Joint Stock Company Unified Accumulative Pension Fund

Financial Statements and
Independent Auditor's Report
For the year ended 31 December 2016

Joint Stock Company Unified Accumulative Pension Fund

Contents

Joint Stock Company Unified Accumulative Pension Fund

Statement of Management's Responsibilities
For the Preparation and Approval of the Financial Statements
For the Year Ended 31 December 2016

Management of Joint Stock Company Unified Accumulative Pension Fund ("the Fund") is responsible for the preparation of the financial statements that present fairly the financial position of the Fund as at 31 December 2016, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Fund's financial position and financial performance; and
- making an assessment of the Fund's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Fund;
- maintaining adequate accounting records that disclose, with reasonable accuracy at any time, the financial position of the Fund, and which enable them to ensure that the financial statements of the Fund comply with IFRS;
- maintaining accounting records in compliance with legislation of the Republic of Kazakhstan;
- taking such steps as are reasonably available to them to safeguard the assets of the Fund; and
- detecting and preventing fraud and other irregularities.

The financial statements of the Fund for the year ended 31 December 2016 were authorized for issuance by the Management of the Fund on 24 March 2017.

On behalf of the Management of the Fund:

Nauryzbayeva Nurbubi Serekkhazhiyevna	**Kuatova Armida Shaizadinovna**
Chairman of the Management Board	**Chief Accountant**
24 March 2017	24 March 2017
Almaty.	Almaty.

Deloitte.

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Almaty, 050059,
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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Joint Stock Company Unified Accumulative Pension Fund

Opinion

We have audited the accompanying financial statements of Joint Stock Company Unified Accumulative Pension Fund (the "Fund"), which comprise the statement of financial position as at 31 December 2016, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Other Information

The financial statements of the Fund as at and for the year ended 31 December 2015 were audited by other auditors whose report dated 24 March 2016 expressed an unmodified opinion on those statements.

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

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

In preparing the financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

Deloitte, LLP

Deloitte, LLP
State license on auditing in the Republic of Kazakhstan # 0000015, type MFU - 2, issued by the Ministry of Finance of the Republic of Kazakhstan dated 13 September 2006

Nurlan Bekenov
Engagement Partner
Qualified Auditor
Qualification certificate #0082
dated 13 June 1994
General Director
Deloitte, LLP

24 March 2017
Almaty

Joint Stock Company Unified Accumulative Pension Fund

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2016
(in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2016	Year ended 31 December 2015
Commission income	5	58,563,783	58,856,318
Commission expense	6	(6,536,550)	(21,164,569)
Net commission income		**52,027,233**	**37,691,749**
Interest income	7	7,519,052	2,308,319
Net foreign exchange (loss)/gain		(114,683)	4,734,353
Net realised loss on available-for-sale financial assets		-	(111,767)
Provision for impairment losses		(20,983,434)	-
Other operating income/(expense), net		325,654	(3,443)
Operating income		**38,773,822**	**44,619,211**
Personnel expenses	8	(9,103,897)	(7,655,795)
General administrative expenses	9	(3,818,817)	(2,550,395)
Profit before income tax		**25,851,108**	**34,413,021**
Income tax expense	10	(4,824,016)	(6,779,519)
Net profit		**21,027,092**	**27,633,502**
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Net gain on revaluation of available-for-sale financial assets, net of tax		(1,020,108)	(301,737)
Reclassification adjustment relating to available-for-sale financial assets, disposed of during the year, net of tax		-	111,767
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property and equipment, net of tax		20,770	-
Other comprehensive loss		**(999,338)**	**(189,970)**
Total comprehensive income		**20,027,754**	**27,443,532**

On behalf of the Management Board:

Nauryzbayeva Nurbubi Serekkhazhiyevna
Chairman of the Management Board

24 March 2017
Almaty

Kuatova Armida Shaizadinovna
Chief Accountant

24 March 2017
Almaty

The notes on pages 9-42 form an integral part of these financial statements.

Joint Stock Company Unified Accumulative Pension Fund

Statement of Financial Position
As at 31 December 2016
(in thousands of Kazakhstani Tenge)

	Notes	31 December 2016	31 December 2015
ASSETS			
Cash and cash equivalents	11	12,026,933	16,918,433
Available-for-sale financial assets	12	18,853,763	20,120,688
Bank deposits	13	33,295,839	26,920,776
Commission receivable	14	2,912,727	6,348,208
Current tax asset		3,396,277	-
Investment property		22,761	22,761
Property, equipment and intangible assets	15	2,267,911	1,048,000
Deferred tax assets	10	4,255,512	3,362,396
Other assets		399,785	152,677
Total assets		**77,431,508**	**74,893,939**
LIABILITIES AND EQUITY			
Current tax liability		-	1,305,940
Commission payable to NBRK for fiduciary management	16	571,285	16,611,467
Other liabilities	17	525,880	669,943
Total liabilities		**1,097,165**	**18,587,350**
EQUITY			
Share capital	18	7,114,244	7,114,244
Statutory reserve	18	4,056,517	4,056,517
Revaluation reserve for available-for-sale financial assets		(1,452,775)	(432,667)
Revaluation reserve for property and equipment		16,296	-
Retained earnings		66,600,061	45,568,495
Total equity		**76,334,343**	**56,306,589**
Total liabilities and equity		**77,431,508**	**74,893,939**

On behalf of the Management Board:

Nauryzbayeva Nurbubi Serekkhazhiyevna
Chairman of the Management Board

24 March 2017
Almaty

Kuatova Armida Shaizadinovna
Chief Accountant

24 March 2017
Almaty

The notes on pages 9-42 form an integral part of these financial statements.

Joint Stock Company Unified Accumulative Pension Fund

Statement of Changes in Equity
For the Year Ended 31 December 2016
(in thousands of Kazakhstani Tenge)

	Share capital	Statutory reserve	Revaluation reserve for available-for-sale financial assets	Revaluation reserve for property and equipment	Retained earnings	Total
As at 31 December 2014	7,114,244	4,056,517	(242,697)	-	17,934,993	28,863,057
Profit for the year	-	-	-	-	27,633,502	27,633,502
Other comprehensive loss	-	-	(189,970)	-	-	(189,970)
As at 31 December 2015	**7,114,244**	**4,056,517**	**(432,667)**	**-**	**45,568,495**	**56,306,589**
Profit for the year	-	-	-	-	21,027,092	21,027,092
Transfer from revaluation reserve for property and equipment, net tax	-	-	-	(4,474)	4,474	-
Other comprehensive loss	-	-	(1,020,108)	20,770	-	(999,338)
As at 31 December 2016	**7,114,244**	**4,056,517**	**(1,452,775)**	**16,296**	**66,600,061**	**76,334,343**

On behalf of the Management Board:

Nauryzbayeva Nurbubi Serekkhazhiyevna
Chairman of the Management Board

24 March 2017
Almaty

Kuatova Armida Shaizadinovna
Chief Accountant

24 March 2017
Almaty

The notes on pages 5-42 form an integral part of these financial statements.

