

REPORT ARCHIVE COPY

# **JSC KAZAKHSTAN STOCK EXCHANGE**

**Consolidated Financial Statements**  
For the year ended 31 December 2012

# JSC KAZAKHSTAN STOCK EXCHANGE

## TABLE OF CONTENTS

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	<b>Page</b>
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012	1
INDEPENDENT AUDITORS' REPORT	2-3
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012:	
Consolidated statement of comprehensive income	4
Consolidated statement of financial position	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7-8
Notes to the consolidated financial statements	9-37

# JSC KAZAKHSTAN STOCK EXCHANGE

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of Management and those of the independent auditors in relation to the consolidated financial statements of Joint Stock Company Kazakhstan Stock Exchange ("the Company") and its subsidiaries (collectively – "the Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as at 31 December 2012, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, Management is responsible for:

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

Management is also responsible for:


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

The consolidated financial statements for the year ended 31 December 2012 were authorized for issue on 2 April 2013 by the Management.

On behalf of the Management:

  
**Damitov K. K.**  
President

2 April 2013  
Almaty, Kazakhstan

  
**Kapanova I.B.**  
Chief Accountant

2 April 2013  
Almaty, Kazakhstan

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Shareholders of JSC Kazakhstan Stock Exchange:

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of JSC Kazakhstan Stock Exchange and its subsidiaries (collectively – “the Group”), which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

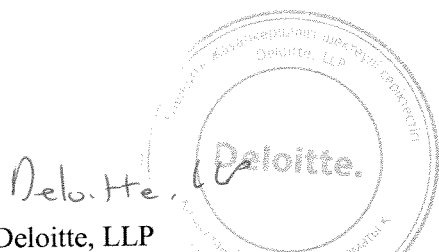
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



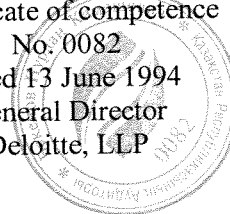
Andrew Weekes  
Engagement Partner  
Institute of Chartered Accountants in  
Australia  
Certificate of Public Practice  
No. 78586,  
Australia



Deloitte, LLP  
State license on auditing of the Republic of Kazakhstan  
No 0000015, type MFU-2, given by the Ministry of Finance  
of the Republic of Kazakhstan dated 13 September 2006



Nurlan Bekenov  
Auditor performer  
Qualified Auditor  
Certificate of competence  
No: 0082  
dated 13 June 1994  
General Director  
Deloitte, LLP



2 April 2013  
Almaty, Kazakhstan

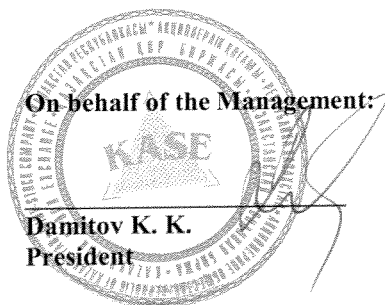
# JSC KAZAKHSTAN STOCK EXCHANGE

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

(in thousands of Kazakhstani Tenge, except for Earnings per Share, which are in Tenge)


	Notes	Year ended 31 December 2012	Year ended 31 December 2011
Fee and commission income	4, 20	1,084,621	1,009,923
Interest income	6	40,631	95,522
Provision for impairment losses on interest bearing assets and other operations	5	(10,285)	(6,660)
Net (loss)/gain on foreign exchange operations		(151)	531
Impairment loss on investments available-for-sale		-	(6,761)
Share of (losses)/profits of associate	14	(1,522)	35
Other income		33,681	21,470
<b>OPERATING INCOME</b>		<b>1,146,975</b>	<b>1,114,060</b>
<b>OPERATING EXPENSES</b>	7, 20	<b>(873,733)</b>	<b>(904,224)</b>
<b>PROFIT BEFORE INCOME TAX</b>		<b>273,242</b>	<b>209,836</b>
Income tax expense	8	(63,208)	(47,691)
<b>NET PROFIT</b>		<b>210,034</b>	<b>162,145</b>
<b>EARNINGS PER SHARE</b>			
Basic and diluted (KZT)	9	385.38	299.94
<b>OTHER COMPREHENSIVE LOSS</b>			
Net loss resulting on revaluation of investments available-for-sale		(855)	(10,090)
Impairment transferred to profit or loss		-	6,761
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>209,179</b>	<b>158,816</b>

On behalf of the Management:



**Damitov K. K.**  
President

2 April 2013  
Almaty, Kazakhstan



**Kapanova I.B.**  
Chief Accountant

2 April 2013  
Almaty, Kazakhstan

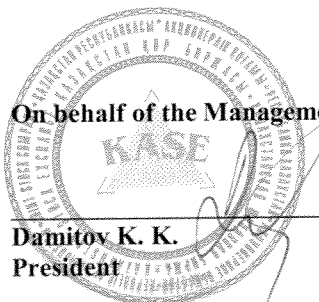
The notes on pages 9-37 form an integral part of these consolidated financial statements.

# JSC KAZAKHSTAN STOCK EXCHANGE

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (in thousands of Kazakhstani Tenge)


	Notes	31 December 2012	31 December 2011
<b>ASSETS:</b>			
Cash and cash equivalents	10, 20	101,756	49,257
Restricted cash		295,790	224,780
Due from banks	11	788,784	583,323
Investments available-for-sale	12	21,277	21,622
Investments held to maturity	13	71,249	105,302
Investments in associate	14	138,813	140,335
Advances paid		1,421	12,195
Property and equipment	15	1,384,872	1,395,642
Intangible assets		45,184	3,331
Current income tax assets		25,687	56,673
Deferred income tax assets	8	-	142
Other assets	16, 20	93,075	68,942
<b>TOTAL ASSETS</b>		<b>2,967,908</b>	<b>2,661,544</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Payables to trade members on restricted cash		295,790	224,780
Advances received		66,529	52,210
Current income tax liabilities		4,409	2,229
Deferred income tax liabilities	8	24,005	19,417
Other liabilities	17, 20	39,017	33,929
<b>Total liabilities</b>		<b>429,750</b>	<b>332,565</b>
<b>EQUITY:</b>			
Share capital	18	517,291	517,291
Investments available-for-sale revaluation reserve		(6,244)	(5,389)
Other reserve		170,000	170,000
Retained earnings		1,857,111	1,647,077
<b>Total equity</b>		<b>2,538,158</b>	<b>2,328,979</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,967,908</b>	<b>2,661,544</b>

On behalf of the Management:



**Damitov K. K.**  
President

2 April 2013  
Almaty, Kazakhstan



**Kapanova I.B.**  
Chief Accountant

2 April 2013  
Almaty, Kazakhstan

The notes on pages 9-37 form an integral part of these consolidated financial statements.


