Kazakhstan Stock Exchange JSC

Consolidated financial statements
Year ended 31 December 2014 with independent auditors' report

Kazakhstan Stock Exchange JSC

CONTENTS

Building a better working world

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Independent auditors' report

To the Shareholders of Kazakhstan Stock Exchange JSC

We have audited the accompanying consolidated financial statements of Kazakhstan Stock Exchange JSC and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, consolidated statement of comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows 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 misstatement, 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 about whether the 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 auditor considers 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.

Building a better
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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kazakhstan Stock Exchange JSC and its subsidiary as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Evgeny Zhemaletdinov
Audit Partner/General Director
Ernst and Young LLP

State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

Auditor Qualification Certificate No. 0000553 dated 24 December 2003

27 March 2015

Kazakhstan Stock Exchange JSC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

(In thousands of tenge)

	Notes	Year ended 31 December 2014	2013
Fee and commission income	4	**1,466,850**	1,337,866
Interest income	5	**252,366**	87,516
(Charge)/reversal of provision for impairment of interest-bearing assets	6	**(2,527)**	3,702
Net loss from investment securities available-for-sale		**(14,822)**	–
Net gain from foreign exchange operations		**6,956**	44
Share in loss of an associate	14	**(138)**	(89)
Other income		**19,246**	10,284
OPERATING INCOME		**1,727,931**	1,439,323
OPERATING EXPENSES	7	**(992,019)**	(993,018)
PROFIT BEFORE CORPORATE INCOME TAX		**735,912**	446,305
Corporate income tax expenses	8	**(152,418)**	(93,360)
NET PROFIT		**583,494**	352,945
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive income to be reclassified to profit or loss in the current or subsequent periods:			
net realised loss from revaluation of investments available-for-sale		**5,403**	–
net unrealised gain/(loss) from revaluation of investment securities available-for-sale		**(39,219)**	854
OTHER COMPREHENSIVE (LOSS)/INCOME		**(33,816)**	854
TOTAL COMPREHENSIVE INCOME		**549,678**	353,799
EARNINGS PER SHARE			
Basic and diluted (tenge)	9	**619.41**	465.15

On behalf of the Management:

Sabitov I.M.
Acting President

27 March 2015
Almaty, Kazakhstan

Kapanova I.B.
Chief Accountant

27 March 2015
Almaty, Kazakhstan

The accomponying notes on pages 6 to 41 are an integral part of these consolidated financial statements.

Kazakhstan Stock Exchange JSC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

(In thousands of tenge)

	Notes	31 December 2014	31 December 2013
ASSETS			
Cash and cash equivalents	10	**73,176**	55,813
Restricted cash		**223,013**	353,982
Amounts due from banks	11	**3,028,931**	3,029,762
Investment securities available-for-sale	12	**519,100**	21,205
Investment securities held-to-maturity	13	**48,248**	72,231
Investments in associate	14	**138,586**	138,724
Advances paid		**3,593**	3,157
Property and equipment	15	**1,311,396**	1,347,806
Intangible assets	16	**162,351**	112,268
Current corporate income tax prepaid		**17,249**	577
Deferred corporate income tax asset	8	**421**	132
Other assets	17	**105,613**	89,169
Total assets		**5,631,677**	5,224,826
LIABILITIES AND EQUITY			
LIABILITIES			
Payables to trade members on restricted cash		**223,013**	353,982
Advances received		**49,363**	52,094
Current corporate income tax payable		**3,124**	10,452
Deferred corporate income tax liabilities	8	**24,501**	21,567
Other liabilities	18	**41,076**	45,809
Total liabilities		**341,077**	483,904
EQUITY			
Share capital	19	**2,366,256**	2,366,256
Revaluation reserve on investment securities available-for-sale		**(39,206)**	(5,390)
Other reserves		**170,000**	170,000
Retained earnings		**2,793,550**	2,210,056
Total equity		**5,290,600**	4,740,922
TOTAL LIABILITIES AND EQUITY		**5,631,677**	5,224,826

On behalf of the Management:

Sabitov I.M.
Acting President

27 March 2015
Almaty, Kazakhstan

Kapanova I.B.
Chief Accountant

27 March 2015
Almaty, Kazakhstan

The accomponying notes on pages 6 to 41 are an integral part of these consolidated financial statements.