Joint Stock Company Unified Accumulative Pension Fund

Statement of Cash Flows
For the Year Ended 31 December 2016
(in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2016	Year ended 31 December 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**25,851,108**	**34,413,021**
Adjustments for:			
Depreciation and amortisation	15, 9	641,392	251,543
Loss on disposal of available-for-sale financial assets		-	111,767
Loss on disposal of property, equipment and intangible assets		3,180	543
Loss on impairment of investment property		-	7,696
Vacation reserve		9,526	46,016
Provision for impairment loss		20,983,434	-
Net foreign exchange loss/(gain)		114,683	(4,734,353)
Interest income	7	(7,519,052)	(2,308,319)
(Increase)/decrease in operating assets			
Commission receivable		3,435,481	(4,679,213)
Other assets		(196,721)	68,792
Increase/(decrease) in operating liabilities			
Commission payable to NBRK for fiduciary management		(16,040,181)	13,337,631
Other liabilities		(144,037)	(66,704)
Cash inflow from operations before income taxes		**27,138,813**	**36,448,420**
Income tax paid		(10,419,349)	(8,072,416)
Net cash inflow from operating activities		**16,719,464**	**28,376,004**
CASH FROM INVESTING ACTIVITIES			
Acquisition of available-for-sale financial assets		(5,040,526)	(12,150,729)
Sale and redemption of available-for-sale assets		-	305,321
Placements of bank deposits		(66,637,950)	(26,100,150)
Proceeds from bank deposits		50,346,710	16,797,567
Purchases of property, equipment and intangible assets		(1,843,713)	(428,635)
Interest received		2,014,865	2,214,045
Net cash outflow from investing activities		**(21,160,614)**	**(19,362,581)**
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
Net (decrease)/increase in cash and cash equivalents		**(4,441,150)**	**9,013,423**
Effect of changes in exchange rates on cash and cash equivalents		(450,350)	1,458,925
Cash and cash equivalents as at the beginning of the year	11	16,918,433	6,446,085
Cash and cash equivalents as at the end of the year	11	**12,026,933**	**16,918,433**

On behalf of the Management Board:

Nauryzbayeva Nurbubi Serekkhazhiyevna
Chairman of the Management Board

24 March 2017
Almaty

Kuatova Armida Shaizadinovna
Chief Accountant

24 March 2017
Almaty

The notes on pages 5-42 form an integral part of these financial statements.

1. Organization

Organisation and operations

"Unified Accumulative Pension Fund" JSC ("the Fund") was incorporated on 17 December 1997 by the Government of the Republic of Kazakhstan as "State Accumulative Pension Fund" CJSC in accordance with Decree No 1372 dated 24 September 1997. The Fund was established under the pension reform undertaken in the Republic of Kazakhstan in 1997, in the transition to a defined contribution pension system. On 1 February 2005, the Fund was re-registered as "State Accumulative Pension Fund" JSC.

On 21 June 2013, the new edition of the Law of the Republic of Kazakhstan "On pensions in the Republic of Kazakhstan" ("the Law on pensions") was approved. In accordance with the aforementioned law, all mandatory pension and mandatory professional pension contributions in the Republic of Kazakhstan are to be accumulated by the Fund, and all pension assets and liabilities accumulated to that date at other accumulation pension funds were to be transferred to the Fund according to the order set by the regulatory act of the responsible body. The schedule of transfer of pension assets and liabilities from other accumulation pension funds to the Fund was approved by the Order No 356 of the Chairman of the National Bank of the Republic of Kazakhstan ("the NBRK") dated 22 August 2013. In accordance with this Order, the transfer of pension assets and liabilities started on 11 October 2013 and ended on 26 June 2014.

On 31 July 2013, the Government of the Republic of Kazakhstan issued Decree No 747 on foundation of the "Unified Accumulative Pension Fund" JSC. On 22 August 2013, the Fund was re-registered as "Unified Accumulative Pension Fund" JSC due to the change in its name. According to the Charter, the Fund is a not-for-profit organisation. The sole shareholder of the Fund in accordance with the Law on pensions is the Government of the Republic of Kazakhstan, represented by the Committee of State Property and Privatisation of the Ministry of Finance of the Republic of Kazakhstan ("the CSPP"). In accordance with the Law on pensions and the Agreement on fiduciary management signed by the NBRK on 24 September 2013 and by the CSPP on 25 September 2013, the state portfolio of shares of the Fund was passed under the fiduciary management to the NBRK.

The Fund performs the function of pension funds accumulation for the pension plan assets (the "Plan"). In accordance with the Law on pensions and the Charter, the principal activities of the Fund are:

- accumulation of mandatory and voluntary pension and professional pension contributions;
- payment of accumulated pensions; and
- individual accounting of accumulated pensions and payments.

In accordance with the Agreement on fiduciary management, custody, accounting and investment management of pension assets accumulated at the Fund is performed by the NBRK on behalf of the Fund.

As at 31 December 2016 and 2015, the Plan's pension assets were held in the custody - NBRK.

In accordance with the Law on pensions, the Fund is authorised to receive a commission from the Plan not exceeding 7.5% per annum of net investment income on pension plan assets and 0.025% per month of total pension assets.

In 2016, the Fund received commission income on investment income from pension plan assets of 5.25% per annum (2015: 7.5% per annum). The calculation is performed on a monthly basis, and for the calculation the Fund uses investment income on pension plan assets accrued for the month.

In 2016, the Fund received commission income of 0.0225% per month on pension plan assets (2015: 0.025% per month). The calculation is performed on a monthly basis and for the calculation the Plan uses the value of the pension plan assets as at the first day of the month preceding the month for which the calculation and accrual of commission income is made. In the calculation, the Plan uses the value of pension plan assets without accrual of investment income from pension plan assets estimated in accordance with the Rules "On accounting and valuation of pension assets" developed by the National Bank of the Republic of Kazakhstan in Decree No. 24 dated 26 February 2014 ("the Valuation Rules").

Commission income rates on pension plan assets and on investment income from pension plan assets were determined in accordance with regulation #189 of the Management Board of the NBRK dated 20 October 2015.

Besides management of the Plan's assets, the Fund conducts operations with its own assets, which are reflected in the current financial statements. The Plan's assets are disclosed in the financial statements of the Plan's pension assets and are not reflected in these financial statements.