# JSC KAZAKHSTAN STOCK EXCHANGE

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012


(in thousands of Kazakhstani Tenge)

	Share capital	Investments available-for-sale revaluation fund reserve	Other reserve	Retained earnings	Total equity
As at 31 December 2010	406,244	(2,060)	170,000	1,515,452	2,089,636
Net loss resulting on revaluation of investments available-for-sale	-	(10,090)	-	-	(10,090)
Impairment transferred to profit or loss	-	6,761	-	-	6,761
Net profit	-	-	-	162,145	162,145
Total comprehensive income	-	(3,329)	-	162,145	158,816
Issue of ordinary share capital	111,047	-	-	-	111,047
Dividends declared	-	-	-	(30,520)	(30,520)
As at 31 December 2011	517,291	(5,389)	170,000	1,647,077	2,328,979
Net loss resulting on revaluation of investments available-for-sale	-	(855)	-	-	(855)
Net profit	-	-	-	210,034	210,034
Total comprehensive income	-	(855)	-	210,034	209,179
As at 31 December 2012	517,291	(6,244)	170,000	1,857,111	2,538,158

On behalf of the Management:

  
Damitov K. K.  
President

2 April 2013  
Almaty, Kazakhstan

  
Kapanova I.B.  
Chief Accountant

2 April 2013  
Almaty, Kazakhstan

The notes on pages 9-37 form an integral part of these consolidated financial statements.



# JSC KAZAKHSTAN STOCK EXCHANGE

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

(in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2012	Year ended 31 December 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before income tax		273,242	209,836
Adjustments for non-cash items:			
Provision for impairment losses		10,285	6,660
Loss from disposal of property and equipment		2,129	9,296
Share of losses/(profits) of associate		1,522	(35)
Net change in fair value of investments available-for-sale		-	(878)
Impairment loss on investments available-for-sale		-	6,761
Net change in accrued interest		(6,330)	4,945
Depreciation and amortization	7	58,350	42,690
Cash inflow from operating activities before changes in operating assets and liabilities		339,198	279,275
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Restricted cash		(71,010)	(194,004)
Due from banks		(198,000)	484,685
Advances paid		10,774	66,066
Other assets		(34,928)	(16,029)
Increase/(decrease) in operating liabilities:			
Payables to trade members on restricted cash		71,010	194,004
Advances received		14,319	3,643
Other liabilities		5,088	(832)
Cash inflow from operating activities before taxation		136,451	816,808
Income tax paid		(25,312)	(42,759)
Net cash inflow from operating activities		111,139	774,049

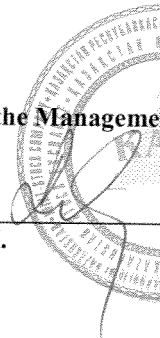
# JSC KAZAKHSTAN STOCK EXCHANGE

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED) *(in thousands of Kazakhstani Tenge)*


	Notes	Year ended 31 December 2012	Year ended 31 December 2011
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property and equipment	15	(49,350)	(1,248,988)
Purchase of intangible assets		(42,212)	(253)
Proceeds on redemption of investments held to maturity		32,922	99,117
Purchase of additional share capital of associate		-	(13,740)
Net cash outflow from investing activities		<u>(58,640)</u>	<u>(1,163,864)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issue of ordinary share capital		-	109,616
Dividends paid on ordinary shares		-	(29,945)
Net cash inflow from financing activities		<u>-</u>	<u>79,671</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		52,499	(310,144)
CASH AND CASH EQUIVALENTS, beginning of period	10	<u>49,257</u>	<u>359,401</u>
CASH AND CASH EQUIVALENTS, end of period	10	<u><u>101,756</u></u>	<u><u>49,257</u></u>

Interest received by the Group during the years ended 31 December 2012 and 2011, amounted to 34,301 thousand and KZT 100,467 thousand, respectively.

On behalf of the Management:

  
Damitov K. K.  
President

2 April 2013  
Almaty, Kazakhstan

  
Kapanova I.B.  
Chief Accountant

2 April 2013  
Almaty, Kazakhstan

The notes on pages 9-37 form an integral part of these consolidated financial statements.

# JSC KAZAKHSTAN STOCK EXCHANGE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

*(in thousands of Kazakhstani Tenge, unless otherwise indicated)*

### 1. ORGANIZATION

JSC Kazakhstan Stock Exchange (“the Company”) was incorporated on 17 November 1993 as a Closed Joint Stock Company. The license of government registration #3980 was issued on 30 December 1993 by Alatau district administration as pre-existing at the National Bank of the Republic of Kazakhstan Center of the interbank foreign exchange transactions (Currency Exchange).

Currently the Company conducts its business under a government license on re-registration #54214-1910-AO dated 7 January 2004 issued by department of Justice of Almaty.

The Company is regulated by the Committee for the Control and Supervision of the Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan (“the FMSC” – previously known as Agency for Regulation and Supervision of Financial Market and Financial Organizations of the Republic of Kazakhstan) and conducts its business under the license for carrying out activities on organization of trade in securities and other financial instruments #4.2.3/1 dated 19 July 2012. The Company also has a license for carrying out transactions, stipulated by the banking legislation of the Republic of Kazakhstan, with national and foreign currencies #5.3.3 dated 29 June 2012.

The registered address of the Company is 280, Bayzakov Str., MFC Almaty Towers, North tower, 8th floor, Almaty 050040, Republic of Kazakhstan.

The Company’s and its subsidiaries’ (collectively – “the Group”) primary business includes providing financial services including organizational support and maintenance of the trade in securities and other financial instruments through direct trading using the Company’s trade systems.

As at 31 December 2012 and 2011, the Company was owned by the following shareholders, which own more than 5% of the issued shares of the Company:

	31 December 2012, %	31 December 2011, %
<b>Shareholders</b>		
LLP Centras Invest	16.79	-
National Bank of the Republic of Kazakhstan	13.75	-
JSC Bank CenterCredit	6.08	3.06
JSC Kaspi Bank	5.22	5.22
LLP Centras Credit	-	16.79
JSC Regional Financial Center of Almaty	-	13.75
Others (individually own less than 5%)	58.16	61.18
<b>Total</b>	<u>100.00</u>	<u>100.00</u>

In accordance with the changes in legislation dated 26 November 2012 the National Bank of the Republic of Kazakhstan using its preemptive right plans to increase the share of ownership of the Company to more than fifty percent of the total number of voting shares. The Company is obliged to ensure that the structure of shareholders comply with this Law within six months from the date of the enactment.

The Company is a parent company of the Group which consists of the enterprises consolidated in the financial statements. As at 31 December 2012 and 2011, the proportion of ownership interest/voting rights and investment in share capital are as follows:

Name	Country of operation	Proportion of ownership interest/voting rights (%)	Investment in share capital (thousand KZT)	Type of operation
LLP Information agency on financial markets IRBIS	Kazakhstan	100	8,930	Information services
LLP eTrade.kz	Kazakhstan	100	12,852	Information technologies

### Associates

The associate LLP RTRS carries out the function of trade reserve and settlement center of the Company. It is classified as investments in associate and accounted for under the equity method.

Name	Country of operation	Proportion of ownership interest/voting rights (%)		Share in net assets (thousand KZT)		Type of operation
		31 December 2012	31 December 2011	31 December 2011	31 December 2011	
LLP RTRS	Kazakhstan	50	50	138,813	140,335	Function of trade reserve and settlement center

The consolidated financial statements were authorised for issue by the Management of the Group on 2 April 2013.

## 2. BASIS OF PRESENTATION

### Accounting basis

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

These consolidated financial statements are presented in thousands of Kazakhstani Tenge (“KZT” or “Tenge”), except for earnings per share amounts and unless otherwise indicated.

