the issuer. In 2015, the Company recognized the following types of income from operations with these securities:

- Income in the amount of KZT 12,204 thousand, mainly due to increase in price of NC KazMunayGas JSC bonds from USD 0.87 per a bond to USD 0.90 per a bond;
- Income in the amount of KZT 4,681 thousand for early vote on corporate action announced by NC KazMunaiGas JSC. This income was recognized in the statement of comprehensive income as "Other income" *(Note 19)*.

(In thousands of tenge unless otherwise indicated)

9. Property and equipment

Movements in property and equipment were presented as follows:

	Other PPE	*Machinery and equipment*	*Vehicles*	*Total*
Cost				
At 31 December 2014	7,661	10,541	21,193	39,395
Additions	619	2,147	22,836	25,602
Disposals	(85)	(763)	–	(848)
At 31 December 2015	8,195	11,925	44,029	64,149
Additions	**2,895**	**14,203**	**–**	**17,098**
Disposals	**(2,233)**	**(220)**	**–**	**(2,453)**
At 31 December 2016	**8,857**	**25,908**	**44,029**	**78,794**
Accumulated depreciation				
At 31 December 2014	(2,743)	(5,643)	(4,470)	(12,856)
Charge for the year	(2,104)	(2,230)	(3,071)	(7,405)
Disposals	85	763	–	848
At 31 December 2015	(4,762)	(7,110)	(7,541)	(19,413)
Charge for the year	**(1,602)**	**(3,871)**	**(4,403)**	**(9,876)**
Disposals	**1,970**	**220**	**–**	**2,190**
At 31 December 2016	**(4,394)**	**(10,761)**	**(11,944)**	**(27,099)**
Net book value				
At 31 December 2014	4,918	4,898	16,723	26,539
At 31 December 2015	3,433	4,815	36,488	44,736
At 31 December 2016	**4,463**	**15,147**	**32,085**	**51,695**

10. Intangible assets

Movements in intangible assets were presented as follows:

	Licenses	*Software*	*Other intangibles*	*Total*
Cost				
At 31 December 2014	9,690	5,275	–	14,965
Additions	–	58	–	58
At 31 December 2015	9,690	5,333	–	15,023
Additions	**–**	**3,993**	**–**	**3,993**
Transfers	**(2,408)**	**2,357**	**51**	**–**
At 31 December 2016	**7,282**	**11,683**	**51**	**19,016**
Accumulated amortization				
At 31 December 2014	**(5,561)**	**(254)**	**–**	**(5,815)**
Charge for the year	(467)	(1,074)	–	(1,541)
At 31 December 2015	(6,028)	(1,328)	–	(7,356)
Charge for the year	**(699)**	**(1,418)**	**(10)**	**(2,127)**
Transfers	**123**	**(108)**	**(15)**	**–**
At 31 December 2016	**(6,604)**	**(2,854)**	**(25)**	**(9,483)**
Net book value				
At 31 December 2014	4,129	5,021	–	9,150
At 31 December 2015	3,662	4,005	–	7,667
At 31 December 2016	**678**	**8,829**	**26**	**9,533**

(In thousands of tenge unless otherwise indicated)

11. Taxation

The corporate income tax expenses comprise:

	2016	*2015*
Current income tax expense	**23,368**	172,744
Deferred tax expense – origination and reversal of temporary differences	**1,890**	5,116
Corporate income tax expense	**25,258**	177,860

	2016	*2015*
Profit before corporate income tax expense	**116,085**	908,466
Statutory tax rate	**20%**	20%
Theoretical income tax expenses at the statutory rate	**23,217**	181,693
Non-taxable income		
Non-taxable income from securities listed on KASE at the date of such income accrual	**–**	(5,759)
Non-deductible expenses		
Other non-deductible expenses	**2,041**	1,926
	25,258	177,860

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 2016 and 2015 was 20%.

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

	2014	*Origination and reversal of temporary differences in the income statement*	*2015*	*Origination and reversal of temporary differences in the income statement*	*2016*
Tax effect of deductible temporary differences					
Property and equipment and intangible assets	3,916	(1,685)	2,231	**(1,332)**	**899**
Impairment of available-for-sale securities	2,000	–	2,000	**–**	**2,000**
Provision for unused vacations	1,650	306	1,956	**(304)**	**1,652**
Consulting services	771	(28)	743	**457**	**1,200**
Taxes other than income tax	4,422	(3,709)	713	**(711)**	**2**
Total deferred corporate income tax assets	12,759	(5,116)	7,643	**(1,890)**	**5,753**

Kazakhstan currently has a Tax Code that relates to various taxes imposed by governmental authorities. Applicable taxes include income tax, social taxes, and others. Implementation of these regulations is often unclear or non-existent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; 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 substantial compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take different positions with regard to interpretive issues.

