Kazyna Capital Management JSC

Separate Financial Statements
for the year ended 31 December 2019

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Independent Auditors' Report

To the Board of Directors of Kazyna Capital Management JSC

Opinion

We have audited the separate financial statements of Kazyna Capital Management JSC (the "Company"), which comprise the separate statement of financial position as at 31 December 2019, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

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 *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) together with the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the International Code of Ethics. 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 Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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.

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 auditors' report to the related disclosures in the separate 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 auditors' 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

The engagement partner on the audit resulting in this independent auditors' report is:

Assel Urdabayeva
Certified Auditor
of the Republic of Kazakhstan
Auditor's Qualification Certificate
МФ-0000096 of 27 August 2012

KPMG Audit LLC

State Licence to conduct audit No. 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan 6 December 2006

Sergey Dementyev
General Director of KPMG Audit LLC
acting on the basis of the Charter

16 March 2020

	Note	2019 '000 KZT	2018 '000 KZT
Interest income calculated using the effective interest method	5	1,699,808	3,184,164
Net (loss)/gain on revaluation of investments in subsidiaries measured at fair value through profit or loss	23	(180,841)	3,877,335
Net income/(loss) on derivative financial instruments		387,164	(1,026,236)
Dividend income	13	3,036,634	3,651,064
Net foreign exchange (loss)/gain	9	(377,627)	10,123,107
Net (loss)/gain on investment financial assets		(577,367)	160,150
Other operating income/(expense)		100,228	(16,820)
Operating income		**4,087,999**	**19,952,764**
Reversal/(charge) of impairment loss on debt financial assets	10	605,125	(13,491,464)
Personnel expenses	6	(379,972)	(323,833)
General and administrative expenses	7	(571,574)	(505,142)
Profit before income tax		**3,741,578**	**5,632,325**
Income tax expense	8	(384,540)	(1,582,448)
Profit for the year		**3,357,038**	**4,049,877**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for investment financial assets:			
- Net change in fair value, net of income tax		707,399	(2,025,676)
- Net change in fair value transferred to profit or loss		223,207	(235,324)
Other comprehensive income/(loss) for the year net of income tax		**930,606**	**(2,261,000)**
Total comprehensive income for the year		**4,287,644**	**1,788,877**

The separate financial statements as set out on pages 6 to 57 were approved by management on 16 March 2020 and were signed on its behalf by:

Timur Beguliyev
Deputy Chairman of the Management Board

Raukhan Kuttybayeva
Chief Accountant

The separate statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the separate financial statements.

	Note	2019 '000 KZT	2018 '000 KZT
ASSETS			
Cash and cash equivalents	11	192,996	2,671,010
Amounts due from credit institutions	12	9,374,336	17,906,243
Investments in subsidiaries at fair value through profit or loss	13	108,107,693	78,382,695
Financial assets at fair value through profit or loss		15,807	25,123
Investment financial assets	14	28,709,099	45,912,000
Current tax asset		1,583,744	-
Property, plant and equipment and intangible assets		23,185	19,376
Deferred tax asset	8	1,967,201	1,900,883
Other assets		42,089	48,243
Total assets		**150,016,150**	**146,865,573**
LIABILITIES			
Financial instruments at fair value through profit or loss	15	10,298,284	9,869,170
	8	-	241,605
Other liabilities		81,758	303,844
Total liabilities		**10,380,042**	**10,414,619**
EQUITY			
Share capital	16	87,440,000	87,440,000
Revaluation reserve for investment financial assets		(238,272)	(1,168,878)
Retained earnings		52,434,380	50,179,832
Total equity		**139,636,108**	**136,450,954**
Total liabilities and equity		**150,016,150**	**146,865,573**

The separate statement of financial position is to be read in conjunction with the notes to, and forming part of, the separate financial statements.

	2019 '000 KZT	2018 '000 KZT (restated*)
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest income	1,727,247	3,158,025
Personnel expenses paid	(428,220)	(379,227)
Other general administrative expenses (payments)	(748,398)	(376,201)
(Increase)/decrease in operating assets		
Purchase of investment financial assets	(18,323,442)	(6,985,741)
Sale and repayment of investment financial assets	35,377,047	28,841,533
Amounts due from credit institutions	8,918,845	(24,524,506)
Other assets	-	(7,500)
Increase in operating liabilities		
Financial instruments at fair value through profit or loss	816,278	816,278
Net cash flow from operating activities before income tax	**27,339,357**	**542,661**
Income tax paid	(2,276,207)	(2,563,745)
Net cash flow from/(used in) operating activities	**25,063,150**	**(2,021,084)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in subsidiaries measured at fair value through profit or loss	(29,905,839)	(6,699,217)
Dividends received	3,036,634	3,569,679
Purchases of property, plant and equipment and intangible assets	(10,612)	(5,636)
Net cash flow used in investing activities	**(26,879,817)**	**(3,135,174)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid (Note 16(b))	(1,102,490)	(882,282)
Net cash used in financing activities	**(1,102,490)**	**(882,282)**
Net decrease in cash and cash equivalents	**(2,919,157)**	**(6,038,540)**
Cash and cash equivalents at the beginning of the year	2,671,010	8,006,962
Effect of changes in exchange rates on cash and cash equivalents	441,143	702,588
Cash and cash equivalents at the end of year (Note 11)	**192,996**	**2,671,010**

* Investments in subsidiaries and respective dividends received were reclassified from operating activities into investing activities in 2018.

The separate statement of cash flows is to be read in conjunction with the notes to, and forming part of, the separate financial statements.

'000 KZT	**Share capital**	**Fair value reserve for securities**	**Retained earnings**	**Total**
Balance at 1 January 2019	**87,440,000**	**(1,168,878)**	**50,179,832**	**136,450,954**
Total comprehensive income				
Profit for the year	-	-	3,357,038	**3,357,038**
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
- Net change in fair value, net of income tax	-	707,399	-	707,399
- Net change in fair value transferred to profit or loss	-	223,207	-	223,207
Total other comprehensive income	**-**	**930,606**	-	**930,606**
Total comprehensive income for the year	**-**	**930,606**	**3,357,038**	**4,287,644**
Transactions with owners recorded directly in equity				
Dividends declared and paid (Note 16(b))	-	-	(1,102,490)	(1,102,490)
Total transactions with owners	**-**	**-**	**(1,102,490)**	**(1,102,490)**
Balance at 31 December 2019	**87,440,000**	**(238,272)**	**52,434,380**	**139,636,108**
Balance at 1 January 2018	**87,440,000**	**953,363**	**47,253,611**	**135,646,974**
Impact of adopting IFRS 9 at 1 January 2018	-	138,759	(241,374)	(102,615)
Restated balance as at 1 January 2018	**87,440,000**	**1,092,122**	**47,012,237**	**135,544,359**
Total comprehensive income				
Profit for the year	-	-	4,049,877	4,049,877
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
- Net change in fair value, net of income tax	-	(2,025,676)	-	(2,025,676)
- Net change in fair value transferred to profit or loss	-	(235,324)	-	(235,324)
Total other comprehensive loss	**-**	**(2,261,000)**	**-**	**(2,261,000)**
Total comprehensive income for the year	**-**	**(2,261,000)**	**4,049,877**	**1,788,877**
Transactions with owners recorded directly in equity				
Dividends declared and paid (Note 16(b))	-	-	(882,282)	(882,282)
Total transactions with owners	**-**	**-**	**(882,282)**	**(882,282)**
Balance at 31 December 2018	**87,440,000**	**(1,168,878)**	**50,179,832**	**136,450,954**

The separate statement of chanhes in equity is to be read in conjunction with the notes to, and forming part of, the separate financial statements.

1 Reporting entity

(a) Organisation and operations

Kazyna Capital Management Joint Stock Company ("the Company") was established by the Government of the Republic of Kazakhstan in accordance with the legislation of the Republic of Kazakhstan as a joint stock company on 7 March 2007. According to the Resolution #516 of the Committee of Government property and the Order #630 of the Ministry of Finance of the Republic of Kazakhstan dated 25 May 2013, all shares of the Company were transferred from Sovereign Wealth Fund "Samruk-Kazyna" JSC to Baiterek National Managing Holding Joint Stock Company. The ultimate principal shareholder of the Company is the Government of the Republic of Kazakhstan.

The principal activities of the Company are the establishment of and participation in investment funds and investments in financial instruments.

The Company's registered office is 55A, Mangilik El Avenue, Yessil District, Nur-Sultan, Republic of Kazakhstan.

The principal subsidiaries are as follows:

			Ownership interest, %	
Name	**Country of incorporation**	**Principal activities**	**2019**	**2018**
Kazyna Seriktes B.V.***	The Netherlands	Investments in funds	100.00	100.00
Baiterek Venture Fund JSC*	Kazakhstan	Investment in private equity projects	100.00	100.00
BV Management LLP**	Kazakhstan	Investment portfolio management	100.00	100.00
KCM Sustainable Development Fund C.V. I (subsidiary of Kazyna Seriktes B.V.) ****	The Netherlands	Investments in funds	100.00	-

* Baiterek Venture Fund JSC was established by the Decision of the Board of Directors of the Group on 23 March 2014.