### Functional currency

Items included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (“the functional currency”). The reporting currency of the consolidated financial statements is KZT.

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

The Group has adopted the following new or revised standards and interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee (the IFRIC) which became effective for the Group’s annual consolidated financial statement for the year ended 31 December 2012:

- IFRS 7 “Financial Instruments: Disclosures” – amendments enhancing disclosures about transfers of financial assets effective from annual periods beginning on or after 1 January 2013. The amendments increase the disclosure requirements for transactions involving the transfer of

financial assets in order to provide greater transparency around risk exposures when financial assets are transferred. An application of the amendments to IFRS 7 did not have an effect on the Group's consolidated financial statements as the information required was disclosed by the Group before the adoption of the amendments.

- IAS 12 "Income Taxes" – limited scope amendment (recovery of underlying assets); effective for annual periods beginning on or after 1 January 2012. The Group has applied the amendments to IAS 12 in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 "Investment Property" are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes unless the presumption is rebutted. An application of the amendments to IAS 12 did not have an effect on the Group's consolidated financial statements.

The adoption of the new or revised standards did not have any effect on the financial position or performance of the Group.

### **New and revised IFRSs in issue but not yet effective**

At the date of authorization of this financial information, the following new standards and interpretations were in issue, but not yet effective, and which the Group has not early adopted:

- IFRS 9 "Financial Instruments"<sup>3</sup>;
- IFRS 11 "Joint Arrangements"<sup>2</sup>;
- IFRS 12 "Disclosure of Interest in Other Entities"<sup>2</sup>;
- IFRS 13 "Fair Value Measurement"<sup>1</sup>;
- Amendments to IFRS 7 "Financial Instruments: Disclosures" – amendments enhancing disclosures about offsetting financial assets and financial liabilities<sup>1</sup>;
- Amendments to IFRS 9 "Financial Instruments and IFRS 7 Financial Instruments: Disclosures" – "Mandatory Effective Date of IFRS 9 and Transition Disclosures"<sup>3</sup>;
- IAS 19 "Employee Benefits" — improvements to the accounting for post-employment benefits<sup>1</sup>;
- IAS 28 - reissued as IAS 28 "Investments in Associates and Joint Ventures" (as amended in May 2011)<sup>2</sup>;
- Amendments to IAS 32 "Financial Instruments: Presentation" – amendments which provide clarifications on the application of the offsetting rules and disclosure requirements<sup>4</sup>.
- Amendments to IFRSs – *Annual Improvements to IFRSs 2009-2011 cycle*.

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

<sup>2</sup> Each of the five standards becomes effective for annual periods beginning on or after 1 January 2013, with earlier application permitted if all the other standards in the 'package of five' are also early applied (except for IFRS 12 that can be applied earlier on its own).

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2014. The new offsetting disclosure requirements are effective for annual periods beginning on or after 1 January 2013.

### **IFRS 9 Financial Instruments**

Was issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as

at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

The Group Management anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of the new Standard will have a significant impact on amounts reported in respect of the Group' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

### **IFRS 11 Joint Arrangements**

Replaces IAS 31 with new accounting requirements for joint arrangements by classifying them as either joint operations or joint ventures (the 'jointly controlled assets' classification exists no more).

- In recognising their rights and obligations arising from the arrangement, the parties should no longer focus on the legal structure of the joint arrangement, but rather on how rights and obligations are shared by them.
- A joint operation gives parties to the arrangement direct rights to the assets and obligations for the liabilities. Thus, a joint operator recognises its interest based on its involvement in the joint operation (i.e. based on its direct rights and obligations) rather than on the participation interest it has in the joint arrangement. A party to a 'joint operation' recognises assets, liabilities, revenues and expenses arising from the arrangement.
- A joint venture gives the parties rights to the net assets or outcome (profit or loss) of the arrangement. Joint ventures are accounted for using the equity method in accordance with IAS 28 "Investments in Associates". Entities can no longer account for an interest in a joint venture using the proportionate consolidation method. A party to a 'joint venture' recognises an investment.

### **IFRS 12 Disclosure of Interests in Other Entities**

Requires enhanced disclosures about both consolidated and unconsolidated entities in which an entity has involvement, so that financial statement users are able to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Thus, IFRS 12 sets out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11 and replaces the disclosure requirements currently found in IAS 27 and IAS 28.

### **IFRS 13 Fair Value Measurement**

Aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements to use across IFRSs. The Standard:

- defines fair value;
- sets out in a single IFRS a framework for measuring fair value;
- requires disclosures about fair value measurements.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for share-based payment transactions within the scope of IFRS 2 "Share-based Payment", leasing transactions within the scope of IAS 17 "Leases",

and measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 “Inventories” or value in use in IAS 36 “Impairment of Assets”.

The Group’s Management anticipates that the application of the new Standard may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

### **Amendments to IAS 19 Employee Benefits**

Introduce significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to the disclosures for all employee benefits. The amended standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) re-measurements in other comprehensive income.

The amendments to IAS 19 Employee Benefits require retrospective application. The Group’s Management does not anticipate that the revision of IAS 19 Employee Benefits will have a significant effect on the Group’s consolidated financial statements as the Group has no defined benefit plans.

### **IAS 28 (2011) Investments in Associates and Joint Ventures**

Now includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

### **Amendments to IAS 32 Financial Instruments: Presentation**

Provide clarifications on the application of the offsetting rules, and focus on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- the application of simultaneous realisation and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

The respective amendments to the disclosure requirements in IFRS 7 “Financial Instruments: Disclosure” require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. These disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the Group's financial position.

The Group’s Management anticipates that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regards to offsetting financial assets and financial liabilities in the future.

### **Amendments to IAS 1 Presentation of Items of Other Comprehensive Income**

The Group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income in advance of the effective date (annual periods beginning on or after July 1, 2012). The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1 Presentation of Items of Other Comprehensive Income, the ‘statement of comprehensive income’ is renamed the ‘statement of profit or loss and other comprehensive income’ and the ‘income statement’ is renamed the ‘statement of profit or loss’. The amendments to IAS 1 Presentation of Items of Other Comprehensive Income retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to

profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

### **Annual Improvements to IFRSs 2009-2011 Cycle issued in May 2012**

The Annual Improvements to IFRSs 2009-2011 Cycle include a number of amendments to various IFRSs. The following list does not represent the complete list of amendments and reflects only amendments that are relevant to the Group's operations:

#### **Amendments to IAS 32 Financial Instruments: Presentation**

The amendments to IAS 32 Financial Instruments: Presentation clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. The Group's Management anticipates that the amendments to IAS 32 Financial Instruments: Presentation will have no effect on the Group's financial statements as the Group has already adopted this treatment.

#### **Amendments to IAS 1 Presentation of Financial statements**

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period

#### **Amendments to IAS 34 Interim Financial Reporting**

The amendments to IAS 34 Interim Financial Reporting clarify requirements for segment information disclosures. The total assets and total liabilities for a particular reportable segment would be separately disclosed in interim financial reporting only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Financial statements of subsidiaries are consolidated with the financial statements of the Company from the effective date of acquisition (the date at which implementation of effective control from the Company begins) and up to the effective date of disposal (the date at which implementation of effective control from the Company ends). Total comprehensive income of subsidiaries is attributed to the owners of the Company.