The Fund's legal address is 82 Auezov Street, Almaty, Republic of Kazakhstan. As at 31 December 2016, the Fund had 18 branches operating in the Republic of Kazakhstan (2015: 18).

As at 31 December 2016 and 2015, the Fund employed 2,123 and 2,056 employees, respectively.

Shareholders

As at 31 December 2016 and 2015, the sole shareholder of the Fund was the Government of the Republic of Kazakhstan represented by the CSPP. In accordance with the Law on pensions and the Agreement on fiduciary management signed by the NBRK on 24 September 2013 and by the CSPP on 25 September 2013, the state portfolio of shares of the Fund was passed under the fiduciary management to the NBRK.

2. Significant accounting policies

Statement of compliance. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements have been prepared assuming that the Fund is a going concern and will continue operation for the foreseeable future.

These financial statements are presented in thousands of *Kazakhstani tenge ("KZT thousand")*, unless otherwise indicated.

These financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Fund maintains its accounting records in accordance with International Accounting Standards and legislation of the Republic of Kazakhstan on accounting and financial reporting. These financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

Functional currency. Items included in the financial statements are measured using the currency of the primary of the economic environment in which the entity operates ("the functional currency"). The presentational currency of the financial statements of the Fund is the KZT. All values are rounded to the nearest thousand tenge, except when otherwise indicated.

Offsetting. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Fund.

Revenue recognition

Recognition of interest income and expense. Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Fund and the amount of income can be measured reliably. Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.

Financial instruments. The Fund recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets. Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held to maturity' ("HTM") investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL. Financial assets are classified as at FVTPL when is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend and interest earned on the financial asset and is included in the 'other gains and losses' and 'interest income' line item, respectively, in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 24.

Held to maturity investments. Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Fund has the positive intent and ability to hold to maturity. Held to maturity investments are measured at amortised cost using the effective interest method less any impairment.

If the Fund were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Fund would be prohibited from classifying any financial asset as held to maturity during the current financial year and following two financial years.

Available-for-sale financial assets. Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (2) held to maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares and listed redeemable notes held by the Fund that are traded in an active market are classified as AFS and are stated at fair value. The Fund also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the Fund management considers that fair value can be reliably measured). Fair value is determined in the manner described (see Note 24). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, dividend income and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Receivables. Trade and other receivables that have fixed or determinable payments that are not quoted in an active market, including balances with the NBRK, due from banks and other financial assets) are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets. Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- Disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans and receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Fund's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss for all financial assets through the use of an allowance account. When financial assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets. The Fund derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain of loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Fund retains an option to repurchase part of a transferred asset), the Fund allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

Other financial liabilities. Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities. The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or have expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

Leases. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Fund as lessee. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Cash and cash equivalents. Cash and cash equivalents consist of cash on hand, unrestricted balances on corresponded and term deposits with the National Bank of the Republic of Kaakhstan with original maturity of less or equal to 93 days and amounts due from credit institutions with original maturity of less or equal to 93 days and are free from contractual encumbrances.

Property and equipment. Buildings and vehicles held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such buildings and vehicles is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings and vehicles is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis at the following annual rates:

Buildings and other real estate	2.5%
Furniture and computer equipment	14.3-33.3%
Other fixed assets	4.0-100.0%
Intangible assets	10%-100.0%

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets. Intangible assets created by own forces - research and development work. Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill. At the end of each reporting period, the Fund reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Fund estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Investment property. Investment property is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Taxation. Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax. The tax currently payable is based on taxable profit for the year. Taxable profit before tax as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Fund's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax. Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax for the year. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Operating taxes. The Republic of Kazakhstan, where the Fund operates also have various taxes, other than income tax, which are applied to the Fund's activities. These taxes are included as a component of operating expenses in the statement of profit or loss and other comprehensive income.

Provisions. Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that the Fund will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(in thousands of Kazakhstani Tenge)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Foreign currencies. In preparing the financial statements of the Fund, transactions in currencies other than the Fund's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

The exchange rates used by the Fund in the preparation of the financial statements as at year-end are as follows:

	31 December 2016	31 December 2015
KZT/1 US Dollar	333.29	340.01
KZT/1 Euro	352.42	371.46
KZT/1 RUR	5.43	4.61

Equity reserves. The reserves recorded in equity on the Fund's statement of financial position includes:

- revaluation reserve for available-for-sale financial assets which comprises changes in fair value of available-for-sale financial assets;
- Revaluation reserve for property and equipment

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Fund's accounting policies the Fund management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Valuation of financial instruments. As described (see Note 24), the Fund uses valuation techniques that include inputs that are not based on observable market date to estimate the fair value of certain types of financial instruments.

Useful lives of property, plant and equipment. As described above, the Fund reviews the estimated useful lives of property and equipment at the end of each annual reporting period.

Recoverability of deferred tax assets. The management of the Fund is confident that no valuation allowance against deferred tax assets at the reporting date is considered necessary, because it is more likely than the deferred tax asset will be fully realized. The carrying value of deferred tax assets amounted to KZT 4,255,512 thousand and KZT 3,362,396 thousand as at 31 December 2016 and 2015, respectively.

Impairment of financial assets. The Fund regularly reviews its financial assets to assess for impairment. The Fund's financial assets impairment provisions are established to recognize incurred impairment losses in its portfolio of financial assets. The Fund considers accounting estimates related to allowance for impairment of financial assets a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired financial assets are based on recent performance experience, and (ii) any significant difference between the Fund's estimated losses and actual losses would require the Fund to record provisions which could have a material impact on its financial statements in future periods.

The allowances for impairment of financial assets in the financial statements have been determined on the basis of existing economic and political conditions. The Fund is not in a position to predict what changes in conditions will take place in the Republic of Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

4. Application of new and revised International Financial Reporting Standards (IFRSs)

4.1 Amendments to IFRSs affecting amounts reported in the financial statements

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

- Amendments to IAS 1 Disclosure Initiative;
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation;*
- Annual Improvements to IFRSs 2012-2014 Cycle

Amendments to *IAS 1 Disclosure Initiative.* The Fund has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Fund, and should be separated into the share of items that, in accordance with other IFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The application of these amendments has not resulted in any impact on the financial performance or financial position of the Fund.

Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation.* The Fund has applied these amendments for the first time in the current year. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a. when the intangible asset is expressed as a measure of revenue; or
b. when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

As the Fund already uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively, the application of these amendments has had no impact on the Fund's financial statements.

