KazakhExport

JSC "KazakhExport" Export Insurance Company (formerly "KazExportGarant" Export Insurance Corporation)

Financial Statements
for the year ended 31 December 2017

Contents

«КПМГ Аудит» жауапкершілігі шектеулі серіктестік
050051 Алматы, Достық д-лы 180,
Тел./факс 8 (727) 298-08-98, 298-07-08

KPMG Audit LLC
050051 Almaty, 180 Dostyk Avenue,
E-mail: company@kpmg.kz

Independent Auditors' Report

To the Shareholders and the Board of Directors of JSC "KazakhExport" Export Insurance Company (formerly JSC "KazExportGarant" Export Insurance Corporation)

Opinion

We have audited the financial statements of JSC "KazakhExport" Export Insurance Company (formerly JSC "KazExportGarant" Export Insurance Corporation) (the "Company"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) 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.

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 IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the 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.

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

Assel Urdabayeva
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No. MФ-0000096 of 27 August 2012

KPMG Audit LLC

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Assel Khairova
General Director of KPMG Audit LLC
acting on the basis of the Charter

28 February 2018

	Note	2017 KZT'000	2016 KZT'000
Gross premiums written	5	1,905,462	1,112,935
Written premiums ceded to reinsurers	5	(571,988)	(270,888)
Net premiums written		**1,333,474**	**842,047**
Change in the gross provision for unearned premiums	5	(904,701)	(342,764)
Reinsurers' share of change in the gross provision for unearned premiums	5	219,335	102,502
Net earned premiums		**648,108**	**601,785**
Claims paid	6	(1,382,188)	(1,172,852)
Reimbursement from recourse claims	6	1,242,081	-
Change in gross insurance contract provisions	6	(175,806)	(32,006)
Change in reinsurers' share in insurance contract provisions	6	83,852	(10,614)
Net claims paid		**(232,061)**	**(1,215,472)**
Net finance income	7	2,956,716	1,223,368
Net foreign exchange income/(loss)		65,109	(47,501)
Net commission expenses		(408)	(325)
General administrative expenses	8	(891,030)	(451,335)
Other operating income/(expenses), net		16,373	(2,414)
Profit before income tax		**2,562,807**	**108,106**
Income tax (expense)/benefit	9	(431,511)	1,745
Profit for the year		**2,131,296**	**109,851**
Other comprehensive income, net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value		234,699	(260,173)
- Net change in fair value transferred to profit or loss		-	(13,831)
Other comprehensive income for the year, net of income tax		**234,698**	**(274,004)**
Total comprehensive income/(loss) for the year		**2,365,995**	**(164,153)**

The financial statements as set out on pages 6 to 60 were approved by the Management Board on 28 February 2018:

Zhaxybayev R.O.
Acting Chairman of the Board

«KazakhExport»

Botanbekova Zh.A.
Chief Accountant

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

	Note	2017 KZT'000	2016 KZT'000
ASSETS			
Cash and cash equivalents	10	27,045,334	14,637,557
Placements with banks	11	8,436,945	4,067,803
Available-for-sale financial assets	12	8,576,549	8,418,673
Insurance and reinsurance receivables	13	956,700	762,143
Reinsurers' share in insurance contract provisions	14	834,419	531,232
Property and equipment		46,593	15,612
Current tax asset		216,116	256,135
Deferred tax assets	9	6,361	3,596
Other assets		44,540	15,295
Total assets		**46,163,557**	**28,708,046**
LIABILITIES			
Insurance contract provisions	14	3,406,628	2,326,121
Insurance and reinsurance payables		154,984	21,418
Loan from Samruk-Kazyna JSC		276,573	336,588
Other liabilities		137,210	68,796
Total liabilities		**3,975,395**	**2,752,923**
EQUITY			
Share capital	15(a)	37,100,000	23,200,000
Additional paid-in capital on loan received from Samruk-Kazyna JSC at the below market rate		732,819	732,819
Stabilisation reserve		62,114	24,450
Provision for unexpected risks		-	226,361
Revaluation reserve for available-for-sale financial assets		(1,849,217)	(2,083,916)
Retained earnings		6,142,446	3,855,409
Total equity		**42,188,162**	**25,955,123**
Total liabilities and equity		**46,163,557**	**28,708,046**

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

	2017 KZT'000	2016 KZT'000
CASH FLOWS FROM OPERTING ACTIVITIES		
Profit before income tax	**2,562,807**	**108,106**
Adjustments for:		
Change in insurance contract provisions, less reinsurers' share	777,320	282,882
Realised profit on available-for-sale financial assets	-	(13,831)
Amortisation of discount and premiums	62,733	82,017
Depreciation and amortisation	11,779	11,153
Interest expense on loan received from Samruk-Kazyna JSC	33,370	37,344
Tax withheld at the source of payment	(356,188)	(78,585)
Interest income	(2,696,631)	(1,250,312)
Unrealised foreign exchange difference	(65,109)	69,475
Cash provided from/(used in) operating activities before changes in operating assets and liabilities	**330,081**	**(751,751)**
(Increase)/decrease in operating assets		
Placement with banks	(4,176,690)	(19,768)
Insurance and reinsurance receivables	(211,142)	(165,408)
Other assets	(32,451)	(19,407)
Increase/(decrease) in operating liabilities		
Insurance and reinsurance payables	133,566	6,441
Other liabilities	68,519	(6,280)
Net cash provided used in operating activities before interest received and income tax paid	**(3,888,117)**	**(956,173)**
Income tax paid	(38,144)	(175,942)
Interest received	2,643,031	986,554
Interest paid	(925)	(943)
Cash flows used in operating activities	**(1,284,155)**	**(146,504)**

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

	2017 KZT'000	2016 KZT'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of available-for-sale financial assets	-	73,654
Purchases of property, equipment and intangible assets	(39,590)	(9,261)
Cash flows (used in) from investing activities	**(39,590)**	**64,393**
CASH FLOWS FROM FINACING ACTIVITIES		
Share issue	13,900,000	14,000,000
Repayment of loan received from Samruk-Kazyna JSC	(92,460)	(92,460)
Dividends paid	(32,956)	(784,222)
Cash flows from financing activities	**13,774,584**	**13,123,318**
Net increase in cash and cash equivalents	**12,450,839**	**13,041,207**
Effect of changes in exchange rates on cash and cash equivalents	(43,062)	(45,630)
Cash and cash equivalents at beginning of year	14,637,557	1,641,980
Cash and cash equivalents at end of year (Note 10)	**27,045,334**	**14,637,557**

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

KZT'000	**Share capital**	**Additional paid-in capital on loans received from Samruk-Kazyna JSC at below market rate**	**Stabilisation reserve**	**Provision for unexpected risks**	**Revaluation reserve for available-for-sale financial assets**	**Retained earnings**	**Total equity**
Balance at 1 January 2016	9,200,000	732,819	12,349	509,802	(1,809,912)	4,258,440	12,903,498
Total comprehensive income							
Profit for the year	-	-	-	-	-	109,851	109,851
Other comprehensive income							
Items that are or may be reclassified subsequently to profit or loss:							
- Net change in fair value	-	-	-	-	(260,173)	-	(260,173)
- Net change in fair value transferred to profit or loss	-	-	-	-	(13,831)	-	(13,831)
Total other comprehensive income	-	-	-	-	(274,004)	-	(274,004)
Total comprehensive income for the year	-	-	-	-	**(274,004)**	**109,851**	**(164,153)**
Transactions with owners, recorded directly in equity							
Share issue (Note 15 (a))	14,000,000	-	-	-	-	-	14,000,000
Dividends paid (Note 15 (c))	-	-	-	-	-	(784,222)	(784,222)
Transfer to provision for unexpected risks (Note 15(d))	-	-	12,101	-	-	(12,101)	-
Transfer from stabilisation reserve	-	-	-	(283,441)	-	283,441	-
Total transactions with owners	14,000,000	-	**12,101**	**(283,441)**	-	**(512,882)**	**13,215,778**
Balance at 31 December 2016	**23,200,000**	**732,819**	**24,450**	**226,361**	**(2,083,916)**	**3,855,409**	**25,955,123**

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

KZT'000	**Share capital**	**Additional paid-in capital on loans received from Samruk-Kazyna JSC at below market rate**	**Stabilisation reserve**	**Provision for unexpected risks**	**Revaluation reserve for available-for-sale financial assets**	**Retained earnings**	**Total equity**
Balance at 1 January 2017	23,200,000	732,819	24,450	226,361	(2,083,916)	3,855,409	25,955,123
Total comprehensive income							
Profit for the year	-	-	-	-	-	2,131,296	2,131,296
Other comprehensive income							
Items that are or may be reclassified subsequently to profit or loss:							
- Net change in fair value	-	-	-	-	234,699	-	234,699
Total other comprehensive income	-	-	-	-	234,699	-	234,699
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**234,699**	**2,131,296**	**2,365,995**
Transactions with owners, recorded directly in equity							
Share issue (Note 15 (a))	13,900,000	-	-	-	-		13,900,000
Dividends paid (Note 15 (c))	-	-	-	-	-	(32,956)	(32,956)
Transfer to provision for unexpected risks (Note 15(d))	-	-	-	(226,361)	-	226,361	-
Transfer from stabilisation reserve		-	37,664	-	-	(37,664)	-
Total transactions with owners	**13,900,000**	**-**	**37,664**	**(226,361)**	**-**	**155,741**	**13,867,044**
Balance at 31 December 2017	**37,100,000**	**732,819**	**62,114**	**-**	**(1,849,217)**	**6,142,446**	**42,188,162**

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

1 Background

(a) Organisation and operations

JSC "KazakhExport" Export Insurance Company (formerly "KazExportGarant" Export Insurance Corporation) is a joint-stock company incorporated in 2003 in the Republic of Kazakhstan in accordance with the Kazakhstan legislation.