The financial statements of the Company's subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

All intra Group transactions, balances, income and expenses are eliminated in full on consolidation.

#### **Recognition of fee and commission income**

Fee and commission income is recognized when services are provided. Membership and listing fees are recognized based on the decision on acceptance of the organization as a member of the Company and inclusion of securities in the official listing of the Company. Monthly membership fees are recognized constantly on a monthly basis whilst the organization is a member of the Company.



Commission income on annual listing fees are recognized during the twelve month period to which they are related.

### **Recognition of interest income**

Interest income is recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

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

Interest income includes interest on investments of securities, interest on deposits and on cash balances accrued using the effective interest method.

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

### **Financial instruments**

The Group recognizes financial assets and liabilities in its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

### **Financial assets**

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are classified into the following specified categories: 'investments held to maturity' ("HTM"), investments available-for-sale ("AFS") and 'receivables'.

### **Investments held to maturity**

Investments held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity.

Investments held to maturity are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method less any impairment.

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

### **Investments available-for-sale**

Investments are classified as investments available-for-sale, if it is held for an indefinite period of time and is realized when favorable market conditions are met, or liquidation requirements to be met on investments.

Investments available-for-sale are stated at fair value, gains and losses arising from changes in fair value are accumulated in the investments revaluation reserve of the Group. Where the investment is disposed of the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to comprehensive income. Interest on corporate debt securities classified as AFS calculated using the effective interest method, which is recognised in the consolidated statement of comprehensive income as interest income.

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

### **Accounts receivables**

Accounts receivable are stated at their nominal value, reduced by any allowances for impairment losses.

### **Impairment of financial assets**

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an

allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of comprehensive income.

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

If an AFS asset is impaired, a consolidated amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statement of comprehensive income is transferred from other comprehensive income to the consolidated statement of comprehensive income.

In respect of AFS equity securities, impairment losses previously recognized in the consolidated statement of comprehensive income are not reversed through the consolidated statement of comprehensive income. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments available-for-sale revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

#### **Derecognition of financial assets**

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

- rights to receive cash flows from the asset has expired;
- the Group has transferred substantially all the risks and rewards of the asset,
- the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

After a transfer, the Group reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the consolidated statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Group retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

Any gains or losses arising from derecognition of financial assets are recognized in the Group's consolidated statements of comprehensive income as other income/(loss) from operating activities.

#### **Financial liabilities**

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

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest rate method.

#### **Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and

the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated statement of comprehensive income.

### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent accounts in the Republic of Kazakhstan and abroad with original maturities within three months.

### **Amounts due from banks**

In the normal course of business, the Group maintains current accounts or deposits for period of not more than one year with the banks. Amounts due from banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Amounts due from banks are carried net of any allowance for impairment.

### **Property and equipment**

Property and equipment are initially recognized at cost (initial cost), which includes direct costs and non-refundable taxes, which are directly related to the acquisition of fixed assets. Further, property and equipment are recorded at historical cost less accumulated depreciation and recognized impairment losses if any.

The Group capitalizes costs incurred for the modernization and repairs of property and equipment units that extend the useful life of the unit or increase the future economic benefits from its use. The cost of repairs and maintenance of fixed assets that do not meet this criterion of capitalization are reflected in the Group's consolidated statement of comprehensive income in the period in which they are incurred.

Depreciation is included in the consolidated statement of comprehensive income of the Group as operating expenses during the periods of assessed useful life using a linear method of depreciation. If the components of any units of property and equipment have different useful lives, they are treated as separate units and equipment.

The Group estimates the following useful lives of property and equipment:

	<b>Years</b>
Buildings	100.0
Machinery and equipment	8.0-10.0
Vehicles	10.0
Other	8.0-16.7

The carrying amounts of property and equipment, useful life and method of amortization are reviewed at each reporting date.

### **Provisions**

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

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

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

### **Foreign currencies**

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

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

	<b>31 December 2012</b>	<b>31 December 2011</b>
KZT/1 USD	150.74	148.40
KZT/1 EUR	199.22	191.72
KZT/1 RUR	4.96	4.61
KZT/1 GBP	243.72	228.80

### **Share capital**

Share capital is recognized at historical cost.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10 “Events after the Balance Sheet Date” and disclosed accordingly.

### **Equity reserves**

The reserves recorded in equity on the Group’s consolidated statement of financial position include:

- “Available-for-sale” reserve which comprises changes in fair value of investments AFS;
- “Other reserve” which is formed for covering the possible default of spot market members.

In 2010 the Stock Exchange Council decided to create a reserve fund amounting to KZT 170,000 thousand in order to cover the risk of an insolvent participant in the market of derivative contracts. The reserve fund comprise of KZT 70,000 thousand reserve fund for trading with currency futures contracts, and KZT 100,000 thousand reserve fund for trading with KASE index futures contracts. The reserve fund was recognized in December 2010, as the trading for these contracts was opened. As the market stayed inactive as at reporting date, there were no changes in the level of the reserve fund. The reserve fund was created as an appropriation of retained earnings.

### **Investments in associates**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted

thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

### **Taxation**

Income tax expense comprises of current income tax expense and deferred taxes, and it is recognized in the Group's consolidated statement of comprehensive income. Deferred tax is charged or credited to the consolidated statement of comprehensive income, except when it relates to items charged or credited directly to other comprehensive income or equity.

The amount of current income tax expense is the expected amount of the tax to be paid for the period, which is estimated based on the current legislation of Kazakhstan as of reporting date taking into account all the adjustments on the tax in arrears of previous years.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

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

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

Deferred tax assets and deferred tax liabilities are offset and reported net in the consolidated statement of financial position if:

- the Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

## **Critical accounting judgments and key sources of estimation uncertainty**

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

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

### *Critical judgments in applying accounting policies*

The following are the critical judgments, apart from those involving estimations (see below), that the Management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

### *Key sources of estimation uncertainty*

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

### *Impairment of accounts receivables*

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

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

As at 31 December 2012 and 2011, gross accounts receivables amounted to KZT 74,349 thousand and KZT 56,994 thousand, respectively, and allowance for impairment losses amounted to KZT 6,862 thousand and KZT 19,121 thousand, respectively.

### *Taxation*

Kazakhstani tax, currency and customs legislations are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and state authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years proceeding the year of review.

As at 31 December 2012 and 2011, Management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

Significant additional actual taxes, penalties and interest may be assessed following any challenges by the relevant authorities, which could have a material impact on the Group's reported net profit.

### *Litigations*

In accordance with IFRS the Group recognizes the need to create provisions only if the current liabilities that have arisen as a result of past events that can be reasonably estimated. A contingent liability that does not match the specified criteria may be disclosed in the notes to financial statements. The application of this principle in relation to litigations requires the Group to decide on the various operational and legal issues outside the scope of its control. In the event of litigation the Group will constantly review pending litigations, as well as at each reporting date in order to assess the need for the recognition of provisions. The following factors are taken into account by the Group in making decisions about the creation of provisions: the nature of action, claim or penalty, the sum of the potential damage that may be incurred by the Group as a result of its unfavorable outcome, stage of trial (including the date of performing financial statements, but before its issue); opinion of legal advisers, the previous experience of such proceedings, any decision of the Management of the Group as to how to respond to the lawsuit, claim or fine. As of date of the issue of these consolidated financial statements the Group was not involved in any litigation.