Annual Improvements to IFRSs - 2012-2014 Cycle. The Fund has applied these amendments for the first time in the current year. The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of these amendments has not resulted in any impact on the financial performance or financial position of the Fund.

4.2 New and revised IFRSs in issue but not yet effective.

The Fund has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 *Financial Instruments*[2];
- IFRS 15 *Revenue from Contracts with Customers (and the related Clarifications)*[2];
- IFRS 16 Leases[3];
- Amendments to IAS 7 – *Disclosure Initiative*[1];
- Amendments to IAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses*[1];
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*[2];
- Amendments to IAS 40 – *Transfers of Investment Property*[2];
- Annual Improvements to IFRSs 2014-2016 Cycle.

[1] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

IFRS 9 *Financial Instruments.* IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- **Classification and measurement of financial liabilities.** With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- **Impairment.** In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- **Hedge accounting.** The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Fund's financial assets and financial liabilities as at 31 December 2016 on the basis of the facts and circumstances that exist at that date, the management of the Fund has performed a preliminary assessment of the impact of IFRS 9 to the Fund's financial statements as follows:

Classification and measurement

- Listed redeemable notes classified as available-for-sale financial assets carried at fair value as disclosed in Note 12: these are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the notes in the open market, and the notes' contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the listed redeemable notes will continue to be subsequently measured at FVTOCI upon the application of IFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the listed redeemable notes are derecognised or reclassified;
- Unlisted shares classified as available-for-sale financial assets carried at fair value as disclosed in Note 12: these shares qualify for designation as measured at FVTOCI under IFRS 9; however, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently reclassified to profit or loss under IFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Fund's profit or loss and other comprehensive income but will not affect total comprehensive income;
- All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment

Financial assets measured at amortised cost, listed redeemable notes that will be carried at FVTOCI under IFRS 9 will be subject to the impairment provisions of IFRS 9.

The Fund expects to apply the simplified approach to recognise lifetime expected credit losses for its other financial assets. The management is currently assessing the extent of this impact.

In general, the management anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and are currently assessing the potential impact.

It should be noted that the above assessments were made based on an analysis of the Fund's financial assets and financial liabilities as at 31 December 2016 on the basis of the facts and circumstances that existed at that date. As facts and circumstances may change during the period leading up to the initial date of application of IFRS 9, which is expected to be 1 January 2018 as the Fund does not intend to early apply the standard, the assessment of the potential impact is subject to change.

IFRS 15 *Revenue from Contracts with Customers.* IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard introduces a 5-step approach to revenue recognition:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The management of the Fund does not intend to early apply the standard and intend to use the full retrospective method upon adoption.

IFRS 16 *Leases.* IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The management of the Fund does not anticipate that the application of these amendments will have a material impact on the Fund's financial statements.

Amendments to IAS 7 *Disclosure Initiative.* The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted.

The management of the Fund does not anticipate that the application of these amendments will have a material impact on the Fund's financial statements.

Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses.* The amendments clarify the following:

- Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;
- When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;
- The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
- In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted.

The management of the Fund does not anticipate that the application of these amendments will have a material impact on the Fund's financial statements.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration.* The Interpretation clarifies that when an entity pays or receives consideration in advance in a foreign currency, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date of the advance consideration, i.e. when the prepayment or liability in respect of the income received in advance was recognised. If there is more than one advance payment or receipt the date of the transaction for each payment of receipt of advance consideration should be determined. The amendments apply to annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities may elect to apply amendments either retrospectively or prospectively.

The management of the Fund does not anticipate that the application of this IFRIC will have a material impact on the Fund's financial statements as the Fund currently uses the approach prescribed in IFRIC 22.

Amendments to IAS 40 *Transfers of Investment Property.* The amendments are intended to clarify that an entity can only reclassify a property to/ from investment property when, and only when, there is evidence that a change in the use of the property has occurred. The amendments emphasise that a change in management's intentions alone would not be enough to support a transfer of property. The standard has a list of circumstances that evidence a change in use, which is perceived by some as being exhaustive, the amendments make it clear that they are only examples. The amendments apply to annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities may elect to apply them either retrospectively (if it is possible without the use of hindsight) or prospectively.

The management of the Fund does not anticipate that the application of these amendments will have a material impact on the Fund's financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle. This annual improvements package amended three standards.

The Amendments to IFRS 1 delete the short-term exemptions that related to disclosures about financial instruments, employee benefits and investment entities as the reporting period to which the exemptions applied have already passed and as such, these exemptions are no longer applicable. The amendments are effective for annual periods beginning on or after 1 January 2018.

(in thousands of Kazakhstani Tenge)

The management of the Fund does not anticipate that the application of these amendments will have a material impact on the Fund's financial statements.

5. Commission income

	Year ended 31 December 2016	Year ended 31 December 2015
Commission from investment income on Plan assets	42,474,846	44,809,488
Commission on Plan assets	16,088,937	14,046,830
Total commission income	**58,563,783**	**58,856,318**

In 2016, the Fund received commission income on investment income from pension plan assets of 5.25% per annum (2015: 7.5% per annum). The calculation is performed on a monthly basis, and for the calculation the Fund uses investment income on pension plan assets accrued for the month.

In 2016, the Fund received commission income of 0.0225% per month on pension plan assets (2015: 0.025% per month). The calculation is performed on a monthly basis and for the calculation the Plan uses the value of the pension plan assets as at the first day of the month preceding the month for which the calculation and accrual of commission income is made. In the calculation, the Plan uses the value of pension plan assets without accrual of investment income from pension plan assets estimated in accordance with the Valuation Rules.

Commission income rates on pension plan assets and on investment income from pension plan assets were determined in accordance with regulation #189 of the Management Board of the NBRK dated 20 October 2015.

6. Commission expense

	Year ended 31 December 2016	Year ended 31 December 2015
Fiduciary management of pension assets by the NBRK	3,610,367	19,313,399
Custody operations	2,227,716	1,356,560
Bank services	608,455	448,472
Other	90,012	46,138
Total commission expense	**6,536,550**	**21,164,569**

In 2016, the Fund paid base commission income to the NBRK, which was differentiated based on the financial instrument portfolio group (from 0 to 0.06% per month), in accordance with Appendix 1 to the State Procurement Agreement for the Fiduciary Management of Unified Accumulative fund JSC № 362НБ dated 26 August 2013.

In 2015, the Fund paid NBRK commission for asset management at the rate of 0.005% per month of the Plan assets less uninvested cash at the beginning of each month. The management fee for 2015 included a success fee of KZT 16,172,374 thousand payable at 10% of investment income in excess of inflation.