Kazakhstan Stock Exchange JSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

(In thousands of tenge)

	Share capital	Investment securities available-for-sale revaluation reserve	Other reserves	Retained earnings	Total capital
At 31 December 2012	517,291	(6,244)	170,000	1,857,111	2,538,158
Other comprehensive income	–	854	–	–	854
Net profit for the year	–	–	–	352,945	352,945
Total comprehensive income	–	854	–	352,945	353,799
Issue of common shares (Note 19)	1,848,965	–	–	–	1,848,965
As at 31 December 2013	2,366,256	(5,390)	170,000	2,210,056	4,740,922
Other comprehensive loss	–	**(33,816)**	–	–	**(33,816)**
Net profit for the year	–	–	–	**583,494**	**583,494**
Total comprehensive income	–	**(33,816)**	–	**583,494**	**549,678**
As at 31 December 2014	**2,366,256**	**(39,206)**	**170,000**	**2,793,550**	**5,290,600**

On behalf of the Management:

Sabitov I.M.
Acting President

27 March 2015
Almaty, Kazakhstan

Kapanova I.B.
Chief Accountant

27 March 2015
Almaty, Kazakhstan

The accomponying notes on pages 6 to 41 are an integral part of these consolidated financial statements.

Kazakhstan Stock Exchange JSC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

(In thousands of tenge)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		735,912	446,305
Adjustments of non-monetary items:			
(Charge)/reversal of allowance for impairment of interest-bearing assets and other transactions		2,527	(3,702)
Loss on disposal of investment securities held-to-maturity		–	(510)
Share in loss of investment in associate	14	138	89
Dealing loss		10,766	72
(Gain)/loss from disposal of property and equipment		(1,003)	1,883
Loss from impairment of investment securities available-for-sale		–	(648)
Accrued interest income	5	(252,366)	(87,516)
Depreciation and amortisation	7	65,366	62,708
Cash flows from operating activities before changes in operating assets and liabilities		561,340	418,681
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Restricted cash		130,969	(58,192)
Amounts due from banks		156,434	(2,219,710)
Advances paid		(436)	(1,736)
Other assets		(14,060)	16,989
Increase/(decrease) in operating liabilities:			
Payables to trade members on restricted cash		(130,969)	58,192
Advances received		(2,731)	(14,435)
Other liabilities		(4,733)	6,792
Cash inflows/(outflows) from operating activities before taxation		695,814	(1,793,419)
Interest income received		93,645	66,295
Corporate income tax paid		(173,773)	(64,777)
Net cash from/(used in) operating activities		615,686	(1,791,901)

The accomponying notes on pages 6 to 41 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

(In thousands of tenge)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	15	**(26,039)**	(36,225)
Purchase of intangible assets		**(19,042)**	(30,282)
Salaries and other costs, capitalised to intangible assets		**(38,989)**	(36,629)
Proceeds from sale of property and equipment		**1,123**	–
Acquisition of investment securities available-for-sale		**(538,984)**	–
Proceeds from sale of investment securities available-for-sale		**151**	–
Proceeds from maturity of held-to-maturity investment securities		**23,457**	129
Net cash used in investing activities		**(598,323)**	(103,007)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the increase in share capital as a result of sale of common shares	19	**–**	1,848,965
Net cash from financing activities		**–**	1,848,965
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**17,363**	(45,943)
CASH AND CASH EQUIVALENTS, beginning	10	**55,813**	101,756
CASH AND CASH EQUIVALENTS, ending	10	**73,176**	55,813

On behalf of the Management:

Sabitov I.M.
Acting President

27 March 2015
Almaty, Kazakhstan

Kapanova I.B.
Chief Accountant

27 March 2015
Almaty, Kazakhstan

The accomponying notes on pages 6 to 41 are an integral part of these consolidated financial statements.

(In thousands of tenge unless otherwise indicated)

1. ORGANIZATION

Kazakhstan Stock Exchange JSC (the "Company" or "Stock exchange") was established on 17 November 1993.