The Company holds a license to conduct insurance and reinsurance activity No.2.1.55 dated 20 April 2017 issued by National Bank of the Republic of Kazakhstan (the NBRK), which replaced license No.2.1.55 dated 26 August 2016 issued by the NBRK. The license allows the Company to conduct the voluntary insurance in the following classes:

1) insurance of guarantees ;
2) insurance against other financial losses;
3) insurance of the financial organisations' losses, except for the insurance classes specified in sub-points 13), 14), 15) and 16) of point 3, Article 6 of the Law of the Republic of Kazakhstan "On Insurance Activity";
4) loan insurance;
5) civil liability insurance, except for the classes specified in sub-points 9)-11) of point 3, Article 6 of the Law of the Republic of Kazakhstan "On Insurance Activity"; and
6) to perform reinsurance operations.

The areas of the Company's strategic development comprise further improvement of the instruments to support export, create conditions to increase a number of exporters and enhance the operating efficiency.

Legal and actual address of the Company is: 80/4 Zenkov Street, Almaty, 050010, Republic of Kazakhstan.

(b) Shareholder

As at 31 December 2017 and 31 December 2016, National Management Holding "Baiterek" JSC hereinafter referred to as the "Parent Company" owns 100% of the outstanding shares. The Company's ultimate shareholder is the Government of the Republic of Kazakhstan. Under the Contract of Share Transfer No.299-и dated 29 May 2013, the Company's holding of shares was transferred under trust management to National Management Holding "Baiterek" JSC. National Management Holding "Baiterek" JSC was established in accordance with the Decree of the President of the Republic of Kazakhstan dated 22 May 2013, No.571 "On Certain Measures for Optimisation of the System of Management of the Development Institutions, Financial Organisations and Development of the National Economy."

As at 31 December 2017 the number of employees of the Company was 47 people (2016: 34 employees).

(c) Kazakhstan business environment

The Company's operations are primarily located in Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. In addition, the depreciation of the Kazakhstan tenge which took place during 2015, and a reduction in the global price of oil, have increased the level of uncertainty in the business environment.

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

2 Basis of preparation

(a) Statement of compliance

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that available-for-sale financial assets are stated at fair value.

(b) Functional and presentation currency

The functional currency of the Company is the Kazakhstan tenge (KZT) as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The KZT is also the presentation currency for the purposes of these financial statements.

Financial information presented in KZT is rounded to the nearest thousand.

(c) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- Insurance contract provisions - Note 14.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements.

(a) Foreign currency

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3 Significant accounting policies, continued

(a) Foreign currency, continued

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss.

(b) Insurance contracts

(i) Classification of contracts

Contracts under which the Company accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the "insured event") adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is the risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Insurance risk is significant if, and only if, an insured event could cause the Company to pay significant additional benefits. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expire.

Contracts under which the transfer of insurance risk to the Company from the policyholder is not significant are classified as financial instruments.

(ii) Recognition and measurement of contracts

Premiums

General business premiums written comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received. The portion of outward reinsurance premiums not recognised is treated as a prepayment.

Unearned premium provision

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the pro-rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

Claims

Claims comprise claims and claim handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

3 Significant accounting policies, continued

(b) Insurance contracts, continued

(ii) Recognition and measurement of contracts, continued

Claims outstanding comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, legislative changes and past experience and trends. Provisions for claims outstanding are not discounted.

Whilst management considers that the gross provisions for claims and the related reinsurance recoveries are correctly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and developments and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

(iii) Reinsurance assets

The Company cedes reinsurance in the normal course of business for the purpose of limiting its potential net loss through the diversification of its risks. Assets, liabilities, income and expense arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Only rights under contracts that give rise to significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. For general insurance business, reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpensed portion of ceded reinsurance premiums is included in reinsurance assets.

The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts.

Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid. These are classified as reinsurers' share in insurance contract provisions in the statement of financial position.

The net amounts paid to a reinsurer at the inception of a contract may be less than the reinsurance assets recognised by the Company in respect of its rights under such contracts.

Reinsurance assets are assessed for impairment at each reporting date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

(iv) Insurance acquisition costs

Insurance acquisition costs include direct costs such as commissions paid to insurance agents and brokers and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies.

Insurance acquisition costs are expensed as incurred.

3 Significant accounting policies, continued

(b) Insurance contracts, continued

(v) Liability adequacy test

At each reporting date liability adequacy tests are performed to determine if the insurance contract provisions are adequate. Current best estimates of all future contractual cash flows and related expenses, such as claims handling expenses, and investment income from assets backing the insurance contract provisions are used in performing these tests.

If a deficiency is identified, an additional provision is established, if necessary. The deficiency is recognised in profit or loss for the year.

(vi) Insurance receivables and payables

Amounts due to and from policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions or reinsurance assets.

(c) Cash and cash equivalents

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

(d) Placements with banks

The Company maintains advances, deposits with banks for various periods of time exceeding three months. Due from banks with a fixed maturity term are subsequently measured at amortised cost using the effective interest method. Placements with banks are carried at amortised cost net of any allowance for impairment losses, if any.

(e) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

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

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

- Machinery and equipment	3 to 4 years
- Vehicles	5 years
- Intangible assets	3 years.

(f) Intangible assets

Acquired intangible are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life is five years.

3 Significant accounting policies, continued

(g) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- derivative financial instruments (except for derivative that is a financial guarantee contract or a designated and effective hedging instruments) or;
- upon initial recognition, designated as at fair value through profit or loss.

The Company may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or;
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold them for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company:

- intends to sell immediately or in the near term;
- upon initial recognition designates as at fair value through profit or loss;
- upon initial recognition designates as available-for-sale or;
- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity, other than those that:

- the Company upon initial recognition designates as at fair value through profit or loss;
- the Company designates as available-for-sale or;
- meet the definition of loans and receivables.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

3 Significant accounting policies, continued

(g) Financial instruments, continued

(ii) Recognition

Financial assets and liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method;
- held-to-maturity investments that are measured at amortised cost using the effective interest method;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost.

(iv) Amortised cost

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(v) Fair value measurement principles

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 in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

3 Significant accounting policies, continued

(g) Financial instruments, continued

(v) Fair value measurement principles, continued

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Company measures assets and long positions at the bid price and liabilities and short positions at the ask price.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(vi) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss;
- gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest income in relation to an available-for-sale financial asset is recognised as earned in profit or loss calculated using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

(vii) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability in the statement of financial position. The Company derecognises a financial liability when its contractual obligations are discharged, or cancelled or expire.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

3 Significant accounting policies, continued

(g) Financial instruments, continued

(vii) Derecognition, continued

In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

The Company writes off assets deemed to be uncollectible.

(viii) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability is included in amounts payable under repo transactions. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(ix) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(h) Impairment

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Company determines the amount of any impairment loss.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that event (or events) has had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of financial asset or group of financial assets that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data related to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security available-for-sale a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

3 Significant accounting policies, continued

(h) Impairment, continued

(i) Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans and other receivables (loans and receivables). The Company reviews its loans and receivables, to assess impairment on a regular basis.

The Company first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan or receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Company uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When an investment held-to-maturity or a receivable is uncollectable, it is written off against the related allowance for impairment. The Company writes off an investments held-to-maturity or a receivable balance (and any related allowances for losses) when management determines that the investments held-to-maturity and receivables are uncollectible and when all necessary steps to collect the assets are completed.

(ii) Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale financial assets that are not carried at fair value because their fair value cannot be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in profit or loss and cannot be reversed.

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

3 Significant accounting policies, continued

(h) Impairment, continued

(iii) Available-for-sale financial assets, continued

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(iv) Non-financial assets

Non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(j) Share capital

(i) Common shares

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

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

(iii) Dividends

The ability of the Company to declare and pay dividends is subject to the rules and regulations of Kazakhstan legislation.

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

3 Significant accounting policies, continued

(k) Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(l) Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Other commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(m) Comparative information

Comparative information is reclassified to conform to changes in presentation in the current year.

Reclassification in the annual financial statements of the preceding year

During the preparation of the Company's financial statements for the year ended 31 December 2017, management made certain reclassifications affecting the corresponding figures to conform to the presentation of financial statements for the year ended 31 December 2017.