** In November 2018, 100% interest in BV Management LLP was repurchased from the subsidiary of Baiterek Venture Fund JSC.

*** In June 2018 the Group restructured the private equity funds and foreign subsidiaries MRIF CASP C.V. and Kazyna Investment Holding Cooperatief U.A. The Company performed necessary arrangements to transfer the Company's assets to the special purpose vehicle (SPV) Kazyna Seriktes B.V., which is 100% subsidiary of the Company incorporated in the Netherlands. There were transferred assets of 10 PEFs (Falah Growth Fund L.P., Russian-Kazakh Nanotechnology Fund, Macquarie Russia & CIS Infrastructure Fund L.P., Kazakhstan Infrastructure Fund C.V., ADM Kazakhstan Capital Restructuring Fund C.V., Kazakhstan Growth Fund L.P., DBK Equity Fund C.V., Wolfensohn Capital Partners L.P., CITIC Kazyna Investment Fund I L.P. и Islamic Infrastructure Fund L.P.) Investments have been restructured to optimise a tax burden of the Company.

As at 31 December 2019, the Company has determined that under IFRS 10 Kazakhstan Infrastructure Fund C.V. with 95% ownership is not a subsidiary since the Company does not have control over Kazakhstan Infrastructure Fund C.V. As at 31 December 2018, Kazakhstan Infrastructure Fund C.V. with 95% ownership is not also a subsidiary of the Company.

**** On 12 April 2019 an agreement was signed for establishment of the Private Equity Fund "KCM Sustainable Development Fund C.V." (the Company's subsidiary). Kazyna Seriktes B.V. is a limited partner having the ownership of 99.9% while BV Management JSC is the general partner with the ownership of 0.1%.

During 2019 the Company launched a new program of preferential financing, as part of which the loans are issued that bear a nominal interest rate of up to 8% per annum and have maturity of up to 10 years. In the context of a new approved program the Group has amended the investment policy, under which the Group invests in those projects that promote development of the priority sectors of the economy. Thus, the Company ceased to meet the definition of an investment entity according to IFRS 10.

(b) Kazakhstan and CIS business environment

The Company's operations are primarily located in Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. In addition, the first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. Together with other factors, this has resulted in a sharp decrease in the oil price and the stock market indices, as well as a continuing depreciation of the Kazakhstan Tenge. These developments are further increasing the level of uncertainty in the Kazakhstan business environment.

The separate financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and financial position of the Company. The future business environment may differ from management's assessment.

2 Basis of accounting

(a) Statement of compliance

These separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

This is the first set of the Company's financial statements in which IFRS 16 *Leases* has been applied. Changes to significant accounting policies are described in Note 2 (d).

The Company also prepared consolidated financial statements for the year ended 31 December 2019 in accordance with IFRS that can be obtained from the Company's registered office at 55A Mangilik El Avenue, Yessil District, Nur-Sultan, Republic of Kazakhstan.

(b) Functional and presentation currency

"Functional currency" is the currency of the primary economic environment in which the Company operates. The Company's functional currency is KZT. If indicators of the primary economic environment are mixed, then management uses its judgment to determine the functional currency that reflects the economic substance of the majority of underlying events and circumstances relevant to them. Substantial portion of the Company's investments and transactions are denominated in Tenge. Investor subscriptions and redemptions are also received and paid in KZT. Accordingly, management has determined that the functional currency of the Company is KZT.

All financial information presented in KZT has been rounded to the nearest thousand.

(c) Use of estimates and judgments

In preparing these separate financial statements, management has made judgement, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Company's separate financial statements is included in the following notes:

- determining the functional currency of the Company – Note 2(b);
- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3 (e)(i);
- loss of the status of investment entity in 2019 - Note 1(a);
- status of an entity as a venture capital organisation in accordance with IAS 28 - Note 3(a)(i) and Note 13.

Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2019 is included in the following notes:

- impairment of financial instruments – Note 4;
- determining fair value of financial instruments measured at fair value through profit or loss – Notes 13 and 23.

(d) Changes in significant accounting policies

IFRS 1 *Leases* became effective from 1 January 2019. The Company has initially adopted IFRS 16 *Leases* from 1 January 2019.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(i) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*.

The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3(m).

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

(ii) As a lessee

The Company leases assets, including properties.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company has elected not to recognise right-of-use assets and lease liabilities for some leases with less than 12 months of lease terms. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

(iii) Leases classified as operating leases under IAS 17

Previously, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets.

(iv) As a lessor

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16.

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

(v) Impacts on the separate financial statements

On transition to IFRS 16, the Company has no items to recognise additional right-of-use assets.

The adoption of IFRS 16 did not have a material effect on the separate financial statements for the year ended 31 December 2019.

Other changes

A number of new amendments and interpretations are effective from 1 January 2019 but they do not have a material effect on the Company's separate financial statements.

3 Significant accounting policies

Except for the changes disclosed in Note 2(d), the Company has consistently applied the following accounting policies to all periods presented in these separate financial statements.

(a) Venture capital organisation

The Company believes that it meets the definition of a venture capital organisation based on the following criteria:

- The principal activity of the Company is investing in funds to generate the operating income, capital gains or both;
- The Company's investing activity may be clearly and objectively separated from any other activities;
- Investments represent business entities operating independently (autonomously) from an investor.

(b) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Company entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss.

(c) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the separate statement of financial position.

(d) Interest income

Effective interest rate

Interest income was recognised in profit or loss using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset.

Amortised cost and gross carrying amount

The ‘amortised cost’ of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The ‘gross carrying amount of a financial asset’ measured at amortised cost is the amortised cost of a financial asset before adjusting for any loss allowance.

Calculation of interest income

The effective interest rate of a financial asset is calculated on initial recognition of a financial asset. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired).

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see (e)(iv).

Presentation

Interest income presented in the statement of profit or loss and other comprehensive income comprise interest income calculated using the effective interest method, for financial assets and financial liabilities measured at amortised cost as well as for debt financial instruments measured at fair value through other comprehensive income.

(e) Financial assets and financial liabilities

(i) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial assets measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When a debt financial asset measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse financial assets);
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Non-recourse financial assets

In some cases, financial assets limit the Company's claim to cash flows from specified assets (non-recourse financial assets). The Company applies judgment in assessing whether the non-recourse financial assets meet the SPPI criterion.

The Company typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Company will benefit from any upside from the underlying assets.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

(ii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as ‘substantial modification’), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

Changes in cash flows on existing financial assets and financial liabilities are not considered as modification, if they result from existing contractual terms.

The Company performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired.

In making this evaluation the Company analogises to the guidance on the derecognition of financial liabilities.

The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change in the currency of the financial asset;
- change in collateral or other credit enhancement;

If cash flows are modified when the issuer is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy).

This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Company further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the issuer, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss. The consideration paid includes non-financial assets transferred, if any, and the liabilities assumed, including the new modified financial liability.

The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors.

The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change in the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If a modification (or exchange) does not result in the derecognition of the financial liability the Company applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Company recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

If the terms of a financial asset were modified because of financial difficulties of the issuer and the asset was not derecognised, then impairment of the asset was measured using the pre- modification interest rate.

(iv) Impairment

See also Note 4.

The Company recognises loss allowances for expected credit losses (ECL) on debt financial instruments measured at amortised cost.

No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition (see Note 4).

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month expected credit losses (a 12-month ECL) are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1' financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Financial instruments, other than purchased or originated credit-impaired assets, for which a lifetime ECL is recognised are referred to as 'Stage 2' financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and 'Stage 3' financial instruments (if the financial instruments are credit-impaired).

Measurement of expected credit losses (ECL)

Expected credit losses are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive);
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the issuer, then an assessment is made of whether the financial asset should be derecognised and expected credit losses are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the issuer;
- a breach of contract, such as a default or past due event;
- restructuring of a loan or advance on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties.

A financial asset that was renegotiated due to a deterioration in the issuer's condition was usually considered to be impaired unless there was evidence that the risk of not receiving contractual cash flows had reduced significantly and there were no other indicators of impairment. In addition, a financial instrument that is overdue for 90 days or more is considered credit-impaired.

Presentation of allowance for expected credit losses in the statement of financial position

Loss allowances for expected credit losses are presented in the separate statement of financial position as follows:

- *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets;
- *debt instruments measured at FVOCI*: no loss allowance is recognised in the separate statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-offs

Financial assets are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Objective evidence of impairment

At each reporting date, the Company assessed whether there was objective evidence that financial assets not carried at FVTPL were impaired. A financial asset or a group of financial assets was 'impaired' when objective evidence demonstrated that a loss event had occurred after the initial recognition of the asset(s) and that the loss event had an impact on the future cash flows of the asset(s) that could be estimated reliably.

Objective evidence that financial assets were impaired included:

- significant financial difficulty of the issuer;
- default or delinquency by a borrower;
- restructuring of a loan or advance on terms that the Company would not consider otherwise;
- indications that an issuer would enter bankruptcy;
- the disappearance of an active market for security.