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

The Company performs its activity at the securities market under licenses:

1. License for carrying out activities on the securities market No. 4.2.3/1 dated 19 July 2014, issued by the Committee for Control and Supervision of Financial Market and Financial Organisations of the National Bank of the Republic of Kazakhstan (the "FMSC"). The license allows the Company to perform the following activities on the securities market:
   - organisational activities in respect of trade in securities and other financial instruments;
   - clearing activities on deals with financial instruments in the securities market.
2. The license for conducting banking activities with national and foreign currencies No. 5.3.3 dated 29 June 2014 issued by FMSC. The license allows to perform the following bank transactions:
   - Opening and maintenance of correspondent accounts of banks and entities performing certain types of bank transactions;
   - Transfer operations: execution of orders of individuals and legal entities in respect of payments and caash transfers;
   - Opening and maintenance of bank accounts for legal entities.

The legal address of the Company is: 8th floorNorth tower, MFC Almaty Towers, Bayzakov Str., Almaty, Republic of Kazakhstan, 050040.

The main activity of the Company and its subsidiaries (the "Group") is to provide financial and information 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 2014 and 2013, the Company was owned by the following shareholders, which own more than 5% of the issued shares of the Company:

	31 December 2014, %	31 December 2013, %
Shareholders		
The National Bank of the Republic of Kazakhstan	50.10	50.10
Other (individually own less than 5%	49.90	49.90
Total	100.00	100.00

In accordance with the Law of the Republic of Kazakhstan "On Securities Market" (the "Law") (subpoint 3) point 2, Article 84), the share of the authorized agency in equity of the trading authority constitutes more than 50% of the voting rights of the trading authority. As at 31 December 2014, the ultimate controlling party of the Company is the National Bank of the Republic of Kazakhstan.

The Company is the parent company of the Group, which consists of the following entities, consolidated for the purposes of these financial statements as at 31 December 2014 and 2013:

Name	Country of operation	Ownership	Contribution to charter capital (KZT thousand)	Type of activities
Information agency on financial markets IRBIS LLP	Kazakhstan	100%	8,930	Information services
eTrade.kz LLP	Kazakhstan	100%	12,852	Information technologies

1. ORGANIZATION (continued)

Associate

The associate RTRS LLP carries out the function of trade reserve and settlement centre of the Group. The investments in the associate are carried under the equity method.

As at 31 December 2014 and 2013, the interest/ownership and contribution to the charter capital of the associate are as follows:

		Ownership		Share in net assets (KZT thousand)		
Name	**Country of operation**	**31 December 2014**	**31 December 2013**	**31 December 2014**	**31 December 2013**	**Type of operations**
RTRS LLP	Kazakhstan	50%	50%	138,586	138,724	Performing functions of trade reserve and settlement centre

2. BASIS OF PREPARATION

Accounting basis

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

The consolidated financial statements are prepared under the historical cost convention except as mentioned in the summary of significant accounting policies. For example, investment securities available-for-sale were measured at fair value.

These consolidated financial statements have been prepared using 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 Kazakhstan tenge ("KZT" or "tenge"), except for earnings per share amounts and unless otherwise indicated.

Functional currency

The functional currency of the consolidated financial statements of the Group is tenge, the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company

Application of new and revised International Financial Reporting Standards

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous reporting year, except for the new and amended IFRS and IFRIC interpretations effective as of 1 January 2014.

New and amended standards and interpretations

The Group applies, for the first time, certain new standards and amendments to existing standards. They include IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 *Consolidated and Separate Financial Statements*, IAS 32 *Offsetting Financial Assets and Financial Liabilities*, IFRIC 21 *Levies*.

2. BASIS OF PREPARATION (continued)

Application of new and revised International Financial Reporting Standards (continued)

New and amended standards and interpretations (continued)

Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)

Amendments provide for an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments did not have an influence on the Group, since the Group does not qualify to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities – amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. The amendments did not have an impact on the Group.