(in thousands of Kazakhstani Tenge)

7. Interest income

	Year ended 31 December 2016	Year ended 31 December 2015
Interest income comprises:		
Financial assets recorded at amortized cost:		
- impaired financial assets	858,640	-
- unimpaired financial assets	4,826,882	1,629,018
Financial assets at fair value	1,833,530	679,301
Total interest income	7,519,052	2,308,319
Financial assets recorded at amortized cost comprises:		
Bank deposits	5,685,452	1,619,851
Cash and cash equivalents	70	9,167
Total interest income on financial assets recorded at amortized cost	5,685,522	1,629,018
Financial assets at fair value comprises:		
Available-for-sale financial assets	1,833,530	679,301
Total interest income on financial assets at fair value	1,833,530	679,301
Net interest income before impairment losses on interest bearing financial assets	**7,519,052**	**2,308,319**

8. Personnel expenses

	Year ended 31 December 2016	Year ended 31 December 2015
Employee compensation	8,278,296	6,969,290
Payroll related taxes	825,601	686,505
Total personnel expenses	**9,103,897**	**7,655,795**

9. General administrative expenses

	Year ended 31 December 2016	Year ended 31 December 2015
Operating lease expenses	1,026,763	823,236
Depreciation and amortisation	641,392	251,543
Post and information services for clients	327,392	616,135
Communications and information services	287,292	192,813
Advertising and marketing	263,753	34,689
Professional services	176,457	6,160
Software support services	154,240	77,980
Travel expenses	122,446	76,576
Transportation	91,463	55,078
Insurance	75,611	48,154
Costs related to property, equipment and intangible assets	59,581	81,586
Repairs and maintenance	54,032	33,052
Utilities	43,973	41,372
Stationery	42,431	24,657
Security	35,145	27,396
Bank services	33,344	20,452
Membership fees	28,192	9,991
Taxes other than income tax	3,396	6,535
Fuel	3,142	4,193
Hospitality	3,092	2,344
Other	345,680	116,453
Total general administrative expenses	**3,818,817**	**2,550,395**

(in thousands of Kazakhstani Tenge)

10. Income tax expense

The Fund calculates income tax for the current period on the basis of the tax accounting data that is carried out in accordance with the requirements of the tax legislation of the Republic of Kazakhstan in which the Fund operates, which may differ from IFRS.

Due to the fact that some types of the expenses are not taken into account for the tax purposes, and due to the availability of non-taxable income, the Fund has certain permanent tax differences.

The deferred tax reflects the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts determined for the tax purposes. The temporary differences as at 31 December 2016 and 2015 are mainly related to different methods of income and expense recognition, as well as temporary differences arising from differences in the carrying value and tax value of certain assets.

	Year ended 31 December 2016	Year ended 31 December 2015
Current year tax expense	(5,717,132)	(9,439,913)
Deferred taxation movement due to origination and reversal of temporary differences	893,116	2,660,394
Total income tax expense	**(4,824,016)**	**(6,779,519)**

In 2016 the applicable tax rate for current and deferred tax is 20% (2015: 20%).

Reconciliation of effective tax rate:

	Year ended 31 December 2016	Year ended 31 December 2015
Profit before income tax	**25,851,108**	**34,413,021**
Income tax at the applicable tax rate	(5,170,222)	(6,882,604)
Non-deductible expenses	346,206	103,085
Income tax expense	**(4,824,016)**	**(6,779,519)**

Deferred tax assets as at 31 December 2016 and 2015 are presented as follows.

	31 December 2016	31 December 2015
Provision for impairment losses on bank deposits	3,151,650	-
Provision for impairment losses on securities	1,044,527	-
Commission payable to NBRK for trust management	114,257	3,322,293
Other accounts payable	49,442	94,313
Other assets	1,075	565
Accrued costs	(741)	(812)
Property, equipment and intangible asset	(104,698)	(53,963)
Net deferred tax assets	**4,255,512**	**3,362,396**

Deferred tax assets	**2016**	**2015**
As at January 1 – deferred tax assets	3,362,396	702,002
Change in deferred income tax balances recognized in profit or loss	893,116	2,660,394
As at 31 January – deferred tax assets	**4,255,512**	**3,362,396**

(in thousands of Kazakhstani Tenge)

11. Cash and cash equivalents

	31 December 2016	31 December 2015
Current accounts with banks	12,026,933	11,909,266
Term deposits with banks	-	5,009,167
Total cash and cash equivalents	**12,026,933**	**16,918,433**

None of cash and cash equivalents are impaired or past due as at 31 December 2016 and 2015.

As at 31 December 2016, the Fund has one bank (31 December 2015: one bank), whose balance exceeds 10% of equity. The gross value of this balance as at 31 December 2016 is KZT 11,987,651 thousand (2015: KZT 11,605,692 thousand).

12. Available-for-sale financial assets

	31 December 2016	31 December 2015
Debt securities	24,073,703	20,117,993
Equity securities	2,695	2,695
Less provision for impairment losses	(5,222,635)	-
Total available-for-sale financial assets	**18,853,763**	**20,120,688**

	31 December 2016	31 December 2015
Debt securities		
Government bonds		
Bonds of the Ministry of Finance of the Republic of Kazakhstan	6,272,759	7,155,270
Corporate bonds		
LLP Buzgul Aurum	5,222,635	-
JSC Eurasian bank	4,812,280	4,892,082
JSC KazTransGaz Aimak	4,615,072	5,086,216
JSC Bank RBK	3,139,759	2,984,425
JSC Astana-Finance	11,198	-
Total corporate bonds	17,800,944	12,962,723
Total debt securities before provision for impairment losses	**24,073,703**	**20,117,993**
Less provision for impairment loss	(5,222,635)	-
Total debt instruments	**18,851,068**	**20,117,993**
Equity securities		
Shares of JSC Kazakhstan Stock Exchange	2,695	2,695
Total equity securities	**2,695**	**2,695**
	18,853,763	**20,120,688**

As at 31 December 2016, the Fund has impaired available-for-sale financial assets – bonds of LLP Buzgul Aurum.

No available-for-sale financial assets are impaired or past due as at 31 December 2015.