A financial asset that was renegotiated due to a deterioration in the issuer's condition was usually considered to be impaired unless there was evidence that the risk of not receiving contractual cash flows had reduced significantly and there were no other indicators of impairment.

(f) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Company accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- separated embedded derivatives are measured at fair value through profit or loss.

(g) Investments in subsidiaries

Subsidiaries are investees controlled by the Company. The Company controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

All investments in subsidiaries are measured at fair value through profit or loss in these separate financial statements. The Company also prepares consolidated financial statements, where certain subsidiaries are consolidated in accordance with the requirements of IFRS 10.

Methods used to determine the fair value of investments in controlled subsidiaries are disclosed in Note 23.

(h) Property, plant and equipment

(i) Recognition

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Items of property, plant and equipment are depreciated from the date that they are acquired, or in respect of internally constructed assets, from the date that the asset is completed and ready for us. Land is not depreciated. The estimated useful lives of various items of property, plant and equipment are as follows:

- vehicles	from 8 to 10 years;
- software	from 3 to 8 years;
- other	from 2 to 10 years.

(i) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life of intangible assets is 5 years.

(j) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(ii) Dividends

The ability of the Company to declare and pay dividends is subject to acting legislation of the Republic of Kazakhstan.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(k) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that taxable profit will be available against which the deductible temporary differences can be utilised.

(l) Investment related commitments

In the normal course of business, the Company enters into investment related commitments, comprising undrawn investment commitments. Provisions for losses under investment related commitments are recognised when losses are considered probable and can be measured reliably.

(m) Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met;
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output.

(iii) As a lessee

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments.

Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's separate statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(iv) As a lessor

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

(n) New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these separate financial statements.

The following standards, amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- *Amendments to References to Conceptual Framework in IFRS Standards.*
- *Definition of a Business (Amendments to IFRS 3).*
- *Definition of Material (Amendments to IAS 1 and IAS 8).*
- *IFRS 17 Insurance Contracts.*

4 Financial risk review

This note presents information about the Company's exposure to financial risks. For information on the Company's financial risk management framework, see Note 16.

Credit risk - Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3(e)(iv).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

- Information obtained during periodic review of issuers' files – e.g. audited financial statements, management accounts, budgets and projections.
- Data from credit reference agencies, press articles, changes in external credit ratings.
- Payment record – this includes overdue status as well as a range of variables about payment ratios.
- Actual and expected significant changes in the political, regulatory and technological environment of the issuer or in its business activities.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects default information about its credit risk exposures analysed by type of product and issuer as well as by credit risk grading.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary depending on portfolio and include both quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The Company considers credit risk of a particular exposure is deemed to have increased significantly since initial recognition, if the Company determined that the issuer's credit rating decreased by 2 points and more since initial recognition.

Based on its expert judgement and relevant historical experience, the Company may conclude that credit risk on financial instrument has increased significantly since initial recognition based on qualitative factors linked to the Company's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

Definition of default

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Company. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or

- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporating of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company uses expert judgment in assessment of forward-looking information. This assessment is based also on external information. External information may include economic data and forecasts published by governmental bodies, NBRK, Ministry of National Economy of the RK and selected private sector and academic forecasters. This key driver that affect assessment of credit risk and credit losses is GDP forecast.

Modified financial assets

The contractual terms of an instrument may be modified for a number of reasons, including changing market conditions and other factors not related to a current or potential credit deterioration of the issuer. An existing instrument whose terms have been modified may be derecognised and the renegotiated instrument recognised as a new instrument at fair value in accordance with the accounting policy set out in Note 3(e)(iii).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

When modification results in derecognition, a new financial asset is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Company renegotiates amounts due from customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Company's forbearance policy, forbearance is granted on a selective basis if the customer is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity and changing the timing of interest payments.

For financial assets modified as part of the Company's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal and the Company's previous experience of similar forbearance action. As part of this process, the Company evaluates the debtor's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired in default. An issuer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

PD estimates are estimates at a certain date of ratios exposed to credit risk. These estimates are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used by the Company to derive the PD. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD.

PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower’s extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of a debt.

For portfolios in respect of which the Company has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows.

		External benchmarks used	
	Carrying amount as at 31 December 2019	**PD**	**LGD**
Cash and cash equivalents	192,996	S&P’s default study	S&P recovery studies/ For exposures within Kazakhstan, LGD is based on historical recoveries from defaulted financial institutions
Amounts due from credit institutions	9,374,336		
Investment financial assets	28,709,099		

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost as at 31 December 2019. Unless specially indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms “12-month ECL”, “lifetime ECL” and “credit-impaired” are included in Note 3(e)(iv).

'000 KZT	31 December 2019 12-month expected credit losses (ECL)	Lifetime ECL for credit-impaired assets	Total
Cash and cash equivalents			
- rated from BBB- to BBB+	107,788	-	107,788
- rated from BB- to BB+	22,356	-	22,356
- rated from B- to B+	633	-	633
- not rated (Citibank Kazakhstan JSC)	62,219	-	62,219
Carrying amount	**192,996**	**-**	**192,996**

'000 KZT	31 December 2018 12-month expected credit losses (ECL)	Lifetime ECL for credit-impaired assets	Total
Cash and cash equivalents			
- rated from BBB- to BBB+	2,520,001	-	2,520,001
- rated from BB- to BB+	61,666	-	61,666
- rated from B- to B+	614	-	614
- not rated (Citibank Kazakhstan JSC)	88,729	-	88,729
Carrying amount	**2,671,010**	**-**	**2,671,010**

'000 KZT	31 December 2019 12-month expected credit losses (ECL)	Lifetime ECL for credit-impaired assets	Total
Amounts due from credit institutions			
- rated from BBB- to BBB+	9,374,336	-	9,374,336
- rated D	-	8,912,991	8,912,991
	9,374,336	**8,912,991**	**18,287,327**
Loss allowance	-	(8,912,991)	(8,912,991)
Carrying amount	**9,374,336**	**-**	**9,374,336**

'000 KZT	31 December 2018 12-month expected credit losses (ECL)	Lifetime ECL for credit-impaired assets	Total
Amounts due from credit institutions			
- rated from BBB- to BBB+	11,537,678	-	11,537,678
- rated from B- to B+	6,347,375	-	6,347,375
- rated D	-	9,506,675	9,506,675
	17,885,053	**9,506,675**	**27,391,728**
Loss allowance	(97,625)	(9,387,860)	(9,485,485)
Carrying amount	**17,787,428**	**118,815**	**17,906,243**

'000 KZT	31 December 2019 12-month expected credit losses (ECL)	31 December 2018 12-month expected credit losses (ECL)
Investment financial assets at FVOCI		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	3,136,787	13,686,864
- rated from BBB- to BBB+	-	278,366
- rated from BB- to BB+	23,999,315	29,672,272
- rated from B- to B+	-	990,996
	27,136,102	**44,628,498**
Loss allowance	(24,986)	(96,569)
Gross carrying amount	**27,440,284**	**45,835,152**
Carrying amount	**27,136,102**	**44,628,498**

'000 KZT	31 December 2019 POCI (Impaired on initial recognition)	31 December 2018 POCI (Impaired on initial recognition)
Investment financial assets measured at amortised cost		
- rated from B- to B+	1,572,997	1,283,502
Carrying amount	**1,572,997**	**1,283,502**

5 Interest income calculated using the effective interest method

	2019 '000 KZT	2018 '000 KZT
Investment financial assets	1,372,071	2,645,339
Amounts due from credit institutions	213,165	512,251
Cash and cash equivalents	114,572	26,509
Other assets	-	65
	1,699,808	**3,184,164**

6 Personnel expenses

	2019 '000 KZT	2018 '000 KZT
Employee compensation	346,719	295,730
Payroll related taxes	33,253	28,103
	379,972	**323,833**

7 General and administrative expenses

	2019 '000 KZT	2018 '000 KZT
Professional services	124,695	214,075
Charity and sponsorship	120,000	-
Outsourcing	96,040	49,920
Operating lease expense	78,246	66,622
Other third parties services	57,261	64,741
Business travel	23,245	35,331
Training	17,847	14,994
Transportation services	14,794	12,004
Depreciation and amortisation	6,804	6,844
Other	32,642	40,611
	571,574	**505,142**

During the year ended 31 December 2019, the Company recognised losses of KZT 120,000 thousand related to sponsorship of the Corporate Fund "Economic Initiatives Fund of Kazakhstan".

8 Income tax expense

	2019 '000 KZT	2018 '000 KZT
Current income tax expense	450,858	4,381,394
Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences and movement in valuation allowance	(66,318)	(2,798,946)
Total income tax expense	**384,540**	**1,582,448**

In 2019, the applicable tax rate for current and deferred tax was 20% (2018: 20%).