3 Significant accounting policies, continued

(m) Comparative information, continued

The effects from reclassifications on the corresponding figures may be as follows:

KZT'000	As reclassified	Effect of reclassification	As previously reported
Statement of financial position for the year ended 31 December 2016			
Adjustment for:			
Interest income	(1,250,312)	(1,250,312)	-
Cash flows from/(used in) operating activities before changes in operating assets and liabilities	**(751,751)**	**(1,250,312)**	**498,561**
(Increase)/decrease in operating assets:			
Placements with bank	(19,768)	203,936	(223,704)
Net cash flows used in operating activities before interest received and income tax paid	**(956,173)**	**(1,046,376)**	**90,203**
Interest received	986,554	986,554	-
Interest paid	(943)	(943)	-
Cash flows used in operating activities	**(146,504)**	**(60,765)**	**(85,739)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of available-for-sale financial assets	73,654	59,822	13,832
Cash flows from investing activities	**64,393**	**59,822**	**4,571**

(n) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2017, and are not applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Company plans to adopt these pronouncements when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

In October 2017, the IASB issued *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*. The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Company will apply IFRS 9 as issued in July 2014 initially on 1 January 2018 and will early adopt the amendments to IFRS 9 on the same date. Based on the assessment made up to date, the total estimated effect of the adoption of IFRS 9 (less tax) to be recorded in the opening balance of the Company's equity at 1 January 2018, will not exceed 1% of the equity.

3 Significant accounting policies, continued

(n) New standards and interpretations not yet adopted, continued

IFRS 9 Financial Instruments, continued

The above assessment is preliminary as transition to the new standard has not been finalised yet. The actual impact of adopting IFRS 9 on 1 January 2018 may change because:

- IFRS 9 will require the Company to revise its accounting processes and internal controls and these changes are not yet complete;
- Though in the second half of 2017 the parallel accounting was maintained, the new systems and controls related to it were not functioning during a more extended period;
- the Company has not finalised the testing and assessment of controls over its new IT systems and changes to its governance framework;
- the Company is refining and finalising its models for ECL calculations; and
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Company finalises its first financial statements that include the date of initial application.

(i) Classification and measurement

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). It eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

3 Significant accounting policies, continued

(n) New standards and interpretations not yet adopted, continued

IFRS 9 Financial Instruments, continued

(i) Classification and measurement, continued

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

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

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

3 Significant accounting policies, continued

(n) New standards and interpretations not yet adopted, continued

IFRS 9 Financial Instruments, continued

(i) Classification and measurement, continued

Impact assessment

The standard will affect the classification and measurement of financial assets held as at 1 January 2018 as follows.

- Placements with banks, cash and cash equivalents, other receivables that are measured at amortised cost under IAS 39 will in general also be measured at amortised cost under IFRS 9.
- Debt investment securities that are classified as held-to-maturity investment securities under IAS 39 will be measured at fair value through other comprehensive income or at fair value through profit or loss, as applicable.

(ii) Impairment – Financial assets, loan commitments and financial guarantee contracts

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ELC) model. This will require considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model applies to the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- trade receivables.

Under IFRS 9, no impairment loss is recognised on equity investments.

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Company will recognise loss allowances at an amount equal to lifetime ECLs.

The impairment requirements of IFRS 9 are complex and require management judgements, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive;
- *financial assets that are credit-impaired at the reporting date:* the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- *financial guarantee contracts:* the present value of the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Financial assets that are credit-impaired are defined by IFRS 9 in a similar way to financial assets that are impaired under IAS 39.

3 Significant accounting policies, continued

(n) New standards and interpretations not yet adopted, continued

IFRS 9 Financial Instruments, continued

(iii) Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

(iv) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and ECLs.

IFRS 17 *Insurance Contracts*

Scope of (IFRS 17 is similar to IFRS 4 Insurance Contracts. On initial recognition, the liability of a group of insurance contracts is made up of the following components.

- The fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policyholders, comprising:
  - estimates of future cash flows;
  - discounting; and
  - a risk adjustment for non-financial risk.
- The contractual service margin (CSM), which represents the unearned profit the entity will recognise as it provides services over the coverage period.
- Fulfilment cash flows representing a net outflow on initial recognition are recognised as an immediate loss.

Subsequent to initial recognition, the liability of a group of insurance contracts comprises the liability for remaining coverage (fulfilment cash flows and the CSM) and the liability for incurred claims (fulfilment cash flows for claims and expenses already incurred but not yet paid).

The fulfilment cash flows are remeasured at each reporting date to reflect current estimates. Generally, the changes in the fulfilment cash flows are treated in a number of ways:

- changes in the effect of the time value of money and financial risk are reflected in the statement of financial performance;
- changes related to past and current service are recognised in profit or loss; and
- changes related to future service adjust the CSM.

3 Significant accounting policies, continued

(n) New standards and interpretations not yet adopted, continued

IFRS 17 Insurance Contracts, continued

When certain criteria are met, a simplified approach – the premium allocation approach (PAA) – may be used.

The general measurement model is modified when applied to:

— reinsurance contracts held;

— direct participating contracts; and

— investment contracts with discretionary participation features (DPFs).

Insurance revenue is derived from the changes in the liability for remaining coverage for each reporting period that relate to services for which the Company expects to receive consideration.

Investment components are excluded from insurance revenue and insurance service expenses.

Insurance service results are presented separately from insurance finance income or expense.

The Company can choose to disaggregate insurance finance income or expense between profit or loss and other comprehensive income (OCI).

IFRS 17 is effective for accounting periods beginning on or after 1 January 2021.

Early adoption is permitted if IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* are applied at the adoption date or earlier.

Full retrospective application is required – however, if it is impracticable, a modified retrospective approach and a fair value approach are available.

The Company has not started a formal assessment of potential impact on its financial statements resulting from the application of IFRS 17 and has not initiated any specific actions towards the preparation for implementation of IFRS 17. Accordingly, it is not practicable to estimate the impact that the application of IFRS 17 will have on the Company's financial statements.

Other amendments

The following new or amended standards are not expected to have a significant impact of the Company's financial statements.

- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 16 *Leases*
- *Annual Improvements to IFRSs* 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28
- *Classification and Measurement of Share-based Payment Transactions* (Amendments to IFRS 2)
- *Transfers of Investment Property* (Amendments to IAS 40)
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28)
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- IFRIC 23 *Uncertainty over Income Tax Treatments.*

4 Insurance risk management

The Company issues contracts that transfer insurance risk. This section summarises these risks and the way the Company manages them.

(a) Risk management objectives and policies for mitigating insurance risk

The Company's management of insurance is a critical aspect of the business.

4 Insurance risk management, continued

(a) Risk management objectives and policies for mitigating insurance risk, continued

The primary insurance and reinsurance activity carried out by the Company assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liability, accident, cargo, health, financial or other perils that may arise from an insurable event. As such the Company is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

The theory of probability is applied to the pricing and provisioning for insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

(i) Underwriting strategy

The Company's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome.

The underwriting strategy is set out in the business plan that sets out the classes of business to be written, the territories in which business is to be written and the industry sectors to which the Company is prepared to underwrite.

Calculation of the tariffs and prices on insurance product reflects current market conditions and covers the most probable assumptions necessary for the adjustment of future results, aiming to significantly mitigate financial risks.

Adherence to the underwriting authorities is being monitored by management on an on-going basis. Those transactions requiring special authorisation are subject to the special attention of the Company's Board of Directors.

(ii) Reinsurance strategy

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Company buys facultative and Excess-of-Loss ("XL") based reinsurance to reduce the net exposure and not to exceed the actual margin of solvency.

Ceded reinsurance contains credit risk, and such reinsurance recoveries are reported after deductions for provisions and uncollectible items. The Company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically.

The Company does not utilise any stop-loss reinsurance.

(b) Terms and conditions of insurance and reinsurance contracts and nature of risks covered

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below. In addition, the following gives an assessment of the Company's main products and the ways in which it manages the associated risks.

4 Insurance risk management, continued

(b) Terms and conditions of insurance and reinsurance contracts and nature of risks covered, continued

(i) Insurance contracts – Insurance against other financial loss

Product features

Insurance against other financial loss protects the property interest of an exporter related to contract execution by a foreign counterparty-importer.

Covered risks:

Insured political events:

- acts of the governmental authority of the country of transit or the country of destination of delivery of the Kazakhstani goods, works, services, or the country of the foreign counterparty on expropriation, confiscation, restriction of ownership rights to the goods, works, services, the result of the work performed owned by the exporter;
- contingency actions of the governmental authority of the country of destination of delivery of the Kazakhstani goods, works, services restricting or prohibiting delivery of the goods, performance of works, provision of services;
- war, civil commotion, mass riots outside the Republic of Kazakhstan, preventing the execution of obligations under the contract insured;
- contingency actions of the governmental authority in the country of the foreign counterparty restricting or prohibiting the conversion into a freely convertible currency and/or transfer of payment.