IFRIC 21 Obligatory payments

IFRIC 21 clarifies that an entity must recognise a liability for taxes, levies and other obligatory payments when the activity that triggers payment, according to legislation, occurs. In case of obligatory payment, which is required due to reaching the minimum threshold value, the interpretation clarifies that a liability is not recognised until reaching the established minimum threshold value. IFRIC 21 did not have an impact on the Group's consolidated financial statements as during the previous years the Group followed the recognition principles established by IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, which meet the requirements of IFRIC 21.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments did not affect the Group, since in the current reporting period the Group has not novated its derivatives.

Recoverable Amount Disclosures for Non-Financial Assets – amendments to IAS 36

These amendments eliminate unintended consequences of applying IFRS 13 *Fair Value Measurement* to disclosures required in accordance with IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of information on asset's or cash generating units recoverable amount on which impairment loss was recognized or reimbursed during the reporting period. The amendments did not have any impact on the financial position or performance of the Group.

IAS 1 Presentation of items of other comprehensive income (amendment)

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, revaluation of land and buildings). The amendments affect information presentation in the consolidated financial statements only and does not change the Group's financial position or performance.

The adoption of these standards did not require the restatement of disclosures in the previous financial statements.

New and revised IFRSs issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group plans, if necessary, to adopt these standards when they become effective.

2. BASIS OF PREPARATION (continued)

New and revised IFRSs issued but not yet effective (continued)

IFRS 9 Financial Instruments

In July 2014 IFRS Board published a final version of IFRS 9 *Financial Instruments*, which includes all stages of financial instruments' project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* as well as all previous version of IFRS 9. The standard introduces new requirements to classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. Retrospective application is required but presentation of comparative information is not mandatory. Earlier application of previous versions of IFRS 9 is permitted if the date of initial application is 10 February 2015 or earlier. Application of IFRS 9 will have an impact on classification and measurement of the Group's financial assets and will not have an impact on classification and measurement of its financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 published in May 2014 establishes a new five-step model, which is applied to revenue from contracts with clients. Revenue from lease contracts, insurance contracts and originated with respect to financial instruments and other contractual rights and obligations relating to scope of application of IAS 17 *Lease*, IFRS 4 *Insurance Contracts* and IAS 39 *Financial Instruments: Recognition and Measurement* (or, in case of early application, IFRS 9 *Financial Instruments*) accordingly is not within the scope of application of IFRS 15 and regulated by the respective standards.

According to IFRS 15, revenue is recognized in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual reporting periods beginning on or after 1 January 2016. The standard has no impact on the Group, since the Group is an existing IFRS preparer.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments become effective for annual periods beginning on or after 1 July 2014. It is not expected that these amendments would be relevant to the Group, since none of the entities within the Group does not have defined benefit plans with contributions from employees or third parties.

2. BASIS OF PREPARATION (continued)

New and revised IFRSs issued but not yet effective (continued)

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016. Early application is permitted. These amendments are not expected to have any impact to the Group.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The Group currently considers whether to apply these amendments for preparation of its separate financial statements. [These amendments will not have any impact on the Group's consolidated financial statements.

2. BASIS OF PREPARATION (continued)

New and revised IFRSs issued but not yet effective (continued)

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. The amendments clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary is recognised only to the extent of unrelated investors' interests in that former subsidiary. The amendments are applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Annual IFRS Improvements: 2010-2012 cycle

These improvements are effective from 1 July 2014. These amendments are not expected to have a significant impact on the Group. They include the following amendments:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition;
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

IFRS 3 Business combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

Amendments are applied on a retrospective basis and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IFRS 13 Short-term Receivables and Payables – amendments to IFRS 13

This amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

2. BASIS OF PREPARATION (continued)

New and revised IFRSs issued but not yet effective (continued)

Annual IFRS improvements: 2010-2012 cycle (continued)

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual IFRS improvements: 2011-2013 cycle

These improvements are effective from 1 July 2014. These amendments are not expected to have a significant impact on the Group. They include the following amendments:

IFRS 3 Business combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3;
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

Meaning of effective IFRSs – amendments to IFRS 1

The amendment clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. The standard has no impact on the Group, since the Group is an existing IFRS preparer.