Reconciliation of effective tax rate for the year ended 31 December:

	2019 '000 KZT	%	2018 '000 KZT	%
Profit before income tax	**3,741,578**	**100**	**5,632,325**	**100**
Income tax at the applicable tax rate	748,316	20	1,126,465	20
Restructuring of private equity funds	-	-	(2,358,532)	(42)
Non-taxable loss/(income) on securities	141,728	4	(561,098)	(10)
Income from offshore entities	119,701	3	58,932	1
Other (non-taxable income)/non-deductible expenses	65,116	2	75,939	1
(Non-taxable income from reversal)/Non-deductible impairment losses on debt financial assets	(121,025)	(4)	2,698,293	48
(Non-taxable income)/non-deductible losses on investments in subsidiaries measured at fair value through profit or loss	(569,296)	(15)	542,449	10
	384,540	**10**	**1,582,448**	**28**

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as at 31 December 2019 and 2018.

Deferred tax assets and liabilities

Movements in temporary differences during the years ended 31 December 2019 and 2018 are presented as follows:

2019 '000 KZT	**Balance at 1 January 2019**	**Recognised in profit or loss**	**Balance at 31 December 2019**
Property, plant and equipment and intangible assets	66	(240)	(174)
Financial liabilities at fair value through profit or loss	1,875,427	85,823	1,961,250
Other liabilities	25,390	(19,265)	6,125
	1,900,883	**66,318**	**1,967,201**

2018 '000 KZT	**Balance at 1 January 2018**	**Recognised in profit or loss**	**Balance at 31 December 2018**
Property, plant and equipment and intangible assets	126	(60)	66
Financial assets at fair value through profit or loss	(2,519,323)	2,519,323	-
Financial liabilities at fair value through profit or loss	1,606,849	268,578	1,875,427
Other liabilities	14,285	11,105	25,390
	(898,063)	**2,798,946**	**1,900,883**

9 Net foreign exchange (loss)/gain

	2019 '000 KZT	**2018 '000 KZT**
Unrealised foreign exchange (loss)/gain	(441,805)	10,154,285
Realised foreign exchange gain/(loss)	64,178	(31,178)
	(377,627)	**10,123,107**

10 Reversal/(charge) of impairment loss on debt financial assets

Reversal of impairment losses on debt financial assets represents reversal of ECL allowance on amounts due from credit institutions of KZT 533,546 thousand (2018: impairment loss of KZT 13,491,464 thousand) and reversal of ECL allowance on investment financial assets of KZT 71,579 thousand.

11 Cash and cash equivalents

	2019 '000 KZT	2018 '000 KZT
Current accounts with other banks		
- rated from BBB- to BBB+	107,788	2,520,001
- rated from BB- to BB+	22,356	61,666
- rated from B- to B+	633	614
- not rated (Citibank Kazakhstan JSC)	62,219	88,729
	192,996	**2,671,010**

Disclosed ratings are based on the rating scale of Standard and Poor's or their equivalents. None of cash and cash equivalents are past due.

12 Amounts due from credit institutions

	2019 '000 KZT	2018 '000 KZT
- rated from BBB- to BBB+	9,374,336	11,537,678
- rated from BB- to BB+	-	-
- rated from B- to B+	-	6,347,375
- rated from D	8,912,991	9,506,675
Total amounts due from credit institutions	**18,287,327**	**27,391,728**
Loss allowance for expected credit losses	(8,912,991)	(9,485,485)
Amounts due from credit institutions net of impairment allowance	**9,374,336**	**17,906,243**

Disclosed ratings are based on the rating scale of Standard and Poor's or their equivalents.

Movement in loss allowance for expected credit losses

	For the year ended 31 December 2019		
	12-month expected credit losses (ECL)	**Lifetime ECL for credit-impaired assets**	**Total '000 KZT**
Balance at the beginning of the year	97,625	9,387,860	9,485,485
Net remeasurement of loss allowance	(97,625)	(435,921)	(533,546)
Foreign exchange difference	-	(38,948)	(38,948)
Balance at the end of the year	**-**	**8,912,991**	**8,912,991**

	12-month expected credit losses (ECL)	Lifetime ECL for credit-impaired assets	Total '000 KZT
Balance at the beginning of the year	-	8,544,859	8,544,859
Impact of adopting IFRS 9	102,615	(664,242)	(561,627)
Transfer from Stage 1 to Stage 3	(450,987)	450,987	-
Net remeasurement of loss allowance	445,999	13,045,465	13,491,464
Foreign exchange difference	(2)	1,422,734	1,422,732
Financial assets that have been derecognised	-	(13,411,943)	(13,411,943)
Balance at the end of the year	**97,625**	**9,387,360**	**9,485,485**

As at 31 December 2019 the Company considers the amounts due from Kazinvestbank JSC for the amount of KZT 4,706,414 thousand and Delta Bank JSC for the amount of KZT 4,206,577 thousand as fully impaired (as at 31 December 2018: KZT 4,886,343 thousand and KZT 4,224,279 thousand, respectively), based on its understanding of the KIB's and Delta's current financial position and the Company's management does not expect any future cash flows from these assets. In respect of these balances, the Company recognises allowance for lifetime expected credit losses for the total amount of KZT 8,912,991 thousand (31 December 2018: KZT 9,110,622 thousand).

As at 27 November 2018, First Heartland Jýsan Bank JSC (former, Tsesnabank JSC) had an amount due to the Company of KZT 15,331,812 thousand. In November 2018, due to deterioration of the financial position of the bank, a part of the amount due of KZT 14,538,212 thousand was restructured in accordance with the terms of the Framework Agreement. As part of this restructuring, the amounts due to the Company were substituted for the bonds issued by First Heartland Jýsan Bank JSC. These bonds mature in fifteen years with payment of coupon interest of 0.1% per annum and are accounted for by the Company as the assets credit-impaired on initial recognition, measured at amortised cost, included in investment financial assets (Note 14).

Fair value of these assets on initial recognition amounted to KZT 1,282,176 thousand and was calculated using a discount rate of 18% per annum. As a result, a loss of KZT 13,256,036 thousand has been recognised in 'Reversal/(charge) of impairment loss on debt financial assets' in the separate statement of profit or loss.

13 Investments in subsidiaries measured at fair value through profit or loss

	2019 '000 KZT	Ownership, %	2018 '000 KZT	Ownership, %
Kazyna Seriktes B.V.	65,762,360	100.0	58,324,227	100.0
Baiterek Venture Fund JSC	42,203,737	100.0	19,919,415	100.0
BV Management LLP	141,596	100.0	139,053	100.0
	108,107,693		**78,382,695**	

As at 31 December 2019 and 31 December 2018, the assets of Kazyna Seriktes B.V. were mainly comprised of unquoted equity investments in the following investment funds:

	2019 '000 KZT	Ownership, %	2018 '000 KZT	Ownership, %
Fair value of unquoted equity investments in investment funds				
Kazakhstan Infrastructure Fund C.V.	20,003,556	95.2	14,455,942	95.2
CITIC-KAZYNA Investment L.P.	14,129,220	49.9	15,862,929	49.9
Kazakhstan Growth Fund L.P.	11,845,214	49.5	12,071,080	49.5
ADM KCRF L.P.	4,989,676	49.5	5,509,596	49.5
VTB Capital 12BF Innovation Fund L.P. (former Russia-Kazakhstan Fund of Nanotechnologies)	1,850,814	49.0	4,195,895	49.0
Wolfenson Capital Partners L.P.	1,701,273	9.9	1,689,024	9.9
KCM Sustainable Development Fund I*	8,215,796	100.0	-	-
MRIF CASP C.V.	787,492	9.1	2,687,590	9.1
Falah Growth Fund L.P.	666,512	10.0	992,444	10.0
DBK Equity Fund	590,633	3.0	278,061	3.0
Islamic Infrastructure Fund Limited Partnership	339,785	1.3	581,666	1.3
	65,119,971		**58,324,227**	

* investment in a subsidiary accounted for at fair value through profit or loss.

Dividend income for the years ended 31 December 2019 and 31 December 2018 includes income received from the following investments:

	2019 ‘000 KZT	2018 ‘000 KZT
Kazyna Seriktes B.V.	3,027,013	-
BV Management LLP	9,621	-
Private equity funds	-	3,651,064
	3,036,634	**3,651,064**

Dividend income received from Kazyna Seriktes B.V. during 2019 comprises income received from the following investments in funds:

	2019 ‘000 KZT
CITIC-KAZYNA Investment L.P.	1,700,859
Macquarie Russia & CIS Infrastructure Fund L.P.	1,000,936
Islamic Infrastructure Fund Limited Partnership	189,825
Kazakhstan Growth Fund L.P.	135,393
	3,027,013

Dividend income received from private equity funds during 2018 comprises income from the following investments in funds:

	2018 ‘000 KZT
CITIC-KAZYNA Investment L.P.	3,537,479
Kazakhstan Growth Fund L.P.	26,396
Wolfenson Capital Partners L.P.	87,189
	3,651,064

Loss of investment entity status

In 2019, the Company launched a new preferential financing programme (through the Company’s subsidiaries) that provides loans with a nominal interest rate of up to 8% p.a. and maturity of up to 10 years. The Company amended its investment policy in accordance with the newly approved programme, under which the Company makes investments in projects that encourage development of priority sectors (Note 1). Therefore, the Company does no longer meet the definition of an investment entity under IFRS 10.