Insured commercial events:

- bankruptcy of the foreign counterparty;
- default on financial obligations under the contract by the foreign counterparty.

Risk management

The risk assessment is based on the specific character of the transaction, which the exporter is willing to insure. The Company's risk assessment comprises two components: assessment of political or country risks and assessment of commercial risks. The projects are assessed on the basis of a country (political) risk and the risk related to trustworthiness of a counterparty abroad.

Commercial risk assessment

The Company assesses separately each transaction to determine the trustworthiness of a buyer. The Company, in assessment of the commercial risks, is based on assessment of the buyer's country, industry, market position and financial position.

Insurance risk assessment

The Company assesses the country risks according to the list of countries and classification of countries by the risk level published by the Organisation for Economic Cooperation and Development (OECD). This list also contains recommendations for the export credit agencies of the OECD countries on the premium rates depending on the insurance period by country categories.

(ii) Reinsurance contracts – Property

Product features

Property insurance indemnifies, subject to any limits or excesses, the policyholder against loss or damage to its own material property and business interruption arising from this damage.

4 Insurance risk management, continued

(b) Terms and conditions of insurance and reinsurance contracts and nature of risks covered, continued

(ii) Reinsurance contracts – Property, continued

The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (such as a fire or burglary) and the cause is readily determinable. The claim will thus be notified promptly and can be settled without delay. Property business is therefore classified as 'short tail', contrasted with 'long tail' classes where the ultimate claim cost takes longer to determine.

Risk management

The key risks associated with this product are underwriting risk, competitive risk and claims experience risk.

Underwriting risk is the risk that the Company does not charge premiums appropriate for the different properties it insures. For private property insurance, it is expected that there will be large numbers of properties with similar risk profiles. However, for commercial business this may not be the case. Many commercial property proposals comprise a unique combination of location, type of business, and safety measures in place. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky. The Company operates in a competitive environment and is hence under the risk of writing premiums with reference to the competitors' pricing strategies rather than to its own loss experience.

Property classes are exposed to the risk that the insured will make false or invalid claims, or exaggerate the amount claimed following a loss. This largely explains why economic conditions correlate with the profitability of a property portfolio. Insurance risk is managed primarily through pricing, independent assessment of property under international standards, product design, risk selection and reinsurance. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

Within the reinsurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Company's liabilities. Such concentrations may arise from a single reinsurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

(iii) Reinsurance contracts – Employer's civil liability

The purpose of the employer's liability obligatory insurance is to insure an employee in the event of death or injury whilst at work. Income from this product is generated from the receipt of insurance and reinsurance premiums less amounts paid to cover claims and expenses incurred by the Company. The amount payable to an employee in the event of death or injury is set in accordance with the laws of the Republic of Kazakhstan. As a result of the long period that it typically takes to finalise and settle claims for a given accident year, employer's liability is regarded as 'long tail' business.

Risk management

The key risks associated with this product are underwriting risk, such as, uncertainty in calculation of the insurance payment and others. The estimated size of the reported loss is calculated based on the following information:

- in case of persistent disablement of the employee:
  - amount of the lost future wages (income) to be reimbursed;
  - repayment period – the period of establishing physical disability by the medical expert committee (it may be several years for lifetime disability benefit);
  - degree of employer's culpability;

4 Insurance risk management, continued

(b) Terms and conditions of insurance and reinsurance contracts and nature of risks covered, continued

(iii) Reinsurance contracts – Employer's civil liability, continued

- in case of death:
  - funeral expenses;
  - number of persons having the right to be reimbursed for harm as required by the laws of the Republic of Kazakhstan;
  - age of persons having the right to be reimbursed for harm as required by the laws of the Republic of Kazakhstan;
  - amount of the lost future wages (income) to be reimbursed;
  - period of insurance payments.

Insurance risk is managed primarily through pricing, product design, underwriting and payments' management. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

(iv) Reinsurance contracts – Vehicles owner's civil liability and general civil liability

The Company undertakes general civil liability insurance on compulsory and voluntary types of insurance in the Republic of Kazakhstan, and vehicles owner's civil liability on compulsory types of insurance in the Republic of Kazakhstan. Under these contracts policyholders are reimbursed for any monetary compensation awards paid for the injury caused to body, life, health and (or) property of the third parties. General civil liability is generally considered a long tail line, as it takes a relatively long period of time to finalise and settle claims for a given accident year.

Risk management

The key risks associated with this product are underwriting risk, competitive risk, and claims experience risk. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky. Insurance risk is managed primarily through sensible pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

(c) Concentration of insurance risk

A key aspect of the insurance risk faced by the Company is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon the Company's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it may arise from the accumulation of risks within a number of individual classes or contracts tranche.

Concentrations of risk can arise in both high-severity of damage and low frequency events, such as natural disasters and in situations where underwriting is biased towards a particular Company, such as a particular geography or demographic trend.

The Company's key methods in managing these risks are two-fold. Firstly, the risk is managed through appropriate underwriting. Underwriters are not permitted to underwrite risks unless the expected profits are commensurate with the risks assumed. Secondly, the risk is managed through the use of reinsurance. The Company purchases reinsurance coverage for various classes of its liability and property business. The Company assesses the costs and benefits associated with the reinsurance programme on an ongoing basis.

4 Insurance risk management, continued

(d) Total aggregate exposures

The Company sets out the total aggregate exposure that it is prepared to accept in relation to concentrations of risk. It monitors these exposures both at the time of underwriting a risk, and on a monthly basis by reviewing reports which show the key aggregations to which the Company is exposed. The Company uses a number of modelling tools to monitor aggregation in order to measure the effectiveness of the reinsurance programmes and the net exposure to which the Company is exposed.

As at 31 December 2017 the Company had 3,818 insurance agreements that were in force (31 December 2016: 488 insurance agreements).

(i) Exposure to various business lines

The key concentrations identified as at 31 December 2017 are:

Insurance type	Total insured amount KZT'000	Reinsurance amount KZT'000	Net retention (after reinsurance) KZT'000
Obligatory insurance			
Employer's liability	120,477,618	(120,154,660)	322,958
Carrier's liability to passengers	1,371,690	-	1,371,690
Other obligatory insurance	73,743	-	73,743
Voluntary insurance		-	
Property	91,139,803	(20,385,941)	70,753,862
Civil liability	166,031,100	(2,050,295)	163,980,805
Railway transport	6,543,499	-	6,543,499
Insurance against other financial loss	46,019,394	(5,624,640)	40,394,754
Civil liability of the vehicle owners	7,046,847	-	7,046,847
Accident	1,095,981	-	1,095,981
Cargo insurance	998,556	-	998,556
Civil liability of owners of water transport, including:	490,500	-	490,500
Air transport	291,541	-	291,541
Water transport	712,768	-	712,768
Total	**442,293,040**	**(148,215,536)**	**294,077,504**

The key concentrations identified as at 31 December 2016 are:

Insurance type	Total insured amount KZT'000	Reinsurance amount KZT'000	Net retention (after reinsurance) KZT'000
Obligatory insurance			
Employer's liability	23,746,235	(10,047,186)	13,699,049
Air carrier liability for passengers	2,916,174	-	2,916,174
Liability of owners of enterprises, whose activity is associated with the risk of harm to third parties	496,314	-	496,314
Voluntary insurance			
Property	147,063,141	(16,717,934)	130,345,207
Civil liability	174,774,922	(21,642,567)	153,132,355
Railway transport	19,196,276	-	19,196,276
Insurance against other financial loss	25,373,829	(10,324,640)	15,049,189
Civil liability of the vehicle owners	8,436,286	-	8,436,286
Accident	3,517,318	-	3,517,318
Air transport	757,283	-	757,283
Water transport	601,122	-	601,122
Total	**406,878,900**	**(58,732,327)**	**348,146,573**

4 Insurance risk management, continued

(e) Claims development

The Company uses statistical methods for insurance contract provisioning. Uncertainty about the amount and timing of claims payment for all insurance contracts, except employer's civil liability, is typically resolved within one year.