#### 4. FEE AND COMMISSION INCOME

	Year ended 31 December 2012	Year ended 31 December 2011
<b>Fee and commission income:</b>		
Listing fees	391,719	316,725
Membership fees	276,152	271,291
Commission fees	253,412	252,574
Income from information services	145,005	146,355
Income from remote access services	18,318	22,978
Clearing fee	15	-
Total fee and commission income	<u>1,084,621</u>	<u>1,009,923</u>

#### 5. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER OPERATIONS

The movements in allowance for impairment losses on interest bearing assets and other provisions were as follows:

	Investments held to maturity	Other assets	Total
As at 31 December 2010	35,967	18,011	53,978
Additional provisions recognized	-	6,660	6,660
Write-off of assets	-	(5,550)	(5,550)
As at 31 December 2011	<u>35,967</u>	<u>19,121</u>	<u>55,088</u>
Additional provisions recognized	3,891	6,394	10,285
Write-off of assets	-	(18,653)	(18,653)
As at 31 December 2012	<u>39,858</u>	<u>6,862</u>	<u>46,720</u>

#### 6. INTEREST INCOME

	Year ended 31 December 2012	Year ended 31 December 2011
<b>Interest income comprises:</b>		
Interest income on financial assets recorded at amortized cost:		
- interest income on unimpaired financial assets	38,590	95,522
- interest income on impaired financial assets	2,041	-
Total interest income	<u>40,631</u>	<u>95,522</u>
Interest income on financial assets recorded at amortized cost comprises:		
Interest on cash and cash equivalents	371	3,487
Interest on due from banks	30,423	78,921
Interest on investments held to maturity	9,837	13,114
Total interest income on financial assets recorded at amortized cost	<u>40,631</u>	<u>95,522</u>

## 7. OPERATING EXPENSES

	Year ended 31 December 2012	Year ended 31 December 2011
Staff costs	566,704	555,013
Depreciation and amortization	58,350	42,690
Social tax	55,407	54,942
Property and equipment maintenance	33,550	3,983
Taxes, other than income tax	29,713	17,824
Operating leases	29,711	111,799
Communication and SWIFT maintenance	25,636	22,644
Professional services	11,666	9,462
Bank services	7,693	7,203
Business trip expenses	7,208	13,106
Information services	5,973	6,566
Membership fees	2,553	3,143
Insurance payments	1,790	1,328
Training	1,674	1,552
Business development expenses	1,633	15,409
Mail and courier expenses	588	721
Other expenses	33,884	36,839
Total operating expenses	<u>873,733</u>	<u>904,224</u>

## 8. INCOME TAXES

The Group calculates its corporate income tax return for the current period based on tax bases in accordance with the tax regulations of the Republic of Kazakhstan, which may differ from IFRS.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2012 and 2011, relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by corporate entities in the Republic of Kazakhstan on taxable profits (as defined) under tax law in that jurisdiction.

Tax effect of temporary differences as at 31 December 2012 and 2011 comprise:

	31 December 2012	31 December 2011
<b>Tax effect of deductible temporary differences:</b>		
Unused vacation reserve	2,531	1,735
Property and equipment, accrued depreciation	-	399
Deferred income tax asset	<u>2,531</u>	<u>2,134</u>
<b>Tax effect of taxable temporary differences:</b>		
Property and equipment, accrued depreciation	(26,536)	(20,951)
Unused vacation reserve	-	(458)
Deferred income tax liability	<u>(26,536)</u>	<u>(21,409)</u>
Net deferred income tax assets	<u>-</u>	<u>142</u>
Net deferred income tax liabilities	<u>(24,005)</u>	<u>(19,417)</u>

The effective tax rate reconciliation is as follows for the years ended 31 December 2012 and 2011:

	<b>Year ended 31 December 2012</b>	<b>Year ended 31 December 2011</b>
Profit before income tax	273,242	209,836
Statutory tax rate	20%	20%
Tax at the statutory tax rate	54,648	41,967
Tax-exempt interest income and other related income on state and other qualifying securities	(1,986)	(2,444)
Tax-exempt on recovery of provision	(88)	(79)
Tax-exempt on share of associate	-	(7)
Non-deductible expenditure:		
-general and administrative expenses	3,473	4,110
-membership fee	464	594
-provision on impairment of securities	829	1,352
-provision on impairment of other assets	3,858	1,411
-share of loss of associate	304	-
-other	1,706	787
Total permanent income tax differences	8,560	5,724
Income tax expense	63,208	47,691
	<b>2012</b>	<b>2011</b>
Current tax charge	58,478	42,245
Deferred tax expense	4,730	5,446
Income tax expense	63,208	47,691
Movement in net deferred income tax liabilities:		
	<b>2012</b>	<b>2011</b>
Net deferred income tax liabilities at the beginning of the period	19,275	13,829
Deferred tax expense	4,730	5,446
Net deferred income tax liabilities at the end of the period	24,005	19,275

## 9. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in calculation of basic earnings per share are as follows:

	<b>Year ended 31 December 2012</b>	<b>Year ended 31 December 2011</b>
Net profit for the year attributable to owners of the Group	210,034	162,145
Weighted average number of ordinary shares for the purpose of basic earnings per share	544,999	540,591
Earnings per share – basic (KZT)	385.38	299.94
Total basic and diluted earnings per share (KZT)	385.38	299.94

## 10. CASH AND CASH EQUIVALENTS

	31 December 2012	31 December 2011
Cash on hand	364	725
Correspondent and current accounts with other banks	<u>101,392</u>	<u>48,532</u>
Total cash and cash equivalents	<u>101,756</u>	<u>49,257</u>

## 11. DUE FROM BANKS

	31 December 2012			31 December 2011		
	%	Maturity	Amount	%	Maturity	Amount
<b>Time deposits</b>						
JSC ATF Bank	3.70-5.25	Oct-13	558,972	4.00-5.74	Feb-12	516,842
JSC Bank CenterCredit	5.00	Jan-13	209,507	-	-	-
JSC Kazkommertsbank	4.20	Jan-13	20,305	4.50-5.50	Aug-12	66,481
Total due from banks			<u>788,784</u>			<u>583,323</u>

As at 31 December 2012 and 2011, due from banks included accrued interest of KZT 25,784 thousand and KZT 18,323 thousand, respectively.

## 12. INVESTMENTS AVAILABLE-FOR-SALE

	31 December 2012		31 December 2011	
	Ownership interest %	Amount	Ownership interest %	Amount
<b>Equity securities</b>				
JSC Central securities depository	34.69	18,800	38.70	18,800
CJSC Kyrgyz stock exchange	11.00	2,253	11.00	2,253
JSC BTA Bank	0.14	<u>224</u>	0.14	<u>569</u>
Total investments available-for-sale		<u>21,277</u>		<u>21,622</u>

The equity investment in JSC Central securities depository and CJSC Kyrgyz stock exchange are held at cost due to the lack of an active market or similar financial instruments. Management reviews the investment for impairment on a regular basis. During 2011, the Group recognized an impairment loss of KZT 6,761 thousand on CJSC Kyrgyz stock exchange.