(In thousands of tenge unless otherwise indicated)

12. Other assets

As at 31 December, other assets comprised the following:

	2016	*2015*
Office rental guarantee payments	**10,981**	1,018
Deferred expenses	**5,832**	3,405
Advances paid for goods and services	**2,322**	15,276
Guarantee deposit to KASE	**1,000**	–
Advance payments to employees	**–**	158
Other assets	**1,341**	33
	21,476	19,890

13. Other liabilities

As at 31 December, other liabilities comprised the following:

	2016	*2015*
Amounts due to employees	**178,057**	304,350
Provision for unused vacations	**8,259**	9,781
Accounts payable	**507**	389
Taxes payable other than corporate income tax	**21**	39,000
Fines and penalties	**–**	1,061
Other liabilities	**7,358**	3,868
	194,202	358,449

14. Share capital

As at 31 December 2016 and 2015, the Company has 800,000 issued common shares, 729,798 of which are fully paid by the shareholders.

	2016			*2015*		
	Placement quantity	*Placement price in KZT*	*Placement amount, in thousands of tenge*	*Placement quantity*	*Placement price in KZT*	*Placement amount, in thousands of tenge*
Number of authorised, issued and paid common shares at 1 January	**704,798**	**1,000**	**704,798**	704,798	1,000	704,798
Number of authorised, issued and paid common shares at 1 January	**25,000**	**1,600**	**40,000**	25,000	1,600	40,000
Total number of authorised, issued and paid common shares at 1 January	**729,798**		**744,798**	729,798		744,798
Common shares authorised, issued and paid during the year	**–**		**–**	–		–
Number of authorised, issued and paid common shares at 31 December	**729,798**		**744,798**	729,798		744,798

Each common share is entitled to one vote and shares rank equally for dividends.

In 2016, the Company did not declare any dividends. In 2015, the Company declared dividends in the amount of KZT 686,105 thousand. On 20 May 2015, the Company paid dividends in the amount KZT 181,442 thousand and on 9 October 2015 – in the amount of KZT 504,663 thousand.

(In thousands of tenge unless otherwise indicated)

15. Commitments and contingencies

Political and economic environment

The Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

In 2015, the Kazakhstan economy continued to be negatively impacted by a significant decline in crude oil prices and a significant KZT devaluation. These factors resulted in a reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding further economic growth, which could negatively affect the Company's future financial position, results of operations and business prospects. The management of the Company believes that it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

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.

Operating lease commitments

Operating lease liabilities that could not be unilaterally cancelled, as at 31 December could be presented as follows:

	2016	*2015*
Not later than 1 year	**10,981**	2,432
	10,981	2,432

16. Fee and commission income from asset management

Fee and commission income for the years ended 31 December comprised the following:

	2016	*2015*
Fee and commission income from individual investors asset management	**622,964**	859,456
	622,964	859,456

In September 2013, the Company entered into agreement for asset management with SB Trust Management LLP under which the Company receives success fee on actually generated income/client's interest from financial instruments depending on type of income receivable. During 2015-2016, the Company placed assets under fiduciary management in short-term deposits in SB Sberbank JSC with interest rate of 5.5%-10.5% per annum, securities, and loans issued to KazAzot LLP and Industrial Zone Ordabasy LLP at interest rates set in Trust management agreement.

17. Income from consulting and underwriting services

Income from consulting and underwriting services for the years ended 31 December comprised the following:

	2016	*2015*
Fee and commission income from consulting and underwriting services	**19,014**	7,855
	19,014	7,855

18. Income from brokerage and nominal holder services

Income from brokerage and nominal holder services for the years ended 31 December comprised the following:

	2016	*2015*
Fee and commission income from brokerage and nominal holder services	**95,064**	61,907
	95,064	61,907

(In thousands of tenge unless otherwise indicated)

19. Other income

During 2015, other income was mainly presented by the income received by the Company in the amount of KZT 4,681 thousand from NC KazMunayGas JSC as a result of early voting on corporate action announced by NC KazMunayGas JSC *(Note 8)*.