While the information in the table provides a historical perspective on the adequacy of unpaid claims estimates established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances. The Company believes that the estimate of total claims outstanding as of the end of 2017 is adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Analysis of claims development for 2017 (gross) – total

	Accident year							
KZT'000	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**
Estimate of cumulative claims								
At end of accident year	115,562	162,651	110,144	287,453	429,562	1,419,905	935,213	
- one year later	99,624	80,531	114,865	289,674	285,243	1,934,327	-	
- two years later	105,984	133,825	150,006	273,674	206,683	-		
- three years later	116,739	130,638	116,426	293,618	-	-		
- four years later	151,355	114,691	171,237	-	-	-		
- five years later	149,833	168,316	-			-		
- six year later	204,695	-	-	-				
Estimate of cumulative claims as at 31 December 2017	**204,695**	**168,316**	**171,237**	**293,618**	**206,683**	**1,934,327**	**935,213**	**3,914,089**
Cumulative payments as at 31 December 2017	110,405	74,026	76,947	199,098	75,855	1,786,037	645,676	2,968,044
Gross outstanding claims liabilities as at 31 December 2017	**94,290**	**94,290**	**94,290**	**94,520**	**130,828**	**148,290**	**289,537**	**946,045**

4 Insurance risk management, continued

(e) Claims development, continued

Analysis of claims development for 2016 (gross) – total

	Accident year						
KZT'000	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Estimate of cumulative claims							
At end of accident year	115,562	162,651	110,144	287,453	429,562	1,419,905	
- one year later	99,624	80,531	114,865	289,674	285,243	-	
- two years later	105,984	133,825	150,006	269,996	-	-	
- three years later	116,739	130,638	116,426	-	-	-	
- four years later	151,355	114,691	-	-	-	-	
- five years later	149,833					-	
Estimate of cumulative claims as at 31 December 2016	**149,833**	**114,691**	**116,426**	**269,996**	**285,243**	**1,419,905**	**2,356,094**
Cumulative payments as at 31 December 2016	108,950	73,808	75,314	186,554	61,162	1,080,067	1,585,855
Gross outstanding claims liabilities as at 31 December 2016	**40,883**	**40,883**	**41,112**	**83,442**	**224,081**	**339,838**	**770,239**

5 Premiums

	Obligatory insurance			Voluntary insurance					
2017 **KZT'000**	**Employer's liability**	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Other financial loss insurance**	**Air/Water/ Motor transport**	**Loan insurance**	**Other voluntary**	**Total**
Gross premiums written	569,347	4,862	265	148,364	133,334	23,369	927,961	97,960	1,905,462
Change in the gross provision for unearned premiums	(447,397)	3,722	1,100	21,045	84,607	4,984	(682,498)	109,736	(904,701)
Gross earned premiums	**121,950**	**8,584**	**1,365**	**169,409**	**217,941**	**28,353**	**245,463**	**207,696**	**1,000,761**
Less: written premiums ceded to reinsurers	(557,906)	-	-	(3,814)	-	-	(8,951)	(1,317)	(571,988)
Reinsurers' share of change in the gross provision for unearned premiums	439,804	-	-	(2,446)	(34,944)	-	(74,609)	(108,470)	219,335
Ceded earned premiums	**(118,102)**	**-**	**-**	**(6,260)**	**(34,944)**	**-**	**(83,560)**	**(109,787)**	**(352,653)**
Net earned premiums	**3,848**	**8,584**	**1,365**	**163,149**	**182,997**	**28,353**	**161,903**	**97,909**	**648,108**

	Obligatory insurance			Voluntary insurance					
2016 **KZT'000**	**Employer's liability**	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Other financial loss insurance**	**Air/Water/ Motor transport**	**Loan insurance**	**Other voluntary**	**Total**
Gross premiums written	3,850	10,456	2,262	140,768	107,294	15,192	545,180	287,933	1,112,935
Change in the gross provision for unearned premiums	2,823	(147)	2,453	60,432	155,784	16,809	(529,221)	(51,697)	(342,764)
Gross earned premiums	**6,673**	**10,309**	**4,715**	**201,200**	**263,078**	**32,001**	**15,959**	**236,236**	**770,171**
Less: written premiums ceded to reinsurers	(804)	-	-	(3,955)	-	-	(94,000)	(172,129)	(270,888)
Reinsurers' share of change in the gross provision for unearned premiums	163	-	-	(5,836)	(35,189)	(8,020)	92,427	58,957	102,502
Ceded earned premiums	**(641)**	**-**	**-**	**(9,791)**	**(35,189)**	**(8,020)**	**(1,573)**	**(113,172)**	**(168,386)**
Net earned premiums	**6,032**	**10,309**	**4,715**	**191,409**	**227,889**	**23,981**	**14,386**	**123,064**	**601,785**

6 Claims incurred

2017 **KZT'000**	**Obligatory insurance** Employer's liability	Vehicle owner's liability	Other obligatory	**Voluntary insurance** Property	Other financial loss insurance	Air/Water/ Motor transport	Loan insurance	Other voluntary	Total
Claims paid	23,695	-	-	36,399	1,310,918	11,176	-	-	1,382,188
Claims paid, net of reinsurance	**23,695**	**-**	**-**	**36,399**	**1,310,918**	**11,176**	**-**	**-**	**1,382,188**
Change in provisions for incurred but not reported claims	130,149	(280)	(100)	23,737	46,966	416	21,881	(9,412)	213,357
Change in provisions for reported but not settled claims	(433)	-	-	39,194	(119,374)	(14,216)	-	57,278	(37,551)
Change in reinsurers' share in claims provisions	(96,897)	-	-	(416)	-	143	(4,252)	8,520	(83,852)
Change in net insurance contract provisions	**32,819**	**(280)**	**(100)**	**63,347**	**(72,408)**	**(13,943)**	**26,133**	**56,386**	**91,954**
Reimbursement from recourse claims*	-	-	-	-	(1,242,081)	-	-	-	(1,242,081)
Net claims paid	**56,514**	**(280)**	**(100)**	**99,746**	**(3,571)**	**(2,767)**	**26,133**	**56,386**	**232,061**

2016 **KZT'000**	**Obligatory insurance** Employer's liability	Vehicle owner's liability	Other obligatory	**Voluntary insurance** Property	Other financial loss insurance	Air/Water/ Motor transport	Loan insurance	Other voluntary	Total
Claims paid	31,514	-	-	38,301	1,094,779	8,258	-	-	1,172,852
Claims paid, net of reinsurance	**31,514**	**-**	**-**	**38,301**	**1,094,779**	**8,258**	**-**	**-**	**1,172,852**
Change in provisions for incurred but not reported claims	(33,861)	(17)	(676)	138,567	(59,525)	(1,632)	27,259	4,664	74,779
Change in provisions for reported but not settled claims	(603)	(3,358)	-	(130,628)	101,125	(7,693)	-	(1,616)	(42,773)
Change in reinsurers' share in claims provisions	-	-	-	60	19,518	(274)	(4,700)	(3,990)	10,614
Change in net insurance contract provisions	**(34,464)**	**(3,375)**	**(676)**	**7,999**	**61,118**	**(9,599)**	**22,559**	**(942)**	**42,620**
Net claims paid	**(2,950)**	**(3,375)**	**(676)**	**46,300**	**1,155,897**	**(1,341)**	**22,559**	**(942)**	**1,215,472**

* During 2016, as a result of default, Tojiksodirotbank OJSC failed to discharge its liabilities on the letters of credit issued. The Company was the insurer of Tojiksodirotbank OJSC liabilities and paid an insured amount of KZT 1,071,679 thousand to the beneficiaries in 2016 and KZT 1,244,346 thousand in 2017, respectively. On 13 December 2016, based on decision of the National Bank of Tajikistan, the work for recovery of financial position of Tojiksodirotbank OJSC was completed and as a result the bank repaid the debt to the Company in the amount of KZT 1,242,081 thousand.

7 Net finance income

	2017 KZT'000	2016 KZT'000
Interest income		
Interest income on unimpaired available-for-sale financial assets	523,863	538,592
Interest income on placements with banks and reverse repurchase agreements	2,466,223	708,289
	2,990,086	**1,246,881**
Interest expense		
Interest expense on loan from Samruk-Kazyna JSC	(33,370)	(37,344)
	(33,370)	**(37,344)**
Other investment income		
Realised income on available-for-sale financial assets	-	13,831
	-	**13,831**
	2,956,716	**1,223,368**

8 General administrative expenses

	2017 KZT'000	2016 KZT'000
Salaries and bonuses	407,972	268,164
Consulting and professional services	158,518	33,680
Advertising and marketing	100,210	12,136
Business trip expenses	61,872	25,027
Rent	38,789	37,379
Social tax and social contributions	35,511	23,313
Depreciation and amortisation	11,779	11,153
Sponsorship	11,147	-
Transportation expenses	9,673	8,643
Bank charges	5,899	6,811
Communication services	3,312	3,118
Fines and penalties	2,924	51
Other taxes and duties	1,821	518
Other	41,603	21,342
	891,030	**451,335**

9 Income tax benefit/(expense)

	2017 KZT'000	2016 KZT'000
Current year tax expense	434,276	-
Total current tax expense	**434,276**	-
Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences and movement in valuation allowance	(2,765)	(1,745)
Total income tax benefit/(expense)	**431,511**	**(1,745)**

In 2017, the applicable tax rate for current and deferred tax is 20% (2016: 20%).

9 Income tax benefit/(expense), continued

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

	2017 KZT'000	%	2016 KZT'000	%
Profit before income tax	**2,562,807**	**100**	**108,106**	**100**
Income tax at the applicable income tax rate	(512,561)	(20)	(21,621)	(20)
Non-taxable income from available-for-sale financial assets	100,695	4	31,327	29
Other non-deductible expenses	(19,645)	(1)	(7,961)	(7)
	(431,511)	**(17)**	**1,745**	**2**

(a) Deferred tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets and liabilities as at 31 December 2017 and 31 December 2016.