### 13. INVESTMENTS HELD TO MATURITY

	31 December 2012 Amount	31 December 2011 Amount
Corporate bonds	111,107	141,269
Less: allowance for impairment losses (Note 5)	111,107 (39,858)	141,269 (35,967)
Total investments held to maturity	<u>71,249</u>	<u>105,302</u>

Movements in the allowance for impairment losses for the years ended 31 December 2012 and 2011 are disclosed in Note 5.

	31 December 2012		31 December 2011	
	Nominal interest rate %	Amount	Nominal interest rate %	Amount
<b>Debt securities:</b>				
JSC Ornek XXI	i + 2.50	35,967	i + 2.50	35,967
JSC Temirbank	8	25,944	8	25,944
JSC Kazkommertsbank	i + 2.00	24,748	i + 2.00	24,447
JSC ATF Bank	i + 1.00	22,976	i + 1.00	22,496
JSC Mortgage organization Kazakhstan Mortgage Company	i + 1.80	1,472	i + 1.80	1,672
JSC Delta Bank	-	-	i + 2.00	30,743
		111,107		141,269
Less: allowances for impairment		<u>(39,858)</u>		<u>(35,967)</u>
Total investments held to maturity <i>i - inflation rate</i>		<u>71,249</u>		<u>105,302</u>

As at 31 December 2012 and 2011, investments held to maturity included accrued interest of KZT 7,893 thousand and KZT 9,024 thousand, respectively.

### 14. INVESTMENTS IN ASSOCIATE

LLP RTRS was registered as a legal entity on 5 April 2005. The Group was a founder of the organization. This organization was created to carry out the function of trade reserve and settlement center in accordance with the laws of the Republic of Kazakhstan.

On 4 August 2005, the Stock Exchange Council of the Company authorized a 50% participation of JSC Central Securities Depository in the organization by increasing the share capital. Further the Group has classified this investment as investments in associate and accounted under equity method. The Group currently owns 50% of equity.

Legal address of LLP RTRS – 101, Saukele street, Karasayskiy district, Almaty region, the Republic of Kazakhstan.

The reserve center started its operation on 6 June 2011.

	2012	2011
At the beginning of the year	140,335	126,560
Purchase of additional share capital	-	13,740
Share of operating activities of associate	<u>(1,522)</u>	<u>35</u>
At the end of the year	<u>138,813</u>	<u>140,335</u>

As at 31 December 2012 and 2011, the assets, liabilities and net profit of LLP RTRS for the years then ended, comprise:

	31 December 2012	31 December 2011
Total assets	278,346	280,873
Total liabilities	<u>(721)</u>	<u>(203)</u>
Net assets	<u>277,625</u>	<u>280,670</u>
	Year ended 31 December 2012	Year ended 31 December 2011
Total revenue	33,543	19,017
Net (loss)/profit	(3,045)	70

## 15. PROPERTY AND EQUIPMENT

	Buildings	Land	Machinery and equipment	Vehicles	Other	Total
<b>At initial cost</b>						
31 December 2010	-	-	199,674	59,451	74,828	333,953
Additions	1,131,160	1,628	82,891	-	33,309	1,248,988
Disposals	<u>-</u>	<u>-</u>	<u>(25,912)</u>	<u>-</u>	<u>(9,668)</u>	<u>(35,580)</u>
31 December 2011	1,131,160	1,628	256,653	59,451	98,469	1,547,361
Additions	20,797	-	10,447	7,132	10,974	49,350
Disposals	<u>-</u>	<u>-</u>	<u>(4,597)</u>	<u>(2,791)</u>	<u>(2,708)</u>	<u>(10,096)</u>
31 December 2012	<u>1,151,957</u>	<u>1,628</u>	<u>262,503</u>	<u>63,792</u>	<u>106,735</u>	<u>1,586,615</u>
<b>Accumulated depreciation</b>						
31 December 2010	-	-	77,998	28,930	28,585	135,513
Depreciation charge	-	-	28,918	5,453	8,119	42,490
Eliminated on disposals	<u>-</u>	<u>-</u>	<u>(19,138)</u>	<u>-</u>	<u>(7,146)</u>	<u>(26,284)</u>
31 December 2011	-	-	87,778	34,383	29,558	151,719
Depreciation charge	11,495	-	32,923	5,918	7,655	57,991
Eliminated on disposals	<u>-</u>	<u>-</u>	<u>(3,733)</u>	<u>(2,791)</u>	<u>(1,443)</u>	<u>(7,967)</u>
31 December 2012	<u>11,495</u>	<u>-</u>	<u>116,968</u>	<u>37,510</u>	<u>35,770</u>	<u>201,743</u>
<b>Net book value</b>						
As at 31 December 2012	<u>1,140,462</u>	<u>1,628</u>	<u>145,535</u>	<u>26,282</u>	<u>70,965</u>	<u>1,384,872</u>
As at 31 December 2011	<u>1,131,160</u>	<u>1,628</u>	<u>168,875</u>	<u>25,068</u>	<u>68,911</u>	<u>1,395,642</u>

## 16. OTHER ASSETS

	31 December 2012	31 December 2011
<b>Other financial assets:</b>		
Commission fees receivable	51,448	21,930
Income from information services receivable	12,148	9,025
Fines and penalties receivable	6,918	7,350
Listing fees receivable	2,034	15,231
Membership fees receivable	996	2,891
Income from remote access services	805	567
	<hr/>	<hr/>
	74,349	56,994
Provision on accounts receivable (Note 5)	(6,862)	(19,121)
	<hr/>	<hr/>
	67,487	37,873
<b>Other non-financial assets:</b>		
Tax settlements, other than income tax	9,233	16,654
Inventory	8,205	5,953
Deferred expenses	8,061	4,933
Advances on vacation	74	3,315
Other	15	214
	<hr/>	<hr/>
Total other assets	<u>93,075</u>	<u>68,942</u>

Movements in the allowance for impairment losses on other assets for the years ended 31 December 2012 and 2011 are disclosed in Note 5.

## 17. OTHER LIABILITIES

	31 December 2012	31 December 2011
<b>Other financial liabilities:</b>		
Payables to suppliers	9,307	6,449
Dividends payable	3,764	3,764
	<hr/>	<hr/>
	13,071	10,213
<b>Other non-financial liabilities:</b>		
Unused vacation reserve	15,000	14,942
Tax settlements, other than income tax	10,814	8,769
Other	132	5
	<hr/>	<hr/>
Total other liabilities	<u>39,017</u>	<u>33,929</u>

## 18. SHARE CAPITAL

The Group's share capital comprises of the following number of shares:

	Share capital authorized	Share capital authorized but not issued	Share capital issued
	Number of shares	Number of shares	Number of shares
<b>Ordinary shares</b>			
As at 31 December 2010	5,000,000	4,484,957	515,043
Issue of ordinary shares	<hr/>	(29,956)	29,956
As at 31 December 2011	5,000,000	4,455,001	544,999
Issue of ordinary shares	<hr/>	-	-
As at 31 December 2012	<u>5,000,000</u>	<u>4,455,001</u>	<u>544,999</u>

As at 31 December 2012 and 2011, issued and fully paid, ordinary share capital amounted to KZT 517,291 thousand.