Venture capital organisation

The Company’s principal activity is investing to generate income and capital gains. The Company has an exit strategy in place for each of its investment. The Company carries out investment activities through its subsidiaries. The Company has an established control and reporting system for its investment activities. The Company also has the Investment Department and the Risk Management Department, which are responsible for managing the Company’s investment activities, including reporting to the Company Management and the Board of Directors. In addition, the Company’s investees, in which investments are made through subsidiaries, are separate business entities, where the Company’s participation in operations is limited with no control over the investees. Therefore, the Company believes that it meets the definition of a venture capital organisation.

14 Investment financial assets

	31 December 2019 '000 KZT	31 December 2018 '000 KZT
Investment debt instruments measured at fair value through other comprehensive income		
- Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	3,136,787	13,686,864
Total Government bonds	**3,136,787**	**13,686,864**
- Corporate bonds		
rated from BB- to BB+	10,336,750	3,279,050
Total corporate bonds	**10,336,750**	**3,279,050**
- Corporate bonds of banks		
rated from BB- to BB+	13,662,565	26,393,222
Total corporate bonds of banks	**13,662,565**	**26,393,222**
- Corporate bonds of credit institutions other than banks		
rated from BBB- to BBB+	-	278,366
rated from B- to B+	-	990,996
Total Government bonds, corporate bonds of credit institutions other than banks	**-**	**1,269,362**
Total investment debt instruments measured at fair value through other comprehensive income	**27,136,102**	**44,628,498**
Investment financial assets measured at amortised cost (POCI-assets)		
Bonds of First Heartland Jýsan Bank JSC (former, Tsesnabank JSC)	1,572,997	1,283,502
Total bonds	**1,572,997**	**1,283,502**
Total investment assets	**28,709,099**	**45,912,000**

15 Financial liabilities measured at fair value through profit or loss

	2019 '000 KZT	2018 '000 KZT
Derivative financial instruments	10,298,284	9,869,170
	10,298,284	**9,869,170**

During 2015, the Company entered into a cross currency swap with Development Bank of Kazakhstan with maturity in 2020 to deliver USD 50,000 thousand in exchange for KZT 9,382,500 thousand. The Company received 8.7% p.a. interest prepayment of KZT 816,278 thousand. The Company has a right to prolong the maturity by two years. As at 31 December 2019, the fair value of this swap is KZT 10,298,284 thousand (31 December 2018: KZT 9,869,170 thousand).

To determine the fair value of this swap, management used 9.64% for KZT leg (2018: 10.96%-12.46% for KZT leg) and 1.75% for USD leg (2018: 2.57%-2.62% for USD leg) based on the observable market data information. The fair value of this swap is categorised into Level 2 of the fair value hierarchy.

To the extent that the difference between KZT and USD rates increases by 1%, a fair value of a derivative financial instrument would be KZT 191,295 thousand lower (increase in liabilities).

16 Share capital and reserves

(a) Issued capital

	Ordinary shares			
	Number of shares		Cost, '000 KZT	
	2019	**2018**	**2019**	**2018**
In issue at 1 January	53,550,000	53,550,000	87,440,000	87,440,000
In issue at 31 December, fully paid	**53,550,000**	**53,550,000**	**87,440,000**	**87,440,000**

As at 31 December 2019, authorised share capital comprised 55,000,000 ordinary shares (31 December 2018: 55,000,000). The issued and paid share capital comprises 53,550,000 ordinary shares (2018: 53,550,000). The shares have no nominal value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general Company's shareholders meetings.

(b) Dividends

In accordance with Kazakhstan legislation an entity's distributable reserves are limited to the balance of retained earnings as recorded in the entity's statutory financial statements prepared in accordance with IFRS or profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the entity's insolvency. In accordance with the legislation of the Republic of Kazakhstan, as at the reporting date, reserves available for distribution amounted to KZT 52,434,380 thousand (31 December 2018: KZT 50,179,832 thousand).

During 2019, the Company declared and paid dividends for 2018 financial year in the amount of KZT 1,102,490 thousand (KZT 20.6 per an ordinary share) (2018: KZT 882,282 thousand at KZT 16 per an ordinary share).

17 Financial risk management

Management of risk is fundamental to the Company's business and forms an essential element of the Company's operations. The major risks faced by the Company are those related to market risk, credit risk and liquidity risk.

(a) Risk management policies and procedures

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

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing risk management policies and procedures as well as approving significantly large exposures. The Management Board of the Company is responsible for monitoring and implementation of risk mitigation measures and making sure that the Company operates within the established risk parameters. Head of Risk Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the President and indirectly to the Board of Directors.

Both external and internal risk factors are identified and managed throughout the organisation.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

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

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2019 and 31 December 2018.

Average effective interest rates

These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2019		2018	
	Average effective interest rate, %		Average effective interest rate, %	
	KZT	USD	KZT	USD
Interest bearing assets				
Cash and cash equivalents	7.3	1.0	-	-
Amounts due from credit institutions	-	1.7	8.3	1.8
Investment financial assets	18.0	5.8	18.0	5.7

An analysis of sensitivity of net profit or loss and equity as a result of changes in the fair value of investment financial assets due to changes in the interest rates based on positions existing as at 31 December 2019 and 2018 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves is as follows:

	2019		2018	
	Profit or loss ‘000 KZT	Equity ‘000 KZT	Profit or loss ‘000 KZT	Equity ‘000 KZT
00 bp parallel fall	-	438,735	-	1,690,703
00 bp parallel rise	-	(521,410)	-	(1,467,729)

(ii) Foreign currency risk

The Company has assets and liabilities denominated in several foreign currencies. Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2019:

	USD '000 KZT	KZT '000 KZT	Total '000 KZT
ASSETS			
Cash and cash equivalents	56,351	136,645	192,996
Amounts due from credit institutions	9,374,336	-	9,374,336
Investment financial assets	27,136,102	1,572,997	28,709,099
Other financial assets	-	33,901	33,901
Total financial assets	**36,566,789**	**1,743,543**	**38,310,332**
LIABILITIES			
Derivative financial instruments	-	(551,284)	(551,284)
Other financial liabilities	-	(40,409)	(40,409)
Total financial liabilities	**-**	**(591,693)**	**(591,693)**
Net position	**36,566,789**	**1,151,850**	**37,718,639**
Derivative financial instruments	(19,129,500)	9,382,500	(9,747,000)
Net position after derivative financial instruments	**17,437,289**	**10,534,350**	**27,971,639**

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2018:

	USD '000 KZT	KZT '000 KZT	Total '000 KZT
ASSETS			
Cash and cash equivalents	89,253	2,581,757	2,671,010
Amounts due from credit institutions	17,787,428	118,815	17,906,243
Investment financial assets	43,359,137	2,552,863	45,912,000
Other financial assets	-	38,782	38,782
Total financial assets	**61,235,818**	**5,292,217**	**66,528,035**
LIABILITIES			
Derivative financial instruments	-	(41,670)	(41,670)
Other financial liabilities	-	(106,420)	(106,420)
Total financial liabilities	**-**	**(148,090)**	**(148,090)**
Net position	**61,235,818**	**5,144,127**	**66,379,945**
Derivative financial instruments	(19,210,000)	9,382,500	(9,827,500)
Net position after derivative financial instruments	**42,025,818**	**14,526,627**	**56,552,445**

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2019 and 2018, would have increased equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2019 '000 KZT	2018 '000 KZT
20% appreciation of USD against KZT	2,789,966	6,724,131

A strengthening of the KZT against the above currencies at 31 December 2019 and 2018 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Other price risk arises from the Company's investments in subsidiaries measured at fair value through profit or loss. The Company through its subsidiarues invests in equity financial assets, including shares of investment funds, to benefit from their growth in the long-run. All investments present a risk of loss of capital. All of the private equity funds and their underlying investments are subject to the risks inherent in their industries. Moreover, established markets do not exist for these holdings, and they are therefore considered illiquid.

The Company mainly relies on the management of the private equity funds in mitigation of the price risk. The management of the private equity funds moderates this risk through careful selection and review of the business and operational matters before the investment decision are implemented. They also maintain regular contact with the management of the underlying companies. The performance of the management of the private equity funds are reported to the Company on a quarterly basis. As at 31 December 2019 these reports on performance of the private equity funds management for the 3rd quarter of 2019 are accessible for the Company.

The Company's profit and loss and equity is affected by changes in the fair value of its investments in private equity funds. For example, a 10% increase in the equity prices of the funds, would increase profit or loss and equity by KZT 10,812,350 thousand for the year ended 31 December 2019 (2018: KZT 7,840,782 thousand). A 10% decrease in these prices would have an equal and opposite effect.

(d) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of an Investment Committee to actively monitor credit risk. The investment policy is reviewed and approved by the Management Board.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the separate statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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

	2019 '000 KZT	**2018 '000 KZT**
ASSETS		
Cash and cash equivalents	192,996	2,671,010
Amounts due from credit institutions	9,374,336	17,906,243
Investment financial assets	28,709,099	45,912,000
Other financial assets	33,901	38,782
Total maximum exposure	**38,310,332**	**66,528,035**

(e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Company maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due.