The deductible temporary differences do not expire under current tax legislation of the Republic of Kazakhstan.

Movement in temporary differences during the year ended 31 December 2017 is presented as follows:

KZT'000	**Balance 1 January 2017**	**Recognised in profit or loss**	**Balance 31 December 2017**
Property, equipment and intangible assets	68	(979)	(911)
Other payables	1,344	-	1,344
Vacation and bonuses reserve	2,184	3,744	5,928
	3,596	**2,765**	**6,361**

Movement in temporary differences during the year ended 31 December 2016 is presented as follows:

KZT'000	**Balance 1 January 2016**	**Recognised in profit or loss**	**Balance 31 December 2016**
Property, equipment and intangible assets	103	(35)	68
Other payables	(238)	1,582	1,344
Vacation and bonuses reserve	1,986	198	2,184
	1,851	**1,745**	**3,596**

10 Cash and cash equivalents

	2017 KZT'000	2016 KZT'000
Cash on accounts of a broker rated "BB"	-	5,386
Reverse repurchase agreements	1,501,602	322,382
Current accounts and demand deposits with banks		
Kazakhstan banks		
Rated from BBB+ to BBB-	855	-
Rated from BB+ to BB-	19,022,911	8,617,551
Rated from B+ to B-	2,534,309	3,664,689
Rated from CCC+ to CCC--	-	15
Without assigned credit rating (JSC Citibank Kazakhstan, subsidiary of Citibank N.A.)	3,985,657	2,027,534
Total current accounts and demand deposits with banks	**25,543,732**	**14,309,789**
	27,045,334	**14,637,557**

As at 31 December 2017, the Company entered into reverse repurchase agreements at Kazakhstan Stock Exchange. The subject of these agreements were the treasury notes of the Ministry of Finance issued by the Government of the Republic of Kazakhstan. The carrying amount of those agreements and fair value of securities pledged amounted to KZT 1,501,602 thousand and KZT 1,565,711 thousand, respectively.

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

No cash and cash equivalents are impaired or past due.

As at 31 December 2017 the Company has accounts with three banks (31 December 2016: none), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2017 is KZT 18,339,097 thousand.

11 Placements with banks

	2017 KZT'000	2016 KZT'000
Deposits		
Kazakhstan banks		
Rated from BB+ to BB-	1,531,756	413,718
Rated from B+ to B-	6,905,189	3,618,444
Rated from CCC+ to CCC-	-	35,641
	8,436,945	**4,067,803**

The above table is based on the credit ratings assigned by Standard & Poor's or other agencies converted into Standard & Poor's scale.

As at 31 December 2017, the annual effective interest rates generated by placement with banks ranged between 1.97% and 15.7% per annum (31 December 2016: 1.97% and 16%).

No placements with banks are impaired or past due.

As at 31 December 2017 and 2016 the Company had no placements with banks, whose balances exceeded 10% of equity.

12 Available-for-sale financial assets

	2017 KZT'000	2016 KZT'000
Neither past due nor impaired		
Government bonds of the Republic of Kazakhstan		
Rated BBB-	5,976,867	5,715,921
Government bonds of foreign states		
Rated AA+	247,610	220,427
Total Government bonds	**6,224,477**	**5,936,348**
Bonds of Kazakhstan banks		
Rated from BB+ to BB-	356,039	358,028
Rated from B+ to B-	631,591	749,089
Total bonds of Kazakhstan banks	**987,630**	**1,107,117**
Corporate bonds of Kazakhstan companies		
Rated from BB+ to BB-	869,935	821,317
Not rated	494,507	553,891
Total corporate bonds of Kazakhstan companies	**1,364,442**	**1,375,208**
	8,576,549	**8,418,673**

The above table is based on the credit ratings assigned by Standard & Poor's or other agencies converted into Standard & Poor's scale.

As at 31 December 2017 the annual effective interest rates generated by available-for-sale investments ranged between 4.4% and 8.5% per annum (31 December 2016: between 4.4% and 14.9%).

13 Insurance and reinsurance receivables

	2017 KZT'000	2016 KZT'000
Amounts due from policyholders	775,652	721,601
Amounts due from reinsurers	181,096	47,392
	956,748	**768,993**
Impairment allowance	(48)	(6,850)
	956,700	**762,143**

As at 31 December 2017 and 2016 the Company had no balances with policyholders, whose balances exceeded 10% of equity. Movements in the impairment allowance on insurance and reinsurance receivables for the years ended 31 December are as follows:

	2017 KZT'000	2016 KZT'000
Balance at the beginning of the year	(6,850)	(4,595)
Net charge	(673)	(2,255)
Write-off	7,475	-
Balance at the end of the year	**(48)**	**(6,850)**

13 Insurance and reinsurance receivables, continued

Credit quality of insurance and reinsurance receivables

The following table provides information on the credit quality of insurance and reinsurance receivables as at 31 December 2017:

	Gross receivables KZT'000	Impairment allowance KZT'000	Net receivables KZT'000	Impairment allowance to gross receivables %
Amounts due from policyholders and reinsurers				
Amounts due from policyholders				
Not past due	775,652	-	775,652	-
Total amounts due from policyholders	**775,652**	**-**	**775,652**	**-**
Amounts due from reinsurers				
Not past due	175,829	-	175,829	-
Overdue or impaired:				
- overdue less than 90 days	3,050	-	3,050	-
- overdue more than 90 days and less than 1 year	2,217	(48)	2,169	2
Total overdue or impaired receivables from reinsurers	5,267	(48)	5,219	1
Total amounts due from reinsurers	**181,096**	**(48)**	**181,048**	**0.03**
Total amounts due from policyholders and reinsurers	**956,748**	**(48)**	**956,700**	**0.01**

13 Insurance and reinsurance receivables, continued

Credit quality of insurance and reinsurance receivables, continued

The following table provides information on the credit quality of insurance and reinsurance receivables as at 31 December 2016:

	Gross receivables KZT'000	Impairment allowance KZT'000	Net receivables KZT'000	Impairment allowance to gross receivables %
Amounts due from policyholders and reinsurers				
Amounts due from policyholders				
Not past due	721,284	-	721,284	-
Overdue or impaired:				-
- overdue more than 90 days and less than 1 year	317	(317)	-	100
Total overdue or impaired receivables from policyholders	317	(317)	-	100
Total amounts due from policyholders	**721,601**	**(317)**	**721,284**	-
Amounts due from reinsurers				
Not past due	21,945	-	21,945	-
Overdue or impaired:				
- overdue less than 90 days	11,427	-	11,427	-
- overdue more than 90 days and less than 1 year	14,020	(6,533)	7,487	47
Total overdue or impaired receivables from reinsurers	25,447	(6,533)	18,914	26
Total amounts due from reinsurers	**47,392**	**(6,533)**	**40,859**	**14**
Total amounts due from policyholders and reinsurers	**768,993**	**(6,850)**	**762,143**	**1**

14 Insurance contract provisions and reinsurers' share in insurance contract provisions

	Gross 2017 KZT'000	Reinsurance 2017 KZT'000	Net 2017 KZT'000
Provision for unearned premiums	2,460,583	(735,509)	1,725,074
Provision for claims incurred but not reported	660,033	(90,743)	569,290
Provision for claims reported but not settled	286,012	(8,167)	277,845
	3,406,628	**(834,419)**	**2,572,209**

	Gross 2016 KZT'000	Reinsurance 2016 KZT'000	Net 2016 KZT'000
Provision for unearned premiums	1,555,882	(516,174)	1,039,708
Provision for claims incurred but not reported	446,676	(13,517)	433,159
Provision for claims reported but not settled	323,563	(1,541)	322,022
	2,326,121	**(531,232)**	**1,794,889**

(a) Analysis of movements in provisions for claims incurred but not reported and in provisions for claims reported but not settled

	2017 KZT'000	2016 KZT'000
Balance at the beginning of the year	755,181	712,561
Current year' claims reported	935,213	1,419,905
Adjustment for prior years claims due to change in assumptions	622,781	(215,047)
Claims paid, gross	(1,382,188)	(1,172,852)
Change in reinsurers' share	(83,852)	10,614
Balance at the end of the year	**847,135**	**755,181**

(b) Analysis of movements in provision for unearned premiums

	2017 KZT'000	2016 KZT'000
Balance at beginning of the year	1,039,708	799,446
Premiums written	1,905,462	1,112,935
Premiums earned	(1,000,761)	(770,171)
Change in reinsurers' share	(219,335)	(102,502)
Balance at the end of the year	**1,725,074**	**1,039,708**