Annual IFRS improvements: 2012-2014 cycle

These improvements are effective on or after 1 January 2016. These amendments are not expected to have a significant impact on the Group. They include the following amendments:

2. BASIS OF PREPARATION (continued)

New and revised IFRSs issued but not yet effective (continued)

Annual IFRS Improvements: 2012-2014 cycle (continued)

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment must be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016. Earlier application is permitted.

IFRS 7 Financial Instruments: Disclosures – servicing contracts

IFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The Board was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs B30 and 42C IFRS 7 in order to assess whether the disclosures are required. The amendment becomes effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

IFRS 7 Financial Instruments: Disclosures – applicability of the offsetting disclosures to interim financial statements

In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment IFRS 7 states that "An entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. However, the interim disclosure standard, IAS 34, does not reflect this requirement. It is not clear whether those disclosures are required in the condensed interim financial statements.

The amendment removes the phrase "and interim periods within those annual periods", clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. The amendment becomes effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

IAS 19 Employee Benefits – regional market issue regarding discount rate

The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment becomes effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete. The amendment becomes effective on a retrospective basis for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (and its subsidiaries). The control is exercised when the Group has the right to determine financial and operating policies of the entity in order to derive benefits from its activities.

The financial statements of the subsidiaries are consolidated with the financial statements of the Group from the date of acquisition of this subsidiary (the date when effective control over these subsidiaries by the Group begins) to the point-of-sale (the date when effective control over these subsidiaries by the Group ends). Total comprehensive income of subsidiaries is attributed to the Group owners.

The financial statements of the Group's subsidiaries are prepared for the same reporting period as the Company using the same accounting policy.

All balances, gains and losses resulting from intra-group transactions are eliminated 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 Exchange and inclusion of securities in the official listing of the Exchange. Monthly membership fees are recognized constantly on a monthly basis whilst the organization is a member of the Exchange. Revenue on annual listing fees is recognized during the twelve month period to which it is 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 discounts estimated future cash payments or receipts to the net carrying amount of the financial asset or financial liability. At that, discount of cash flows is carried out for the period of expected life of the financial asset or financial liability, or a shorter period, where appropriate.

Interest income comprise interest income from investment securities, accrued interest on deposits, and on outstanding balance of cash using the effective interest rate.

If a financial asset or a group of similar financial assets was written off (partly written off) as a result of impairment, interest income is measured using the original effective interest rate, used to discount the future cash flows for the purpose of measuring the impairment loss.

Fair value measurement

The Group measures financial instruments, for example, investment securities available-for-sale at cost approximately equal to their fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 22.

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

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position, when the Group becomes a party to an agreement on a relevant financial instrument.

Financial assets and financial liabilities are initially estimated at fair value. Transaction costs directly related to purchase or issue of financial assets and financial liabilities, increase or decrease the fair value of financial assets or liabilities at initial recognition, respectively.

Financial assets

Classification of financial assets at initial recognition depends on the nature and use of financial assets.

Financial assets are classified into the following categories: investment securities held-to-maturity; investments available-for-sale; and receivable.

Investment securities held-to-maturity

Investment securities held-to-maturity comprise non-derivative listing debt securities with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity.

Investment securities held-to-maturity subsequent to initial recognition at fair value are carried at amortised cost using the effective interest rate less allowance for impairment.

If the Group were to sell or reclassify more than an insignificant amount of investment securities held-to-maturitybefore maturity (other than in certain specific circumstances), the entire category 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 investment securities held-to-maturity is recognised in the consolidated statement of comprehensive income.

Investment securities available-for-sale

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

Investments in equity securities available-for-sale other than quoted on active markets, and fair value of which can not be reliably measured are recognised at cost less impairments losses determined at the end of each reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Investment securities available-for-sale (continued)

Investment securities available-for-sale are stated at cost approximately equal to their fair value, and changes in their fair value are stated directly in other comprehensive income of the Group as provision for revaluation of investments available-for-sale. After realisation of such investments, the amount of provision for revaluation is excluded from other comprehensive income of the Group, and is recognised in the consolidated income statement. Interest on corporate bonds classified as available-for-sale is calculated using the effective interest rate, and is recognised in the consolidated statement of comprehensive income in the item Interest Income.