(in thousands of Kazakhstani Tenge)

The analysis of changes of allowance for impairment losses for the year ended 31 December 2016 is presented in the table below:

	Available-for-sale financial assets	Total
As at 31 January 2015	-	-
Provision charge	5,222,635	5,222,635
As at 31 December 2016	**5,222,635**	**5,222,635**

13. Bank deposits

	31 December 2016	31 December 2015
JSC Delta Bank	9,027,880	6,149,042
JSC Kazinvestbank	6,730,370	-
JSC Nurbank	6,682,083	-
JSC Tsesna Bank	5,635,417	5,185,153
JSC AsiaCredit Bank	4,498,000	1,048,822
JSC RBK Bank	4,460,656	2,148,889
JSC Kaspi Bank	3,405,334	3,120,333
JSC Eurasian Bank	3,380,000	1,580,771
JSC Astana Bank	3,219,333	-
JSC Eximbank Kazakhstan	2,015,016	-
JSC Qazaq Banki	-	4,541,260
JSC Bank CenterCredit	-	1,072,205
JSC Subsidiary Bank "Home Credit and Finance Bank"	-	2,074301
	49,054,089	26,920,776
Less provision for impairment loss	(15,758,250)	-
Total bank deposits	**33,295,839**	**26,920,776**

As at 31 December 2016, provisions for impairment losses on term deposits in JSC Delta Bank and JSC Kazinvestbank were accrued for 100% of total amounts of deposits.

No bank deposits are impaired or past due at 31 December 2015.

As at 31 December 2016, the Fund has one bank, which balance exceeds 10% of total equity. The gross value of this balance as at 31 December 2016 is KZT 9,027,880 thousand. As at 31 December 2016, the Fund accrued 100% provision on the deposits held in this bank.

As at 31 December 2015, the Fund has one bank, whose balance exceeds 10% of total equity. The gross value of this balance as at 31 December 2015 is KZT 6,149,042 thousand.

The analysis of changes of allowance for impairment losses for the year ended 31 December 2016 is presented in the table below:

	Bank term deposits	Total
As at 31 December 2015	-	-
Provision charge	15,758,250	15,758,250
As at 31 December 2016	**15,758,250**	**15,758,250**

(in thousands of Kazakhstani Tenge)

14. Commission receivable

	31 December 2016	31 December 2016
Commission from investment income on Plan assets	1,445,899	5,009,283
Commission on Plan assets	1,466,828	1,338,925
Total commission receivable	**2,912,727**	**6,348,208**

(in thousands of Kazakhstani Tenge)

15. Property, equipment and intangible assets

	Building	Computer equipment	Office equipment	Vehicles	Licenses	Software	Total
Cost							
Balance at 1 January 2016	101,475	1,042,249	245,445	45,782	97,454	470,620	2,003,025
Additions	-	938,355	101,665	7,014	209,739	586,940	1,843,713
Revaluation	-	-	-	20,770	-	-	20,770
Disposals	-	(18,713)	(9,481)	(27,038)	-	(6,875)	(62,107)
Balance at 31 December 2016	**101,475**	**1,961,891**	**337,629**	**46,528**	**307,193**	**1,050,685**	**3,805,401**
Depreciation and amortisation							
Balance at 1 January 2016	(2,748)	(535,357)	(141,944)	(17,306)	(45,199)	(212,471)	(955,025)
Depreciation and amortisation for the year	(2,537)	(214,411)	(30,647)	(9,796)	(129,971)	(254,030)	(641,392)
Disposals	-	18,696	9,481	23,875	-	6,875	58,927
Balance at 31 December 2016	**(5,285)**	**(731,072)**	**(163,110)**	**(3,227)**	**(175,170)**	**(459,626)**	**(1,537,490)**
Carrying amount							
At 31 December 2016	**96,190**	**1,230,819**	**174,519**	**43,301**	**132,023**	**591,059**	**2,267,911**

(in thousands of Kazakhstani Tenge)

	Building	Computer equipment	Office equipment	Vehicles	Licenses	Software	Total
Cost							
Balance at 1 January 2015	101,475	791,970	253,793	46,485	71,171	408,489	1,673,383
Additions	-	281,541	1,290	10,329	29,087	106,388	428,635
Disposals	-	(31,262)	(9,638)	(11,032)	(2,804)	(44,257)	(98,993)
Balance at 31 December 2015	**101,475**	**1,042,249**	**245,445**	**45,782**	**97,454**	**470,620**	**2,003,025**
Depreciation and amortisation							
Balance at 1 January 2015	(211)	(419,351)	(122,371)	(21,130)	(33,533)	(205,336)	(801,932)
Depreciation and amortisation for the year	(2,537)	(146,761)	(29,178)	(7,207)	(14,468)	(51,392)	(251,543)
Disposals	-	30,755	9,605	11,031	2,802	44,257	98,450
Balance at 31 December 2015	**(2,748)**	**(535,357)**	**(141,944)**	**(17,306)**	**(45,199)**	**(212,471)**	**(955,025)**
Carrying amount							
At 31 December 2015	**98,727**	**506,892**	**103,501**	**28,476**	**52,255**	**258,149**	**1,048,000**

On 18 November 2014, in accordance with the Decree of the Government of the Republic of Kazakhstan No 443 dated 4 May 2014, the Fund has accepted a non-residential building with total area of 247.8 square meters located in Astana, Republic avenue, 4, VP2. The building was previously a state property and was transferred to the Fund as a payment for shares issued. The cost at the date of transfer was assessed by the independent appraiser at KZT 101,475 thousand.

Management of the Fund believes that as at 31 December 2016, the fair value of the building does not significantly differ from its carrying amount.

(in thousands of Kazakhstani Tenge)

16. Commission payable to NBRK for fiduciary management

	31 December 2016	31 December 2015
Commission payable to NBRK for fiduciary management	571,285	16,611,467

The commission payable as at 31 December 2015 is accrued for services received in December, included the success fee (Note 6), and was paid in January 2016.

17. Other liabilities

	31 December 2016	31 December 2015
Accounts payable	3,059	13,168
Vacation reserve	141,333	131,807
Total other financial liabilities	**144,392**	**144,975**
Bonus reserve	-	271,000
Taxes payable other than income tax	289,169	214,874
Other non-financial liabilities	92,319	39,094
Total other non-financial liabilities	**381,488**	**524,968**
Total other liabilities	**525,880**	**669,943**

18. Share capital

Issued capital

As at 31 December 2016, the issued and outstanding share capital comprised 9,489,248 ordinary shares (2015: 9,489,248) for the amount of KZT 7,114,244 thousand (2015: 7,114,244 thousand). The ordinary shares of the Fund have no par value, and are valued at the cost of contributions to the share capital.

Dividends

As a not-for-profit organisation in accordance with Kazakhstan legislation, the Fund does not declare and pay any dividends on its shares. In accordance with the Charter of the Fund, the net profit of the Fund is used only for development of the Fund.