14 Insurance contract provisions and reinsurers' share in insurance contract provisions, continued

(c) Analysis of insurance contract provisions by main lines of business

	Obligatory insurance			Voluntary insurance					
2017 KZT'000	**Employer's liability**	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Other financial loss insurance**	**Air/Water/ Motor transport**	**Loan insurance**	**Other voluntary**	**Total**
Provision for unearned premiums	449,366	3,098	119	31,029	717,761	3,542	1,211,720	43,948	2,460,583
Provision for claims incurred but not reported	333,960	243	13	176,419	94,191	1,168	49,140	4,899	660,033
Provision for claims reported but not settled	13,515	-	-	120,210	56,846	31,171	-	64,270	286,012
Gross insurance contract provisions	**796,841**	**3,341**	**132**	**327,658**	**868,798**	**35,881**	**1,260,860**	**113,117**	**3,406,628**
Reinsurers' share in insurance contract provisions	(537,209)	-	-	(5,449)	(272,048)	(1,038)	(18,266)	(409)	(834,419)
Net insurance contract provisions	**259,632**	**3,341**	**132**	**322,209**	**596,750**	**34,843**	**1,242,594**	**112,708**	**2,572,209**

	Obligatory insurance			Voluntary insurance					
2016 KZT'000	**Employer's liability**	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Other financial loss insurance**	**Air/Water/ Motor transport**	**Loan insurance**	**Other voluntary**	**Total**
Provision for unearned premiums	1,969	6,820	1,219	52,074	802,368	8,526	529,222	153,684	1,555,882
Provision for claims incurred but not reported	203,811	523	113	152,682	47,225	752	27,259	14,311	446,676
Provision for claims reported but not settled	13,948	-	-	81,016	176,220	45,387	-	6,992	323,563
Gross insurance contract provisions	**219,728**	**7,343**	**1,332**	**285,772**	**1,025,813**	**54,665**	**556,481**	**174,987**	**2,326,121**
Reinsurers' share in insurance contract provisions	(509)	-	-	(8,311)	(306,992)	(895)	(97,127)	(117,398)	(531,232)
Net insurance contract provisions	**219,219**	**7,343**	**1,332**	**277,461**	**718,821**	**53,770**	**459,354**	**57,589**	**1,794,889**

14 Insurance contract provisions and reinsurers' share in insurance contract provisions, continued

(d) Key provision assumptions

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market prices or other published information. There is, however, a general lack of publicly available information on the Kazakhstan market that would be relevant to identification of assumptions and sensitivities.

The nature of the business makes it difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate cost of the loss is difficult to estimate. The provision estimation difficulties also differ by class of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

Provisions for claims incurred but not reported ("IBNR") are estimated using a range of chain ladder statistical methods. Such methods extrapolate the development of paid and incurred claims for each accident year based upon observed development of earlier years.

To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case. Such reasons include economic, legal, political and social trends, change in mix of business, random fluctuations, including the impact of large losses.

The assumptions that have the greatest effect on the measurement of general insurance contract provisions are the expected loss ratios for the most recent accident months. The expected loss ratio is the ratio of expected claims to earned premiums. When determining the total liability, the projection of future cash flows includes the estimated values of parameters that can affect the amount of an individual claim.

Management believes that due to the short-tailed nature of the majority of the Company's business excluding employer's liability and property insurance classes, the performance of the Company's portfolio is sensitive mainly to changes in expected loss ratios. The Company adjusts its insurance tariffs on a regular basis, based on the latest developments in these variables so that any emerging trends are taken into account.

15 Equity

(a) Share capital

	Ordinary shares 2017	Ordinary shares 2016
Authorised shares (ordinary shares)	90,080	87,300
Issued and outstanding shares (ordinary shares)	90,080	87,300
Number of shares	87,300	84,500
Nominal value, KZT'000	265.75	108.88
Number of shares	2,780	2,800
Nominal value, KZT'000	5,000	5,000
Issued and fully paid, KZT'000	**37,100,000**	**23,200,000**

(b) Capital management

The Company is subject to the regulatory requirements of the Republic of Kazakhstan regarding solvency margin as defined by regulations of the NBRK.

The Company is required to maintain a solvency margin ratio at not less than one. Solvency margin ratio is determined by division of actual solvency margin by minimum required solvency margin. Minimum required solvency margin is a composite measure based on a number of factors including net earned premiums, claims paid and premiums ceded to foreign reinsurers. As at 31 December 2017 and 31 December 2016, the Company complies with the solvency margins which are as follows:

	2017 KZT'000	2016 KZT'000
Actual solvency margin	40,946,246	21,458,064
Minimum solvency margin	922,977	1,036,811
Solvency margin	**44.4**	**20.7**

(c) Dividends

In accordance with Kazakhstan legislation an entity's distributable reserves are limited to the balance of retained earnings as recorded in the entity's statutory financial statements prepared in accordance with IFRS or profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the entity's insolvency. In accordance with the legislation of the Republic of Kazakhstan, as at the 31 December 2017, reserves available for distribution amounted to KZT 6,142,446 thousand (31 December 2016: KZT 3,855,409 thousand).

During the year ended 31 December 2017 dividends of KZT 32,956 thousand or KZT 377.5 per share were declared and paid (31 December 2016: KZT 784,222 thousand or KZT 9,281 per share).

15 Equity, continued

(d) Provision for unexpected risks

In 2017 the Company transferred KZT 226,361 thousand to retained earnings from the provision for unexpected risks (31 December 2016: provision for unexpected risks amounted to KZT 283,441 thousand), as in accordance with the Resolution of the Management Board of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organisations № 131 of 22 August 2008 on approval of the "Instruction for Establishment of Prudential Ratios and other Binding Norms and Limits for Insurance (Reinsurance) Organisation and Insurance Group, Including the Minimum Charter Capital, Guarantee Fund, Solvency Margin and Deadlines for Submission of Reports on Compliance with the Prudential Ratios", the Company is obliged to create a provision for those insurance products, where unearned premium reserve may not cover all expected insurance losses.

16 Financial instrument risk management

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

(a) Risk management policies and procedures

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

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing risk management policies and procedures as well as approving significantly large exposures.

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Company operates within established risk parameters. The Head of the Risk Management Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Board of Directors and indirectly to the Chairman.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their respective areas of expertise.

16 Financial instrument risk management, continued

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. Market risk comprises currency risk, interest rate risk, yield curve 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 and foreign currency rates.

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

Overall authority for market risk is vested in the Risk Management Department, which is controlled by the Board of Directors. Market risk limits are approved by the Board of Directors.

The Company manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits which are monitored on a regular basis.

The management of the interest rates risk component of market risk by monitoring the interest rate gap, is supplemented by monitoring the sensitivity of the Company's net interest margin to various standard and non-standard interest rate scenarios.

(i) Interest rate risk

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

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

Interest rate risk is managed principally through monitoring interest rate gaps. As at 31 December 2017, interest gap position for available-for-sale financial assets with carrying value KZT 1,430,833 thousand (31 December 2016: KZT 1,578,931 thousand) is within the period from 3 to 6 months (31 December 2016: from 3 to 6 months). An analysis of the sensitivity of net profit or loss and equity (net of taxes) to 100 basis point symmetrical rise in yield curves will have positive effect amounted to KZT 8,771 thousand (31 December 2016: KZT 9,300 thousand). 100 basis point symmetrical fall in yield curves as at 31 December 2017 and 31 December 2016 would have had the equal but opposite effect, on the basis that all other variables remain constant.

16 Financial instrument risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2017 and 2016 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves is as follows:

	Equity	
	2017	**2016**
100 bp parallel rise	(322,824)	(345,638)
100 bp parallel fall	347,946	374,473

(ii) Currency risk

The Company 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 exchange rates.

The following table shows the foreign currency exposure structure of monetary financial assets and liabilities as at 31 December 2017:

KZT'000	**Tenge**	**US dollar**	**Rouble**	**Other**	**Total**
Assets					
Cash and cash equivalents	26,992,594	15,036	33,775	3,929	27,045,334
Placements with banks	3,586,689	3,685,515	1,164,741	-	8,436,945
Available-for-sale financial assets	7,459,004	869,935	-	247,610	8,576,549
Insurance and reinsurance receivables	940,416	16,284	-	-	956,700
Total assets	**38,978,703**	**4,586,770**	**1,198,516**	**251,539**	**45,015,528**
Liabilities					
Loan from Samruk-Kazyna JSC	(276,573)	-	-	-	(276,573)
Insurance and reinsurance payables	(154,984)	-	-	-	(154,984)
Other financial liabilities	(55,515)	-	-	(48)	(55,563)
Total liabilities	**(487,072)**	-	-	**(48)**	**(487,120)**
Net position as at 31 December 2017	**38,491,631**	**4,586,770**	**1,198,516**	**251,539**	**44,528,408**

16 Financial instrument risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

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

KZT'000	Tenge	US dollar	Other	Total
Assets				
Cash and cash equivalents	14,271,895	360,138	5,524	14,637,557
Placements with banks	2,959,689	1,108,114	-	4,067,803
Available-for-sale financial assets	7,376,929	821,317	220,427	8,418,673
Insurance and reinsurance receivables	762,143	-	-	762,143
Total assets	**25,370,656**	**2,289,569**	**225,951**	**27,886,176**
Liabilities				
Loan from Samruk-Kazyna JSC	(336,588)	-	-	(336,588)
Insurance and reinsurance payables	(21,418)	-	-	(21,418)
Other financial liabilities	(29,229)	-	(228)	(29,457)
Total liabilities	**(387,235)**	**-**	**(228)**	**(387,463)**
Net position as at 31 December 2016	**24,983,421**	**2,289,569**	**225,723**	**27,498,713**

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2017 and 31 December 2016 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

KZT'000	2017	2016
10% appreciation of USD (2016: 20%)	366,942	366,331
10% appreciation of RUB (2016: 20%)	95,881	-
10% appreciation of other currency (2016: 20%)	20,119	36,116

A strengthening of the KZT against the above currencies at 31 December 2017 and 31 December 2016 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(iii) Other price risks

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

(c) Credit risk

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

16 Financial instrument risk management, continued

(c) Credit risk, continued

The Company continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. Apart from individual customer analysis, the credit portfolio is assessed by the Risk Department with regard to credit concentration and market risks.