The liquidity policy is reviewed and approved by the Management Board.

The Company is committed and through its subsidiaries invests in private equity funds that are not traded in an active market and are therefore considered illiquid. On the basis of the Company's commitments through its subsidiaries, the private equity funds are able to call on such commitments from the Company with a notice period on average being 10 days.

The amount of these calls may exceed the available cash and cash equivalents at any point in time.

The following tables show the maturity profile of the Company’s financial liabilities as at 31 December 2019 based on contractual undiscounted payments:

‘000 KZT	**Demand and less than 1 month**	**From 1 to 5 years**	**Total gross amount (outflow)**	**Carrying amount**
Non-derivative liabilities				
Other financial liabilities	(40,409)	-	(40,409)	(40,409)
Derivative liabilities		-		
Net settled derivatives				
Outflow	-	(19,129,500)	(19,129,500)	(10,298,284)
Inflow	-	9,382,500	9,382,500	-
Total liabilities	**(40,409)**	**(9,747,000)**	**(9,787,409)**	**(10,338,693)**
Investment related commitments	**(59,910,628)**		**(59,910,628)**	

The following tables show the maturity profile of the Company’s financial liabilities as at 31 December 2018 based on contractual undiscounted payments:

‘000 KZT	**Demand and less than 1 month**	**From 1 to 5 years**	**Total gross amount (outflow)**	**Carrying amount**
Non-derivative liabilities				
Other financial liabilities	(106,420)	-	(106,420)	(106,420)
Derivative liabilities				
Net settled derivatives	-			
Outflow	-	(19,210,000)	(19,210,000)	(9,869,170)
Inflow		9,382,500	9,382,500	-
Total liabilities	**(106,420)**	**(9,827,500)**	**(9,933,920)**	**(9,975,590)**
Investment related commitments	**(59,098,755)**	**-**	**(59,098,755)**	

For investment related commitments in the above tables the maximum amount of the commitment is allocated to the earliest period in which the commitment can be called.

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled as at 31 December 2019:

'000 KZT	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**No maturity**	**Carrying amount**
Non-derivative financial assets								
Cash and cash equivalents	192,996	-	-	-	-	-	-	192,996
Amounts due from credit	-	9,374,336	-	-	-	-	-	9,374,336
Financial assets at FVTPL	-	-	-	-	-	-	15,807	15,807
Investment financial assets	-	-	7,160,041	-	13,551,403	7,997,655	-	28,709,099
Other financial assets	-	-	-	-	33,901	-	-	33,901
Total assets	**192,996**	**9,374,336**	**7,160,041**	**-**	**13,585,304**	**7,997,655**	**15,807**	**38,326,139**
Non-derivative financial liabilities								
Other financial liabilities	(40,409)	-	-	-	-	-	-	(40,409)
Derivative liabilities								
Net settled derivatives	-	-	-	(10,298,284)	-	-	-	(10,298,284)
Total liabilities	**(40,409)**	**-**	**-**	**(10,298,284)**	**-**	**-**	**-**	**(10,338,693)**
Net liquidity gap on recognised financial assets and liabilities	**152,587**	**9,374,336**	**7,160,041**	**(10,298,284)**	**13,585,304**	**7,996,655**	**15,807**	**27,987,446**
Investment related commitments	**(59,910,628)**	**-**	**-**	**-**	**-**	**-**	**-**	**(59,910,628)**

(e) Liquidity risk, continued

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled as at 31 December 2018:

'000 KZT	Demand and less than 1 month	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Carrying amount
Non-derivative financial assets							
Cash and cash equivalents	2,671,010	-	-	-	-	-	2,671,010
Amounts due from credit institutions	11,537,676	-	6,368,567	-	-	-	17,906,243
Financial assets at FVTPL	-	-	-	-	-	25,123	25,123
Investment financial assets	278,366	798,120	28,291	26,541,503	18,265,720	-	45,912,000
Other financial assets	-	-	-	-	38,782	-	38,782
Total assets	**14,487,052**	**798,120**	**6,396,858**	**26,541,503**	**18,304,502**	**25,123**	**66,553,158**
Non-derivative financial liabilities							
Other financial liabilities	(106,420)	-	-	-	-	-	(106,420)
Derivative liabilities							
Net settled derivatives	-	-	-	(9,869,170)	-	-	(9,869,170)
Total liabilities	**(106,420)**	**-**	**-**	**(9,869,170)**	**-**	**-**	**(9,975,590)**
Net liquidity gap on recognised financial assets and liabilities	**14,380,632**	**798,120**	**6,396,858**	**16,672,333**	**18,304,502**	**25,123**	**56,577,568**
Investment related commitments	**(59,098,755)**	**-**	**-**	**-**	**-**	**-**	**(59,098,755)**

18 Capital management

The Company is not subject to externally imposed capital requirements.

The Company defines capital as total equity. The Company's objective of capital management is to safeguard the ability of the Company to continue as a going concern in order to provide a return to shareholders and to provide a strong capital base to support the investment activities of the Company.

19 Investment related commitments

The Company purchases liabilities in its portfolio via subsidiary Seriktes Kazyna B.V. The Company diversifies its portfolio of investments across managers, underlying industries, countries and investment stages.

The contractual amounts of investment related commitments are set out in the following table:

	2019 '000 KZT	2018 '000 KZT
Contracted amount		
Kazakhstan Infrastructure Fund C.V.	21,969,569	22,302,152
Falah Growth Fund LP	15,203,203	15,267,180
CITIC-Kazyna Investment Fund LP	13,024,403	13,079,212
KCM Sustainable Development Fund I	2,145,578	
Macquarie Renaissance Infrastructure Fund	4,035,871	1,757,968
Wolfenson Capital Partners LP	1,740,115	1,747,438
DBK Equity Fund C.V.	679,691	750,987
Islamic Infrastructure Fund Limited Partnership	427,461	429,260
ADM Kazakhstan Capital Restructuring Fund CV	350,356	351,831
Kazakhstan Growth Fund	249,926	351,536
Aureos Central Asia Fund LLC	84,455	84,810
Russian and Kazakh Fund of Nanotechnologies	-	2,976,381
	59,910,628	**59,098,755**

In accordance with the foundation agreements of the private equity funds, in case of failure to pay the amount of capital commitments after the manager issues a request for payment, certain sanctions may be applied against the Company including delaying the payment of interest, suspension of income distributions, suspension of rights to participate in the corporate management of funds and forced sale of the Company's share to co-investors or third parties. As at 31 December 2019 and 2018 the Company had no overdue investment commitments.

20 Leases

Leases as lessee

The Company leases an item of property for a term of up to one year. This lease is a short-term lease, therefore the Company has elected not to recognise right-of-use assets and lease liabilities for this lease contracts.

Previously, the contract was classified as operating lease under IAS 17. On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

21 Credit related commitments

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Company does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

(b) Taxation contingencies

The taxation system in the Republic Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, in particular recognition of income, expenses and other items of the financial statements under IFRS. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in the Republic of Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these separate financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

22 Related party transactions

(a) Control relationship

The Company's parent company is Baiterek National Managing Holding JSC. The Company is ultimately controlled by the Government of the Republic of Kazakhstan.

(b) Transactions with the members of the Board of Directors and the Management Board

Total remuneration included in personnel expenses for the year ended 31 December 2019 and 2018 is as follows:

	2019 '000 KZT	2018 '000 KZT
Short term employee benefits	131,953	88,180

These amounts include cash and non-cash benefits in respect of the members of the Board of Directors and the Management Board.

(c) Transactions with other related parties

Other related parties include state-controlled companies, national companies and subsidiaries of national companies. The outstanding balances and the related average interest rates as at 31 December 2019 and related profit or loss amounts of transactions for the year ended 31 December 2019 with other related parties are as follows.

	Subsidiaries		Other subsidiaries of the Parent Company		Entities controlled by the Government of the Republic of Kazakhstan		Total
	'000 KZT	Nominal average effective interest rate	'000 KZT	Nominal average effective interest rate	'000 KZT	Nominal average effective interest rate	'000 KZT
Separate Statement of Financial Position as at 31 December 2019							
Assets							
Investments in subsidiaries measured at FVTPL	108,107,693	-	-	-	-	-	108,107,693
Investment financial assets	-	-	6,821,528	6.5	13,473,537	4.6	20,295,065
Deferred tax asset	-	-	-	-	1,967,201	-	1,967,201
Current tax asset	-	-	-	-	1,583,744	-	1,583,744
Liabilities							
Derivative financial instruments	-	-	(10,298,284)	-	-	-	(10,298,284)
Other liabilities	-	-	(6,515)	-	-	-	(6,515)
Separate statement of profit or loss and other comprehensive income							
Interest income	-	-	426,786	-	145,800	-	572,586
Net loss on revaluation of investments in subsidiaries measured at FVTPL	(180,841)	-	-	-	-	-	(180,841)
Net gain on financial derivatives	-	-	387,164	-		-	387,164
Dividend income from investments in subsidiaries measured at FVTPL	3,036,634	-	-	-	-	-	3,036,634
Net foreign exchange gain	-	-	(53,154)	-	(399,102)	-	(452,256)
General and administrative expenses	-	-	(78,246)	-		-	(78,246)
Income tax expense	-	-	-	-	(384,540)	-	(384,540)

Other related parties include state-controlled companies, national companies and subsidiaries of national companies. The outstanding balances and the related average interest rates as at 31 December 2018 and related profit or loss amounts of transactions for the year ended 31 December 2018 with other related parties are as follows.