Statutory reserve

According to the Law of the Republic of Kazakhstan "On Joint Stock Companies" effective before amendments dated 8 July 2005, the Fund was required to maintain a reserve established from the net income of the Fund. Currently there is no requirement to continue to transfer from retained earnings to this statutory reserve. The statutory reserve is allowed to be distributed by the decision of the shareholder of the Fund. The Fund plans to transfer the balance of statutory reserve back to the retained earnings in 2017.

Revaluation reserve for available-for-sale financial assets

The revaluation reserve for available-for-sale financial assets comprises the cumulative net change in the fair value, until the assets are derecognised or impaired.

19. Risk management

Management of risk is fundamental to the business and is an essential element of the Fund's operations. The major risks faced by the Fund are those related to market risk, which includes price, interest and currency risks, credit risk and liquidity risk.

Risk management policies and procedures

The Fund's risk management policies aim to identify, analyse and manage the risks faced by the Fund, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. The risk management system adopts an integrated approach, which sets controls aimed at timely identification, assessment and prevention of events that might cause interruption to the Fund's normal operations. The Fund's risk management procedures are set and operated by the Risk Management Department of the Fund. The Board of Directors, the Management Board of the Fund, as well as the Fund's employees, are involved in setting and implementing these risk management procedures.

The Board of Directors approves the Fund's internal policies and procedures and has overall responsibility for oversight of the risk management framework. It regularly obtains information, which allows it to monitor the Fund's financial position, and analyse and assess the Fund's operations during each reporting period. The Fund's Management Board is responsible for monitoring and implementing risk mitigation measures and approving operating procedures aimed at minimising losses on purchase and sale of financial instruments. The Fund's Management Board also monitors compliance with investment limits.

The Fund appoints responsible officers within each function, whose duties are to develop and regularly update business process matrix and assess potential and identified risks inherent in these business process.

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 interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

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

Overall authority for market risk is vested in the Investment Committee, which is chaired by the Chairman of the NBRK. Market risk limits are approved by the Investment Committee based on recommendations of the Risk Management Department.

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 Fund 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.

(in thousands of Kazakhstani Tenge)

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities.

An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rates (interest rate risk) based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of available-for-sale financial assets existing as at 31 December 2016 and 2015 is as follows:

An impact on profit before income tax:

	2016	2015
100 bp parallel fall	(21,232)	(20,455)
100 bp parallel rise	21,232	20,455

An impact on equity:

	Equity	Equity
100 bp parallel fall	662,323	734,854
100 bp parallel rise	(361,686)	(687,851)

Currency risk

The Fund has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Fund does not hedge its exposure to currency risk.

The following table shows the foreign currency structure of financial assets and liabilities as at 31 December 2016:

	KZT	USD	EURO	RUR	Total
ASSETS					
Cash and cash equivalents	11,316,919	576,432	131,187	2,395	12,026,933
Available-for-sale financial assets	14,041,483	4,812,280	-	-	18,853,763
Bank deposits	31,280,823	2,015,016	-	-	33,295,839
Commission receivable	2,912,727	-	-	-	2,912,727
Total assets	**59,551,952**	**7,403,728**	**131,187**	**2,395**	**67,089,262**
LIABILITIES					
Commission payable to NBRK for fiduciary management	571,285	-	-	-	571,285
Other financial liabilities	144,392	-	-	-	144,392
Total liabilities	**715,677**	**-**	**-**	**-**	**715,677**
Net position as at 31 December 2016	**58,836,275**	**7,403,728**	**131,187**	**2,395**	**66,373,585**

(in thousands of Kazakhstani Tenge)

The following table shows the currency structure of financial assets and liabilities as at 31 December 2015:

	KZT	USD	Total
ASSETS			
Cash and cash equivalents	16,736,579	181,854	16,918,433
Available-for-sale financial assets	15,228,606	4,892,082	20,120,688
Bank deposits	21,735,624	5,185,152	26,920,776
Commission receivable	6,348,208	-	6,348,208
Total assets	**60,049,017**	**10,259,088**	**70,308,105**
LIABILITIES			
Commission payable to NBRK for fiduciary management	16,611,467	-	16,611,467
Other financial liabilities	144,975	-	144,975
Total liabilities	**16,756,442**	**-**	**16,756,442**
Net position as at 31 December 2015	**43,292,575**	**10,259,088**	**53,551,663**

An analysis of sensitivity of profit or loss for the year and equity to changes in foreign currency exchange rates based on positions existing as at 31 December 2016 and 2015 and a simplified scenario of a 10% and 30%, accordingly, change in USD to Kazakhstan Tenge exchange rates is as follows:

	2016
10% appreciation of USD against KZT	740,373
10% depreciation of USD against KZT	(740,373)

	2015
30% appreciation of USD against KZT	3,077,727
30% depreciation of USD against KZT	(3,077,727)

Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Fund has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limits on portfolio concentration for one counterparty or a group of counterparties.

The Fund continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its counterparties. The review is based on the counterparty's most recent financial statements and other information otherwise obtained by the Fund.

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

(in thousands of Kazakhstani Tenge)

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

	31 December 2016	31 December 2015
ASSETS		
Cash and cash equivalents	12,026,933	16,918,433
Available-for-sale financial assets	18,853,763	20,120,688
Bank deposits	33,295,839	26,920,776
Commission receivable	2,912,727	6,348,208
Total maximum exposure	**67,089,262**	**70,308,105**

As at 31 December 2016, the Fund has three counterparties (2015: three counterparties), credit risk exposure to whom exceeds 10% of maximum credit risk exposure. The credit risk exposure for these counterparties as at 31 December 2016 is KZT 27,780,347 thousand (2015: KZT 47,873,545 thousand).

The following table details credit ratings of financial assets held by the Fund that are neither past due nor impaired *(this information is prepared for all financial assets that are neither past due nor impaired):*

	<BBB	Not rated	Total
31 December 2016			
Cash and cash equivalents	12,026,933	-	12,026,933
Available-for-sale financial assets	18,839,870	13,893	18,853,763
Bank deposits	33,295,839	-	33,295,839
31 December 2015			
Cash and cash equivalents	16,918,433	-	16,918,433
Available-for-sale financial assets	20,117,993	2,695	20,120,688
Bank deposits	26,920,776	-	26,920,776

Liquidity risk

Liquidity risk is the risk that the Fund 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 Fund 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 Board of Directors.

(in thousands of Kazakhstani Tenge)

The liquidity management is performed by the Fund and involves:

- maintaining timely investment of the funds;
- analysis of liquidity of assets and liabilities of the Fund by types of securities, financial instruments and currencies;
- oversight of cash inflows and outflows of the Fund;
- assessment and control of liquidity risk of the Fund to ensure that sufficient liquidity is maintained within the Fund as a whole.