20. Personnel expenses

Personnel expenses for the years ended 31 December comprised the following:

	2016	*2015*
Salaries and other benefits	**406,506**	520,340
Social security costs	**42,277**	54,855
	448,783	575,195

21. General and administrative expenses

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

	2016	*2015*
Office maintenance	**48,545**	10,700
Rent expenses	**46,362**	15,606
Informational services	**33,123**	11,333
Taxes other than corporate income tax	**21,843**	6,230
Professional services	**8,768**	16,934
Communication	**3,126**	3,238
Security and insurance	**2,795**	1,542
Bank charges	**1,795**	1,557
Stationary and other supplies	**1,625**	779
Travel expenses	**1,612**	742
Membership fee	**1,193**	595
Advertisement	**927**	959
Personnel training and recruiting	**378**	210
Representative expenses	**–**	5,145
Provision for fine	**–**	1,365
Charity	**106**	120
Other	**2,019**	748
	174,217	77,803

22. Risk management

Introduction

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.

(In thousands of tenge unless otherwise indicated)

22. Risk management (continued)

Introduction (continued)

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.

Internal audit

Risk management processes throughout the Company are audited annually by the internal audit function that examines both the adequacy of the procedures and the Company's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

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.

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 risks 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

The main considerations for the loan and advance paid impairment assessment comprise: whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Company addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

(In thousands of tenge unless otherwise indicated)

22. Risk management (continued)

Credit risk (continued)

Individually assessed allowances

The Company determines the allowances appropriate for each individually significant loan on an individual basis. Items considered when determining allowance amounts include: the sustainability of the counterparty's business plan; its ability to improve performance once a financial difficulty has arisen; projected receipts and the expected dividend payout should bankruptcy ensue; the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency such as Fitch, Standard & Poor's and Moody's. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

Below is the classification of the Company's financial assets based on credit ratings as at 31 December 2016:

	BBB	***BB***	***No credit rating***	***31 December 2016 Total***
Cash and cash equivalents (except for cash on hand)	**–**	**335,393**	**–**	**335,393**
Amounts due from credit institutions	**–**	**267,181**	**–**	**267,181**
Commission receivable	**–**	**–**	**87,077**	**87,077**

Below is the classification of the Company's financial assets based on credit ratings as at 31 December 2015:

	BBB	***BB***	***No credit rating***	***31 December 2015 Total***
Cash and cash equivalents (except for cash on hand)	–	363,146	–	363,146
Amounts due from credit institutions	–	238,737	–	238,737
Commission receivable	–	–	190,526	190,526

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.

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.

(In thousands of tenge unless otherwise indicated)

22. Risk management (continued)

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 % 2016*	*Effect on profit before tax 2016*	*Change in exchange rates in % 2015*	*Effect on profit before tax 2015*
US dollar	**13.00%**	**37,108**	+60.00%	355,960
	-13.00%	**(37,108)**	-20.00%	(118,653)
EUR	**15.00%**	**283**	–	–
	-15.00%	**283**	–	–

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 trading and available-for-sale securities, 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. 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.

(In thousands of tenge unless otherwise indicated)

23. Fair value of financial instruments (continued)

Fair value sources 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.

		Fair value measurement with the use of			
As at 31 December 2016	*Date of valuation*	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
Assets measured at fair value					
Trading securities	31 December 2016	**5,859**	**–**	**–**	**5,859**
Assets and liabilities for which fair value is disclosed					
Cash and cash equivalents	31 December 2016	**335,442**	**–**	**–**	**335,442**
Amounts due from credit institutions	31 December 2016	**–**	**–**	**267,181**	**267,181**
Commission receivable	31 December 2016	**–**	**–**	**87,077**	**87,077**
Other liabilities	31 December 2016	**–**	**–**	**(194,202)**	**(194,202)**

		Fair value measurement with the use of			
As at 31 December 2015	*Date of valuation*	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
Assets measured at fair value					
Trading securities	31 December 2015	6.633	–	–	6.633
Assets and liabilities for which fair value is disclosed					
Cash and cash equivalents	31 December 2015	364,160	–	–	364,160
Due from credit institutions	31 December 2015	–	–	238,737	238,737
Commission receivable	31 December 2015	–	–	190,526	190,526
Other liabilities	31 December 2015	–	–	(357,387)	(357,387)

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.