	Subsidiaries		**Other subsidiaries of the Parent Company**		**Entities controlled by the Government of the Republic of Kazakhstan**		**Total**
	‘000 KZT	**Nominal average effective interest rate**	**‘000 KZT**	**Nominal average effective interest rate**	**‘000 KZT**	**Nominal average effective interest rate**	**‘000 KZT**
Separate Statement of Financial Position as at 31 December 2018							
Assets							
Investments in subsidiaries measured at FVTPL	78,382,695	-	-	-	-	-	78,382,695
Investment financial assets	-	-	10,691,729	6.2	59,795,848	9.1	70,487,577
Deferred tax asset	-	-	-	-	1,900,883	-	1,900,883
Liabilities							
Current tax liabilities	-	-	-	-	241,605	-	241,605
Derivative financial instruments	-	-	(9,869,170)	-	-	-	(9,869,170)
Separate statement of profit or loss and other comprehensive income							
Interest income	-	-	482,638	-	1,698,006	-	2,180,644
Interest expenses	-	-	-		(7,359)		(7,359)
Net gain on revaluation of investments in subsidiaries measured at FVTPL	3,877,335	-	-	-	-	-	3,877,335
Net gain on financial derivatives	-	-	(1,149,087)	-	(2,021)	-	(1,151,108)
Net foreign exchange gain	-	-	1,654,669	-	3,926,039	-	5,580,708
General and administrative expenses	-	-	(59,561)	-	-	-	(59,561)
Income tax expense	-	-	-	-	(1,582,448)	-	(1,582,448)

The majority of balances resulting from transactions with related parties mature within one year, except for investments in subsidiaries measured at FVPL. Transactions with related parties are not secured.

Transactions with government-related entities

The Company transacts with a number of entities that are controlled by the Government of Kazakhstan. The Company applies the exemption in IAS 24 Related party disclosures that allows to present reduced related party disclosures regarding transactions with government-related entities.

23 Fair value

The estimates of fair value are intended to approximate the 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. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Company uses widely recognised valuation models to determine the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives such as interest rate swaps.

Fair value of investments in subsidiaries is measured using the adjusted net assets value approach. Assets of subsidiaries mainly comprise investments in financial instruments measured at fair value through profit or loss, including shares of private equity funds.

To determine fair value of these investments including shares in the private equity funds, the Company and its subsidiaries use annual audited financial statements and quarterly management reports of underlying investment funds which use proprietary valuation models. To determine fair values of investments as at 31 December 2019 the Company engages an independent valuation. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include equity securities for which there is no active market.

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2019:

'000 KZT	**Financial instruments at fair value through profit or loss**	**Financial asset measured at amortised cost**	**Financial assets measured at FVOCI**	**Financial liabilities measured at amortised cost**	**Total carrying amount**	**Fair value**
31 December 2019						
Financial assets measured at fair value						
Debt securities	-	-	27,136,102	-	27,136,102	27,136,102
Equity securities	15,807	-	-	-	15,807	15,807
	15,807	**-**	**27,136,102**	**-**	**27,151,909**	**27,151,909**
Financial assets not measured at fair value						
Cash and cash equivalents	-	192,996	-	-	192,996	192,996
Amounts due from credit institutions	-	9,374,336	-	-	9,374,336	9,374,336
Debt securities		1,572,997	-	-	1,572,997	1,572,997
Other financial assets	-	33,901	-	-	33,901	33,901
	-	**11,174,230**	-	-	**11,174,230**	**11,174,230**
Financial liabilities measured at fair value						
Cross currency and interest rate swap	10,298,284	-	-	-	10,298,284	10,298,284
	10,298,284	-	-	-	**10,298,284**	**10,298,284**
Financial liabilities not measured at fair value						
Other liabilities	-	-	-	40,409	40,409	40,409
	-	-	-	**40,409**	**40,409**	**40,409**

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2018:

'000 KZT	**Financial instruments at fair value through profit or loss**	**Financial asset measured at amortised cost**	**Financial assets measured at FVOCI**	**Financial liabilities measured at amortised cost**	**Total carrying amount**	**Fair value**
31 December 2018						
Financial assets measured at fair value						
Debt securities	-	-	44,628,498	-	44,628,498	44,628,498
Equity securities	25,123	-	-	-	25,123	25,123
	25,123	**-**	**44,628,498**	**-**	**44,653,621**	**44,653,621**
Financial assets not measured at fair value						
Cash and cash equivalents	-	2,671,010	-	-	2,671,010	2,671,010
Amounts due from credit institutions	-	17,906,243	-	-	17,906,243	17,906,243
Debt securities		1,283,502	-	-	1,283,502	1,283,502
Other financial assets	-	38,782	-	-	38,782	38,782
	-	**21,899,537**	**-**	**-**	**21,899,537**	**21,899,537**
Financial liabilities measured at fair value						
Cross currency and interest rate swap	9,869,170	-	-	-	9,869,170	9,869,170
	9,869,170	**-**	**-**	**-**	**9,869,170**	**9,869,170**
Financial liabilities not measured at fair value						
Other liabilities	-	-	-	106,420	106,420	106,420
	-	**-**	**-**	**106,420**	**106,420**	**106,420**

(b) Fair value hierarchy

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Company has a control framework with respect to the measurement of fair values. This framework includes engagement of independent valuation by qualified appraisal which reports to the Chief Financial Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing
- a review and approval process for new models and changes to models;
- quarterly calibration and back testing of models against observed market transactions;
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous period.

The table below analyses assets and liabilities measured at fair value as at 31 December 2019, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

'000 KZT	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments in subsidiaries measured at FVTPL	-	-	108,107,693	108,107,693
Financial assets at FVTPL	-	-	15,807	15,807
Investment financial assets	27,136,102	-	-	27,136,102
Derivative liabilities	-	(10,298,284)	-	(10,298,284)
	27,136,102	**(10,298,284)**	**108,123,500**	**124,961,318**

The table below analyses assets and liabilities measured at fair value as at 31 December 2018, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

'000 KZT	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments in subsidiaries measured at FVTPL	-	-	78,382,695	78,382,695
Financial assets at FVTPL	-	-	25,123	25,123
Investment financial assets	27,136,102	-	-	27,136,102
Derivative liabilities	-	(9,869,170)	-	(9,869,170)
	44,628,498	**(9,869,170)**	**78,407,818**	**113,167,146**

The following table shows a reconciliation for the year ended 31 December 2019 for fair value measurements in Level 3 of the fair value hierarchy:

'000 KZT	Investments in subsidiaries measured at FVTPL	Financial assets at FVTPL
Balance at the beginning of the year	**78,382,695**	**25,123**
Net loss on transactions recognised in profit or loss	(180,841)	(9,316)
Additions	29,997,706	-
Disposals	(91,867)	-
Balance at the end of the year	**108,107,693**	**15,807**

The following table shows a reconciliation for the year ended 31 December 2018 for fair value measurements in Level 3 of the fair value hierarchy:

'000 KZT	Investments in subsidiaries measured at FVTPL	Financial assets at FVTPL
Balance at the beginning of the year	**12,350,931**	**55,480,335**
Net gain on transactions recognised in profit or loss	3,877,335	-
Transfer of investments in private equity funds in subsidiary due to restructuring (Note 1)	55,455,212	(55,455,212)
Additions	6,896,770	-
Disposals	(197,553)	-
Balance at the end of the year	**78,382,695**	**25,123**

Fair value of the Company's investments in subsidiaries is measured using the adjusted net assets value approach. Assets of subsidiaries mainly comprise investments in financial instruments measured at fair value through profit or loss, including shares of investment funds. These funds invest primarily in private equity, through purchasing unlisted ordinary shares of businesses in emerging markets (predominantly Kazakhstan and Russia). To determine the fair value of these financial instruments as at 31 December 2019 and 31 December 2018, the Company and its subsidiaries engaged an independent appraiser. The approach followed by the appraiser was to estimate the fair value of the underlying portfolio investments (business) held by each fund, and then calculate the share of the Company's subsidiaries of this business value. As a cross check, the appraiser also reviews fair values of investments as reported by each of the funds, and assesses the basis for material differences between the estimated fair value and fair values reported by the managers.

A number of valuation techniques were used by the appraiser to value the underlying portfolio investments, depending on the nature of the business concerned, the availability of market comparables, and the stage in the business's life cycle.

following table summarises fair value valuation techniques for these investments and sensitivity of measurement of fair value by the appraiser to changes in key assumptions.