## 19. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

The Group uses the same control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

### *Legal proceedings*

In the normal course of business, claims against the Group can be received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

### *Taxation*

Commercial legislation of the Republic of Kazakhstan, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on Management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to valuation of financial instruments, loss and impairment provisions and market level for deals' pricing. The Management of the Group believes that it has already made all tax payments, and therefore no allowance has been made in the consolidated financial statements. Tax years remain open to review by the tax authorities for five years.

### *Operating environment*

Emerging markets such as the Republic of Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in the Republic of Kazakhstan continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of the Republic of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because the Republic of Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.



## 20. TRANSACTIONS WITH RELATED PARTIES

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	31 December 2012		31 December 2011	
	Related party balances	Total category as per the financial statements caption	Related party balances	Total category as per the financial statements caption
Cash and cash equivalents	530	101,756	1,338	49,257
- other related parties	530		1,338	
Other assets	1,898	93,075	1,967	68,942
- other related parties	1,896		1,853	
- key management personnel of the entity or its parent	2		114	
Other liabilities	1,436	39,017	738	33,929
- other related parties	702		153	
- key management personnel of the entity or its parent	734		585	

The remuneration of directors and other members of key management were as follows:

	Year ended 31 December 2012		Year ended 31 December 2011	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
- short-term employee benefits	85,868	566,704	89,221	555,013
Total	85,868	566,704	89,221	555,013

Included in the the consolidated statement of comprehensive income for the years ended 31 December 2012 and 2011 are the following amounts which were recognized in transactions with related parties:

	Year ended 31 December 2012		Year ended 31 December 2011	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Fee and commission income	39,651	1,084,621	52,268	1,009,923
- other related parties	39,651		52,268	
Operating expenses	(20,182)	(873,733)	(3,106)	(904,224)
- other related parties	(20,182)		(3,106)	

## 21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IFRS 7 “Financial Investments: Disclosure”, IAS 32 “Financial Instruments: Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement” regarding determining the fair or approximate fair value of such instruments.

Carrying amounts of cash and cash equivalents, restricted cash balances, due from banks, accounts receivable, clients funds and accounts payables is approximately equal to their fair value because of the short-term nature of such financial instruments.

Except as detailed below, Management of the Group considers that the fair value of financial assets and liabilities approximates their carrying amount:

	31 December 2012		31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Investments held to maturity	71,249	67,847	105,302	96,809

The estimates of fair value are intended to approximate the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or settlement of liabilities.

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale.

Financial instruments recognized at fair value are broken down for disclosure purposes into a three level fair value hierarchy based on the observability of inputs as follows:

- Quoted prices in an active market (Level 1) – valuations based on quoted prices in active markets that the Group has the ability to access for identical assets or liabilities. Valuation adjustments and block discounts are not applied to these financial instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuations of these products do not entail a significant amount of judgment.
- Valuation techniques using observable inputs (Level 2) – valuations based on inputs for which all significant inputs are observable, either directly or indirectly and valuations based on one or more observable quoted prices for orderly transactions in markets that are not considered active.
- Valuation techniques incorporating information other than observable market data (Level 3) – valuations based on inputs that are unobservable and significant to the overall fair value measurement.

As disclosed in Note 12, as at 31 December 2012 and 2011, the fair value of unquoted equity securities with a carrying amount of KZT 21,277 thousand and KZT 21,622 thousand, respectively, could not be determined and the investments were carried at cost.

The Group does not hold any other financial assets recorded at fair value and as such an IFRS 7 fair value hierarchy is not disclosed.

## 22. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Group's business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to;

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The Group recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives.

The risk management policy, procedures for identifying, evaluating, monitoring and responding to those risks, as well as managing financial and operational risks of the Group are governed by the relevant internal regulations of the Group.

### **Credit Risk**

The Group is exposed to credit risk, i.e. risk of default by correspondent banks, debtors, or other counterparties of the Group in meeting its obligations, which results the Group's financial losses and the risk of default its obligations to trade members.

On 28 May 2012, the Stock Exchange Council approved a Regulation on investing of own funds to minimise credit risk related to the investment portfolio ("the Regulation on investing"). In accordance with the Regulation on investing, the Company shall invest only in government securities and deposits of second tier banks, due to the fact the credit risk for the government securities is considered to be minimal.

Furthermore an Investment Committee consisting of the Management of the Company ("the Investment Committee") approved the list of second tier banks where temporarily available funds of the Company can be placed as deposits for not more than 1 year. According to the approved Regulation on investing, monitoring of the financial condition of second tier banks is carried out on a quarterly basis. As a result of monitoring, a list of second tier banks is regularly reviewed and approved by the Investment Committee of the Company. At the same time the maximum amount of deposit of the Company in each bank should not exceed settled limits amounting to KZT 500 million.

According to the approved Regulation on investing corporate securities purchased before the Regulation on investing of own funds became effective can be realized in accordance with the decision of the Investment Committee. In case a sale of corporate securities would result in losses, the investment decisions have to be approved by the Investment Committee of the Stock Exchange Council. Corporate securities of defaulted issuers are held in Company's investment portfolio until maturity.

As required by the regulatory bodies, every six months the Company also carries out financial analysis of foreign correspondent banks of the Company.

The credit risk of the Company with trade members is minimized due to the execution of payments on trade by the delivery-against-payment principle.

## Maximum exposure to credit risk

The Group's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of balance sheet and off balance sheet financial assets. For financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral.

	Maximum exposure	Offset	Net exposure after offset	Collateral Pledged	Net exposure
<b>31 December 2012</b>					
Cash and cash equivalents	101,756	-	101,756	-	101,756
Restricted cash	295,790	-	295,790	-	295,790
Due from banks	788,784	-	788,784	-	788,784
Investments available-for-sale	21,277	-	21,277	-	21,277
Investments held to maturity	71,249	-	71,249	-	71,249
Other financial assets	67,487	-	67,487	-	67,487
<b>31 December 2011</b>					
Cash and cash equivalents	49,257	-	49,257	-	49,257
Restricted cash	224,780	-	224,780	-	224,780
Due from banks	583,323	-	583,323	-	583,323
Investments available-for-sale	21,622	-	21,622	-	21,622
Investments held to maturity	105,302	-	105,302	-	105,302
Other financial assets	37,873	-	37,873	-	37,873

Financial assets are graded according to various criteria such as credit rating, financial position, overdue analysis and other criteria. Further analysis of financial assets of the Group is presented based on the current credit ratings that have been issued by international rating agencies. The highest possible rating is AAA; investment grade refers to ratings from AAA to BBB, rating lower than BBB are classed as speculative grade.

As at 31 December 2012 and 2011, in compliance with the presented criteria financial assets are classified as standard, except for those assets which are impaired.