(In thousands of tenge unless otherwise indicated)

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:

	2016			*2015*		
	Within one year	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Assets						
Cash and cash equivalents	**335,442**	**–**	**335,442**	364,160	–	364,160
Amounts due from credit institutions	**267,181**	**–**	**267,181**	238,737	–	238,737
Commission receivable	**87,077**	**–**	**87,077**	190,526	–	190,526
Trading securities	**5,859**	**–**	**5,859**	6,633	–	6,633
Property and equipment	**–**	**51,695**	**51,695**	–	44,736	44,736
Intangible assets	**–**	**9,533**	**9,533**	–	7,667	7,667
Deferred corporate income tax assets	**–**	**5,753**	**5,753**	–	7,643	7,643
Current corporate income tax prepaid	**31,838**	**–**	**31,838**	9,282	–	9,282
Other assets	**21,476**	**–**	**21,476**	19,890	–	19,890
Total	**748,873**	**66,981**	**815,854**	829,228	60,046	889,274
Liabilities						
Other liabilities	**194,202**	**–**	**194,202**	358,449	–	358,449
Total	**194,202**	**–**	**194,202**	358,449	–	358,449
Net position	**554,671**	**66,981**	**621,652**	470,779	60,046	530,825

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

In 2016, the Company concluded an agreement on fiduciary management with one of the Company's shareholder. The Company received commission income for the total amount of KZT 714 thousand under this agreement.

Compensation to key management personnel

Below is information about remuneration to 3 members of key management personnel (in 2015: 4):

	2016	*2015*
Salaries	**183,188**	224,451
Social security costs	**19,614**	24,079
Total compensation to key management personnel	**202,802**	248,530

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 2016, the Company had complied in full with all its capital requirements established by the NBRK.

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

Capital adequacy ratio established by the NBRK

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.

(In thousands of tenge unless otherwise indicated)

26. Capital adequacy (continued)

At 31 December, the Company's capital adequacy ratio calculated according to the NBRK requirements was as follow:

	2016	***2015***
Liquid assets	**690,067**	698,457
Liabilities	**(194,202)**	(358,449)
Net liquid assets	**495,865**	340,008
Minimum capital established by the NBRK	**259,200**	259,200
Capital adequacy ratio	**1.91**	1.31

27. Fiduciary management

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.

As at 31 December 2016, the Company provided services on fiduciary management to two clients, a legal entity and an individual. Total assets transferred to fiduciary management were equal to KZT 23,113,665 thousand and included securities, deposits, placed in commercial banks, cash and cash equivalents and loans receivable (as at 31 December 2015: one agreement with a legal entity, which assets transferred to fiduciary management were equal to KZT 8,656,540 thousand).

As at 31 December 2016, the Company provided services to Joint Stock Venture "Investment Fund "Alem Capital" under the fiduciary management agreement. On 24 June 2016, the Fund transferred assets to the Company in the amount of KZT 889,449 thousand for fiduciary management. As at 31 December 2016, total amount of the Fund's assets, transferred for fiduciary management, was equal to KZT 916,718 thousand and included cash and cash equivalents on current accounts in the bank, trading securities, and investments in associate of the Fund.

STATEMENT ON ASSETS OF "INVESTMENT FUND "ALEM CAPITAL" JSV, TAKEN FOR INVESTMENT MANAGEMENT BY SKYBRIDGE INVEST JSC

As at 31 December 2016

(In thousands of tenge)

	2016	*2015*
Assets		
Cash and cash equivalents	**137,220**	–
Trading securities	**707,221**	–
Investments in associate	**72,277**	–
Total assets available to the Fund	**916,718**	–
Liabilities		
Accounts payable to SkyBridge Invest JSC	**(389)**	–
Other liabilities	**(373)**	–
Total liabilities	**(762)**	–
Net assets available to the Fund	**915,956**	–

STATEMENT OF PROFIT OR LOSS ON ASSETS OF "INVESTMENT FUND "ALEM CAPITAL" JSV TAKEN FOR INVESTMENT MANAGEMENT BY SKYBRIDGE INVEST JSC

For the year ended 31 December 2016

(In thousands of tenge)

	2016	*2015*
Net assets of the Fund taken for investment management on 24 June 2016	**889,449**	–
Dividends income	**12,851**	–
Net income from trading securities	**4,014**	–
Net gain from revaluation of securities	**50,956**	–
Other income	**38**	–
Net revaluation loss from operations in foreign currencies	**(6,199)**	–
Net gain from change in fair value of trading securities	**(25,433)**	–
Dealing loss	**(6)**	–
Commission expense to investment manager	**(2,344)**	–
Commission expense to custody	**(664)**	–
Commission expense to other third parties	**(1,024)**	–
Other expenses	**(5,682)**	–
Change in net assets for the period	**26,507**	–
Net assets of the Fund taken for investment management as at 31 December 2016	**915,956**	–