The table below sets out information about significant unobservable inputs used at year end in the measuring of the most significant investments included in assets of the Company's subsidiaries, categorised as Level 3 in the fair value hierarchy as at 31 December 2019, together with a sensitivity analysis for shifts in these inputs which the Company considers were reasonably possible at the reporting date, assuming all other variables remain unchanged.

Industry in which company operates	Fair value	Valuation technique	Significant unobservable inputs	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
	21,957,960	Black-Scholes option pricing models	Volatility rate	+/- 5%	1,097,898
	512,750	Comparative approach	EBITDA/(multiplier)	+/- 5%	25,638
	69,248	Income approach	Discounted cash flows	+/- 5%	3,462
Power engineering	23,014	Income approach	Discounted cash flows	+/- 5%	1,151
Alternative power engineering	5,135,379	Comparative approach	EBITDA/(multiplier)	+/- 5%	256,769
	4,242,000	Cost approach	Historical costs	+/- 5%	212,100
	140,995	Cost approach	Historical costs	+/- 5%	7,050
	3,692,950	Income approach	Discounted cash flows	+/- 5%	184,648
	3,376,158	Comparative approach	EBITDA/(multiplier)	+/- 5%	168,808
	3,292,436	Comparative approach	EBITDA/(multiplier)	+/- 5%	164,622
	2,963,761	Cost approach	Historical costs	+/- 5%	148,188
	1,624,724	Income approach	Discounted cash flows	+/- 5%	81,236
Transport and logistics	781,988	Income approach	Discounted cash flows	+/- 5%	39,099
Real estate	1,208,257	Cost approach	Adjustment to NAV	+/- 5%	60,413
	3,430,003	Cost approach	Historical costs	+/- 5%	171,500
	3,053,274	Income approach	Discounted cash flows	+/- 5%	152,664
	2,033,751	Income approach	Discounted cash flows	+/- 5%	101,688
	1,530,023	Income approach	Discounted cash flows	+/- 5%	76,501
	1,292,320	Income approach	Discounted cash flows	+/- 5%	64,616
	1,000,000	Cost approach	Historical costs	+/- 5%	50,000
	570,989	Cost approach	Historical costs	+/- 5%	28,549
	480,681	Income approach	Discounted cash flows	+/- 5%	24,034
Processing industry	9,240	Cost approach	Adjustment to NAV	+/- 5%	462

Industry in which company operates	Fair value	Valuation technique	Significant unobservable inputs	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
Natural resources	907,276	Comparative approach	EBITDA/(multiplier)	+/- 5%	45,364
Medical diagnostics	1,641,482	Cost approach	Adjustment to NAV	+/- 5%	82,074
	1,517,983	Comparative approach	EBITDA/(multiplier)	+/- 5%	75,899
	172,103	Comparative approach	EBITDA/(multiplier)	+/- 5%	8,605
	100,000	Cost approach	Historical costs	+/- 5%	5,000
Agriculture	7,837,137	Income approach	Discounted cash flows	+/- 5%	391,857
	2,139,191	Cost approach	Historical costs	+/- 5%	106,960
	1,585,000	Income approach	Discounted cash flows	+/- 5%	79,250
	1,332,746	Income approach	Discounted cash flows	+/- 5%	66,637
	1,258,190	Cost approach	Historical costs	+/- 5%	62,910
	1,000,000	Cost approach	Historical costs	+/- 5%	50,000
	593,565	Cost approach	Historical costs	+/- 5%	29,678
	344,162	Cost approach	Historical costs	+/- 5%	17,208
Electrical industry	222,671	Cost approach	Historical costs	+/- 5%	11,134

Industry in which company operates	Fair value	Valuation technique	Significant unobservable inputs	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
Telecommunication services	291,105	Income approach	Discounted cash flows	+/- 5%	14,555
	93,577	Income approach	Discounted cash flows	+/- 5%	4,679
Financial services	1,069,144	Comparative approach	EBITDA/(multiplier)	+/- 5%	53,457
	166,299	Comparative approach	EBITDA/(multiplier)	+/- 5%	8,315
	71,277	Comparative approach	EBITDA/(multiplier)	+/- 5%	3,564
Entertainment	3,187,654	Comparative approach	EBITDA/(multiplier)	+/- 5%	159,383
	948,074	Comparative approach	EBITDA/(multiplier)	+/- 5%	47,404
Other	19,207,156	-	-	-	
Total	**108,107,693**				

The table below sets out information about significant unobservable inputs used at year end in the measuring of the most significant investments included in assets of the Company's subsidiaries, categorised as Level 3 in the fair value hierarchy as at 31 December 2018, together with a sensitivity analysis for shifts in these inputs which the Company considers were reasonably possible at the reporting date, assuming all other variables remain unchanged.

Industry in which company operates	Fair value of Company's share	Valuation technique	Significant unobservable inputs	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
Power engineering	14,236,992	Black-Scholes option pricing models	Volatility rate	+/- 5%	464,104
	511,839	Black-Scholes option pricing models	Volatility rate	+/- 5%	17,532
	139,695	Black-Scholes option pricing models	Volatility rate	+/- 5%	4,914
	110,557	Income approach	Discounted cash flows	+/- 5%	5,528
Alternative power engineering	5,175,547	Comparative approach	EBITDA/(multiplier)	+/- 5%	258,777
	74,289	Cost approach	Historical costs	+/- 5%	3,714
	27,867	Cost approach	Historical costs	+/- 5%	1,393
Transport and logistics	3,526,047	Income approach	Discounted cash flows	+/- 1%	176,302
	3,321,355	Cost approach	Adjustment to NAV	+/- 5%	166,068
	2,993,324	Cost approach	Adjustment to NAV	+/- 5%	149,666
	2,976,233	Cost approach	Historical costs	+/- 5%	148,812
Real estate	1,770,939	Cost approach	Adjustment to NAV	+/- 5%	88,547
Processing industry	3,832,991	Income approach	Discounted cash flows	+/- 1%	261,650
	1,463,483	Cost approach	Adjustment to NAV	+/- 5%	73,174
	1,038,377	Cost approach	Adjustment to NAV	+/- 5%	51,919
	95,730	Cost approach	Adjustment to NAV	+/- 5%	4,787

Industry in which company operates	Fair value of Company's share	Valuation technique	Significant unobservable inputs	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
Natural resources	1,083,444	Cost approach	Historical costs	+/- 5%	54,172
Medical diagnostics	1,087,304	Cost approach	Adjustment to NAV	+/- 5%	54,365
	1,087,304	Cost approach	Adjustment to NAV	+/- 5%	54,365
	830,338	Cost approach	Adjustment to NAV	+/- 5%	41,517
	647,340	Cost approach	Adjustment to NAV	+/- 5%	32,367
	647,340	Cost approach	Adjustment to NAV	+/- 5%	32,367
Agriculture	3,457,800	Cost approach	Historical costs	+/- 5%	172,890
	1,425,372	Cost approach	Historical costs	+/- 5%	71,269
Electrical industry	1,564,437	Income approach	Discounted cash flows	+/- 5%	78,222
	107,387	Income approach	Discounted cash flows	+/- 5%	5,369
Telecommunication services	1,079,145	Income approach	Discounted cash flows	+/- 5%	53,957
	295,538	Income approach	Discounted cash flows	+/- 5%	14,777
Financial services	1,126,091	Cost approach	EBITDA/(multiplier)	+/- 5%	56,305
	303,995	Comparative approach	EBITDA/(multiplier)	+/- 5%	15,200
	247,423	Cost approach	Historical costs	+/- 5%	12,371
	211,215	Comparative approach	EBITDA/(multiplier)	+/- 5%	10,561
Entertainment	2,987,616	Comparative approach	EBITDA/(multiplier)	+/- 5%	149,381
	749,695	Comparative approach	EBITDA/(multiplier)	+/- 5%	37,485
	288,616	Income approach	Discounted cash flows	+/- 5%	14,431
Other	17,860,030	-	-	-	-
Total	**78,382,695**	-	-		

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2019.

'000 KZT	Level 2	Total fair value	Total carrying amount
Assets			
Cash and cash equivalents	192,996	192,996	192,996
Amounts due from credit institutions	9,374,336	9,374,336	9,374,336
Investment financial assets	2,227,978	2,227,978	1,572,997
Other financial assets	33,901	33,901	33,901
Liabilities			
Other financial liabilities	(40,409)	(40,409)	(40,409)

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2018.

'000 KZT	Level 2	Total fair value	Total carrying amount
Assets			
Cash and cash equivalents	2,671,010	2,671,010	2,671,010
Amounts due from credit institutions	17,906,243	17,906,243	17,906,243
Investment financial assets	1,283,502	1,283,502	1,283,502
Other financial assets	38,782	38,782	38,782
Liabilities			
Other financial liabilities	(106,420)	(106,420)	(106,420)

23 Subsequent events

In January 2020, an outbreak of coronavirus disease was reported in China. To assess the impact of the outbreak on the Company's financial position, namely, on measurement of fair value of investments measured at fair value through profit or loss, the Company initiated an analysis. As at the date of issue of these financial statements, the Company is in the process of assessing the impact of the outbreak on the Company's financial performance.