The following table details the credit ratings of financial assets held by the Group:

	AAA	AA	A	BBB	<BBB	Not rated	Total
<b>31 December 2012</b>							
Cash and cash equivalents	129	86	2,621	98,556	-	364	101,756
Restricted cash	-	-	-	295,790	-	-	295,790
Due from banks	-	-	-	788,784	-	-	788,784
Investments available-for-sale	-	-	-	-	224	21,053	21,277
Investments held to maturity	-	-	-	22,977	48,272	-	71,249
Other financial assets	-	-	32	5,990	8,526	52,939	67,487
<b>31 December 2011</b>							
Cash and cash equivalents	78	137	380	47,937	-	725	49,257
Restricted cash	-	-	-	224,780	-	-	224,780
Due from banks	-	-	-	583,323	-	-	583,323
Investments available-for-sale	-	-	-	-	568	21,054	21,622
Investments held to maturity	-	-	-	22,496	82,806	-	105,302
Other financial assets	-	-	103	7,345	2,590	27,835	37,873

As at 31 December 2012 and 2011, there were no financial assets past due but not impaired, except for other financial assets in the amount of KZT 8,776 thousand as at 31 December 2011.

## Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet financial commitments associated with financial instruments as they actually fall due.

### *Liquidity risk management*

Liquidity risk can occur in case of mismatching of asset maturities under current operations with maturities of the Group's liabilities. Also the Group is exposed to liquidity risk in case of the default of trade members.

In accordance with the Regulation on investing of own funds the Company invests temporarily available funds in deposits with a maturity of not more than one year. The list of second tier banks where deposits can be placed is reconsidered on a regular basis and approved by the Investment Committee of the Company.

Furthermore, according to the Company's policy, the funds of trade members are not placed in any instruments and are held on correspondent accounts of the Company. Liquidity risk of the trade activities is minimized through payment execution terms for the net requirements of trade members under the delivery-against-payment principle. According to this principle no cash is transferred to a trade member who violated the settlement regulations, and the cash remains on correspondent accounts of the Company. In addition, there are guarantee funds created by the members of the spot market to minimize the risk of the non execution of liabilities under deals on the spot market. The Company created a reserve fund which is calculated using an internal methodology.

The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the contractual maturity date. The presentation below is based upon the information provided internally to key management personnel of the Group.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2012 Total
<b>FINANCIAL ASSETS:</b>							
Cash and cash equivalents	101,756	-	-	-	-	-	101,756
Restricted cash	-	-	-	-	-	295,790	295,790
Due from banks	375,437	171,977	241,370	-	-	-	788,784
Investments available-for-sale	-	-	-	-	-	21,277	21,277
Investments held to maturity	-	1,170	390	48,007	21,682	-	71,249
Other financial assets	61,520	5,497	470	-	-	-	67,487
Total financial assets	<u>538,713</u>	<u>178,644</u>	<u>242,230</u>	<u>48,007</u>	<u>21,682</u>	<u>317,067</u>	<u>1,346,343</u>
<b>FINANCIAL LIABILITIES:</b>							
Payables to trade members on restricted cash	-	-	-	-	-	295,790	295,790
Other financial liabilities	9,307	-	-	-	-	3,764	13,071
Total financial liabilities	<u>9,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>299,554</u>	<u>308,861</u>
Net position	<u>529,406</u>	<u>178,644</u>	<u>242,230</u>	<u>48,007</u>	<u>21,682</u>	<u>17,513</u>	
Accumulated gap	<u>529,406</u>	<u>708,050</u>	<u>950,280</u>	<u>998,287</u>	<u>1,019,969</u>	<u>1,037,482</u>	

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2011 Total
<b>FINANCIAL ASSETS:</b>							
Cash and cash equivalents	49,257	-	-	-	-	-	49,257
Restricted cash	-	-	-	-	-	224,780	224,780
Due from banks	306,872	209,970	66,481	-	-	-	583,323
Investments available-for-sale	-	-	-	-	-	21,622	21,622
Investments held to maturity	-	2,285	30,374	47,135	25,508	-	105,302
Other financial assets	24,666	7,409	5,781	17	-	-	37,873
<b>Total financial assets</b>	<b>380,795</b>	<b>219,664</b>	<b>102,636</b>	<b>47,152</b>	<b>25,508</b>	<b>246,402</b>	<b>1,022,157</b>
<b>FINANCIAL LIABILITIES:</b>							
Payables to trade members on restricted cash	-	-	-	-	-	224,780	224,780
Other financial liabilities	6,449	-	-	-	-	3,764	10,213
<b>Total financial liabilities</b>	<b>6,449</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>228,544</b>	<b>234,993</b>
<b>Net position</b>	<b>374,346</b>	<b>219,664</b>	<b>102,636</b>	<b>47,152</b>	<b>25,508</b>	<b>17,858</b>	
<b>Accumulated gap</b>	<b>374,346</b>	<b>594,010</b>	<b>696,646</b>	<b>743,798</b>	<b>769,306</b>	<b>787,164</b>	

The difference between undiscounted and discounted cash flows on financial liabilities is insignificant due to their short term nature.

### Market Risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed.

### Interest rate risk

Interest rate risk of investment portfolio of the Group is the risk of a change of coupon rates on bonds, which have variable interest rate, indexed to the inflation rate. There is no influence of interest rate on carrying amount of the bond portfolio as all bonds placed in own portfolio of the Group are classified as held-to-maturity.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The impact on profit before tax is the effect of the assumed changes in interest rate on the net interest income for one year, based on the floating rate financial assets and liabilities held as at 31 December 2012 and 2011, and the effect of revaluing instruments with fixed rates accounted at fair value. The impact on equity is the effect of the assumed changes in interest rate due to changes in retained earnings and the effect of revaluing investment available for sale with fixed rates.

Impact on profit before tax based on asset values as at 31 December 2012 and 2011:

	31 December 2012		31 December 2011	
	Interest rate +2%	Interest rate -2%	Interest rate +2%	Interest rate -2%
Profit before tax and equity	2,124	(2,124)	1,619	(1,619)

### Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

In accordance with the Regulation on investing of own funds, the funds can be invested only in government securities and deposits of second tier banks. The list of banks is established by the Investment Committee. It is prohibited to invest in foreign currency instruments, which limits foreign currency risk of the Company.

As at 31 December 2012 and 2011, the majority of financial assets (2012: 99%, 2011: 99%) and financial liabilities (2012: 100%, 2011: 100%) are denominated in KZT, hence the Group is not significantly exposed to changes in foreign currency exchange rate.

#### **Limitations of sensitivity analysis**

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, Management actions could include selling investments, changing investment portfolio allocation and taking other protective action.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty. Such limitation is represented by the assumption that all interest rates move in an identical fashion.

#### **Price risk**

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, where those changes are caused by factors specific to the individual security, its issuer, or factors affecting all securities traded in the market. Since the investment portfolio of the Group is represented by exclusively debt financial instruments classified as held to maturity and investments available-for-sale are represented with unquoted equity financial instruments, the Group is not exposed to price risk.

#### **Operational risk**

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework, systematic inspections of internal audit department and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes. Risk monitoring is performed by the risk management department. In the purpose of decreasing of operational risk arising from system failure the Company has established reserve center.

### **23. SUBSEQUENT EVENTS**

The Management is not aware of any material events subsequent to the reporting date, which need to be disclosed in these consolidated financial statements.