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2016:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
Non-derivative assets							
Cash and cash equivalents	12,026,933	-	-	-	-	-	12,026,933
Available-for-sale financial assets	3,139,760	354,671	4,964,799	2,711,207	7,680,631	2,695	18,853,763
Bank deposits	7,367,717	14,610,239	5,769,966	5,547,917	-	-	33,295,839
Commission receivable	2,912,727	-	-	-	-	-	2,912,727
Total assets	**25,447,137**	**14,964,910**	**10,734,765**	**8,259,124**	**7,680,631**	**2,695**	**67,089,262**
Non-derivative liabilities							
Commission payable to NBRK for fiduciary management	571,285	-	-	-	-	-	571,285
Other liabilities	144,392	-	-	-	-	-	144,392
Total liabilities	**715,677**	**-**	**-**	**-**	**-**	**-**	**715,677**
Net position	**24,731,460**	**14,964,910**	**10,734,765**	**8,259,124**	**7,680,631**	**2,695**	**66,373,585**

(in thousands of Kazakhstani Tenge)

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2015:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
Non-derivative assets							
Cash and cash equivalents	16,918,433	-	-	-	-	-	16,918,433
Available-for-sale financial assets	5,333	424,755	3,215,305	6,730,724	9,741,876	2,695	20,120,688
Bank deposits	5,185,152	1,081,667	17,533,624	3,120,333	-	-	26,920,776
Commission receivable	6,348,208	-	-	-	-	-	6,348,208
Total assets	**28,457,126**	**1,506,422**	**20,748,929**	**9,851,057**	**9,741,876**	**2,695**	**70,308,105**
Non-derivative liabilities							
Commission payable to NBRK for fiduciary management	16,611,467	-	-	-	-	-	16,611,467
Other liabilities	144,975	-	-	-	-	-	144,975
Total liabilities	**16,756,442**	**-**	**-**	**-**	**-**	**-**	**16,756,442**
Net position	**11,700,684**	**1,506,422**	**20,748,929**	**9,851,057**	**9,741,876**	**2,695**	**53,551,663**

As at 31 December 2016 and 2015, the financial liabilities are short-term in nature and, thus, do not differ from the undiscounted amounts payable.

20. Capital management

The Fund does not have any externally imposed capital requirements.

21. Operating leases

As at 31 December 2016 and 2015, the Fund did not have significant non-cancellable operating lease rentals payable.

During 2016, KZT 1,026,763 thousand was recognised as an expense in profit or loss in respect of operating leases (2015: KZT 823,236 thousand).

22. Contingencies

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 Fund 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 Fund 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 of the Fund.

Court proceedings in progress

In December 2016, a criminal case was instigated against the Fund's former Chairman of the Board and an employee of risk management department with respect to articles 189 p.4 p.2 of the Criminal Code of the Republic of Kazakhstan dated 16 June 1997. If the tax authorities raise claims in connection with the court proceedings to recognise any Fund counterparties as fictitious entities and (or) transactions with them as invalid and (or) as having been concluded without work being performed (services provided), the Fund faces a risk of fines and late payment interest. The Fund currently expects to receive a court ruling and will assess the possible effect of this on its financial conditions.

Taxation contingencies

The taxation system in the Republic of Kazakhstan continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities who have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Republic of Kazakhstan suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

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 Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant. The last tax inspection was performed by tax authorities for the period from 2009 to 2013 years, and was completed in 2016.

(in thousands of Kazakhstani Tenge)

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

During 2014-2016, the oil price decreased significantly, which led to significant decrease in national export revenue. In August 2015, the Government and the National Bank of Kazakhstan announced a transition to a new monetary policy based on free floating tenge exchange rate, and cancelled the currency corridor. In 2015 and in the first quarter of 2016 tenge depreciated significantly against major foreign currencies.

Management of the Fund is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Company's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Fund might be significant.

23. Related party transactions

As at 31 December 2016 and 2015, the ultimate controlling party of the Fund was the Government of the Republic of Kazakhstan, which owned 100% of shares of the Fund (see Note 1).

Transactions with the members of the Management Board

Total remuneration included in personnel expenses for the years ended 31 December 2016 and 2015 is as follows:

	2016	2015
Short term employee benefits	97,940	64,410
	97,940	**64,410**

The above amounts include cash and non-cash benefits in respect of the members of the Management Board.

Transactions with other related parties

The outstanding balances as at 31 December 2016 and related profit or loss amounts of transactions for the year then ended with related parties are as follows:

	National Bank of the Republic of Kazakhstan	Ministry of Finance of the Republic of Kazakhstan	Plan	Total
Statement of financial position				
ASSETS				
Available-for-sale financial assets	-	6,272,759	-	6,272,759
Commission receivable	-	-	2,912,727	2,912,727
Commission payable	571,285	-	-	571,285
Profit or loss				
Commission income	-	-	58,563,783	58,563,783
Commission expense	5,944,672	-	-	5,944,672
Interest income	-	550,739	-	550,739

(in thousands of Kazakhstani Tenge)

The outstanding balances and the related average interest rates as at 31 December 2015 and related profit or loss amounts of transactions for the year then ended with other related parties are as follows.

	National Bank of the Republic of Kazakhstan	Ministry of Finance of the Republic of Kazakhstan	Plan	Total
Statement of financial position				
ASSETS				
Available-for-sale financial assets	-	7,155,270	-	7,155,270
Commission receivable	-	-	6,348,208	6,348,208
Commission payable	16,611,467	-	-	16,611,467
Profit or loss				
Commission income	-	-	58,856,318	58,856,318
Commission expense	20,753,147	-	-	20,753,147
Interest income	-	449,937	-	449,937

24. Fair values of financial instruments

IFRS defines fair value as 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.

Fair value of the Fund's financial assets and financial liabilities measured at fair value on a recurring basis. Some of the Fund's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined.

Financial assets	Fair value as at 31 December 2016	31 December 2015	Fair value hierarchy	Valuation technique and key input
Non-derivative available-for-sale financial instruments	18,851,068	20,117,993	Level 1	Market comparative method

As at 31 December 2016, available-for-sale financial instruments included shares of JSC Kazakhstan Stock Exchange and JSC Astana-Finance, which are carried at cost in the amounts of KZT 11,198 thousand and, KZT 2,695 thousand, respectively.

As at 31 December 2015, available-for-sale financial instruments included shares of JSC Kazakhstan Stock Exchange, which are carried at cost in the amounts of KZT 2,695 thousand.

During the years ended 31 December 2016 and 2015, there was no reclassification of financial instruments between the Level 1 and 2.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

The Fund considers that the carrying amounts of financial assets recognized in the financial statements approximate their fair values.