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

The maximum exposure to on balance sheet credit risk at the reporting date is as follows:

	2017 KZT'000	2016 KZT'000
ASSETS		
Cash and cash equivalents	27,045,334	14,637,557
Placements with banks	8,436,945	4,067,803
Available-for-sale financial assets	8,576,549	8,418,673
Insurance and reinsurance receivables	956,700	762,143
Reinsurers' share in insurance contract provisions	834,419	531,232
Total maximum exposure	**45,849,947**	**28,417,408**

As at 31 December 2017 the Company had 4 debtors (31 December 2016: 3 debtors), credit risk exposure to whom exceeds 10 percent maximum credit risk exposure. The credit risk exposure for these customers as at 31 December 2017 is KZT 26,192,924 thousand (31 December 2016: KZT 10,935,534 thousand).

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

Similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements.

The Company receives and accepts collateral in the form of cash and marketable securities in respect of the following transactions:

- repurchase agreements, reverse repurchase agreements

These securities received/given as collateral cannot be pledged or sold during the term of the transaction, but must be returned on maturity of the transaction.

16 Financial instrument risk management, continued

(c) Credit risk, continued

Offsetting financial assets and financial liabilities, continued

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2017:

KZT'000

Types of financial assets	Gross amount of recognised financial assets	Gross amount of recognised financial liability offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments (including non-cash collateral)	Cash collateral received	
Reverse repo agreements, securities borrowings and similar agreements	1,501,602	-	1,501,602	(1,501,602)	-	-

Company did not have financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2016.

KZT'000

Types of financial assets	Gross amount of recognised financial assets	Gross amount of recognised financial liability offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments (including non-cash collateral)	Cash collateral received	
Reverse repo agreements, securities borrowings and similar agreements	322,382	-	322,382	(322,382)	-	-

16 Financial instrument risk management, continued

(d) Liquidity risk

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

The Company mitigates this risk by analysing liquidity gaps and maturity on an ongoing basis.

The following table shows financial liabilities by remaining contractual maturity dates as at 31 December 2017. Insurance liabilities are shown based on expected maturities. Insurance contract provisions are presented net of reinsurers' share:

KZT'000	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Financial liabilities					
Insurance contract provisions	2,744	87,090	1,084,606	2,232,188	3,406,628
Loan from Samruk-Kazyna JSC	-	-	93,200	278,490	371,690
Insurance and reinsurance payables	154,984	-	-	-	154,984
Other financial liabilities	55,563	-	-	-	55,563
Total financial liabilities as at 31 December 2017	**213,291**	**87,090**	**1,177,806**	**2,510,678**	**3,988,865**

16 Financial instrument risk management, continued

(d) Liquidity risk, continued

The following table shows financial liabilities by remaining contractual maturity dates as at 31 December 2016. Insurance liabilities are shown based on expected maturities. Insurance contract provisions are presented net of reinsurers' share:

KZT'000	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Financial liabilities					
Insurance contract provisions	3,470	226,530	705,883	1,390,238	2,326,121
Loan from Samruk-Kazyna JSC	-	-	93,385	371,690	465,075
Insurance and reinsurance payables	21,418	-	-	-	21,418
Other financial liabilities	29,457	-	-	-	29,457
Total financial liabilities as at 31 December 2016	**54,345**	**226,530**	**799,268**	**1,761,928**	**2,842,071**

17 Operating lease

Leases as lessee

The Company leases the premises from a related party under operating lease. The lease typically run for an initial period of up to one year, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals.

The ownership for leased equipment does not pass to the Company. The rent paid is increased to market rent at regular intervals and the Company does not participate in the residual value, it was determined that substantially all the risks and rewards of the premises are with the landlord. As such, the Company determined that the leases are operating leases. During 2017 the operating lease payments of KZT 38,789 thousand were recognised within the administrative expenses.

18 Contingencies

(a) Litigation

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

(b) Taxation contingencies

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

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

19 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2017:

KZT'000	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	27,045,334	-	-	27,045,334	27,045,334
Placements with banks	8,436,945	-	-	8,436,945	8,436,945
Available-for-sale financial assets	-	8,576,549	-	8,576,549	8,576,549
Insurance and reinsurance receivables	956,700	-	-	956,700	956,700
Reinsurers' share in insurance contract provisions	834,419	-	-	834,419	834,419
	37,273,398	**8,576,549**	-	**45,849,947**	**45,849,947**
Loan from Samruk-Kazyna JSC	-	-	(276,573)	(276,573)	(273,186)
Other financial liabilities	-	-	(55,563)	(55,563)	(55,563)
	-	-	**332,136**	**(332,136)**	**(328,749)**

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2016:

KZT'000	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	14,637,557	-	-	14,637,557	14,637,557
Placements with banks	4,067,803	-	-	4,067,803	4,067,803
Available-for-sale financial assets	-	8,418,673	-	8,418,673	8,418,673
Insurance and reinsurance receivables	762,143	-	-	762,143	762,143
Reinsurers' share in insurance contract provisions	531,232	-	-	531,232	531,232
	19,998,735	**8,418,673**	-	**28,417,408**	**28,417,408**
Loan from Samruk-Kazyna JSC	-	-	(336,588)	(336,588)	(338,554)
Other financial liabilities	-	-	(29,457)	(29,457)	(29,457)
	-	-	**(366,045)**	**(366,045)**	**(368,011)**

19 Financial assets and liabilities: fair values and accounting classifications, continued

(a) Accounting classifications and fair values, continued

The estimates of fair value are intended to approximate the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or transfer of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market-observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other adjustments used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

(b) Fair value hierarchy

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

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

As at 31 December 2017 and 31 December 2016 fair value of all financial instruments has been categorised as a Level 2 fair value.

20 Related party transactions

(a) Control relationship

Related parties of the Company include counterparties that represent shareholders of the Company; members of the Board of Directors and the Management Board.

The Company's parent company is JSC National Management Holding "Baiterek". The Company's ultimate shareholder is the Government of the Republic of Kazakhstan.

(b) Transactions with key management personnel

Total remuneration included in general and administrative expenses (see Note 8) for the years ended 31 December 2017 and 31 December 2016 is as follows:

	2017 KZT'000	2016 KZT'000
Members of the Board of Directors	4,638	2,666
Members of the Management Board	75,051	57,995
	79,689	**60,661**

(c) Transactions with other related parties

Other related parties comprise the government companies that are not part of "Baiterek" group.

The outstanding balances as of 31 December 2017 and related profit or loss amounts of transactions for the year then ended with other related parties for the year ended 31 December 2017 are as follows:

KZT'000	**Fellow subsidiaries**	**Other**	**Total**
Assets			
Cash and cash equivalents	-	1,501,602	1,501,602
Available-for-sale financial assets	-	6,846,802	6,846,802
Insurance and reinsurance receivables	365,630	-	365,630
Current tax asset	216,116	-	216,116
Liabilities			
Loan from Samruk-Kazyna JSC	-	276,573	276,573
Provision for unearned premiums	700,000	-	700,000
Other liabilities	3,232	290	3,522
Profit/(loss)			
Change in the gross provision for unearned premiums	(89,914)	-	(89,914)
Finance income	-	341,699	341,699
Finance costs	-	(33,370)	(33,370)
Other expenses	(38,789)	(3,405)	(42,194)

20 Related party transactions, continued

(c) Transactions with other related parties, continued

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

KZT'000	Fellow subsidiaries	Other	Total
Assets			
Cash and cash equivalents	-	322,382	322,382
Available-for-sale financial assets	-	6,537,242	6,537,242
Insurance and reinsurance receivables	429,912	-	429,912
Current tax asset	256,135	-	256,135
Liabilities			
Loan from Samruk-Kazyna JSC	-	336,588	336,588
Provision for unearned premiums	789,914	-	789,914
Other liabilities	3,115	283	3,398
Profit/(loss)			
Change in the gross provision for unearned premiums	(90,544)	-	(90,544)
Finance income	-	457,627	457,627
Finance costs	-	(37,344)	(37,344)
Other expenses	(37,379)	(3,216)	(40,595)