Trade receivable

Trade receivable are carried at amortised cost using the effective interest rate method. In case trade receivable are short-term, and the effect of discount of the future cash flows is immaterial, trade receivable is carried at cost. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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 asset were reduced.

For listed and unlisted investments classified as available-for-sale, 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
- high probability of bankruptcy or financial re-organisation of a borrower; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivable, 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 trade receivable 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 an 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 and investment securities held-to-maturity, where the carrying amount is reduced through the use of an allowance account. When a receivable or investment securities held-to-maturity are considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

If in a subsequent period the amount of the impairment loss on a financial asset (except for equity securities available-for-sale) decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. At that, the carrying amount of financial assets at the date the impairment is reversed does not exceed what the carrying amount would have been had the impairment not been recognized.

If investment securities available-for-sale are impaired, amount comprising the difference between its cost (net of any principal payment and amortization) and their current fair value, less any impairment loss previously recognized in the consolidated statement of comprehensive income is transferred from the capital to the consolidated statement of comprehensive income.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value of such assets subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investment securities available-for-sale revaluation reserve. In respect of available-for-sale 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 a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the 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, since it 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 derecognised. 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 derecognised. 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 statement of comprehensive income as other income/loss from operating activities.

Financial liabilities

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

Subsequently, other financial liabilities are measured at amortized cost. Interest expense is calculated using the effective interest rate method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Company'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 derecognised and the consideration paid and payable is recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Restricted cash and restricted cash liabilities to the members of the Exchange

In accordance with the internal document of the Group "Rules on clearing activities on deals with financial instruments" (the "Rules"), each clearing participant should maintain certain margin and guarantee fees on Company's correspondents accounts. Moreover, some of the clearing participants leave some amounts of money at the end of the day on correspondent account of the Group for the next day trading. The Group treats such funds as restricted cash recognising the resulted liability in front of market participants.

Amounts due from banks

In the normal course of business, the Group maintains current accounts and deposits for period of not more than two years 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 if any.

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 property and equipment. Further, property and equipment are recorded at historical cost less accumulated depreciation and recognized impairment losses if any.

The Group capitalises 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 property and equipment 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 of property and equipment.

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

	Years
Buildings	100
Machinery and equipment	6-9
Vehicles	9
Other	11

Land and construction in progress are not amortised.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets include computer software and licences.

Intangible assets acquired separately are measured on initial recognition at cost. Cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives comprise other software and licenses amortised during the license validity period and over the useful economic lives of 7 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives comprise internally developed software. Amortisation periods and methods for intangible assets with indefinite useful lives are reviewed at least at each financial year-end.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset only when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale; its intention to complete and its ability to use or sell the asset;
- how the intangible asset will generate future economic benefits;
- The availability of resources to complete the asset
- the ability to measure reliably the expenditure during development;
- the ability to use the intangible asset generated.

The Group regards an intangible asset as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The Group tests intangible assets with indefinite useful lives for impairment by comparing their recoverable amount to the carrying amount.

- (a) annually, and
- (b) whenever there are indications of a possible impairment of the intangible asset.

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.

(In thousands of tenge unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparation of the financial statements of each separate company 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 measured at fair value in a foreign currency are translated using the exchange rates 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.

Below are the exchange rates at the year end which have been used by the Group when preparing the consolidaed financial statements:

	31 December 2014	31 December 2013
KZT/1 USD	**182.35**	153.61
KZT/1 EUR	**221.97**	211.17
KZT/1 RUR	**3.17**	4.69
KZT/1 GBP	**283.34**	253.29

Charter capital

Charter capital is recognized at cost.

Dividends on common 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 in accordance with IAS 10 *Subsequent Events* and are appropriately disclosed.

Equity reserves and funds

The reserves and funds 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 available-for-sale;
- Other funds which are formed for covering the possible default of derivative 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 comprises of KZT 70,000 thousand reserve fund for trading with currency futures contracts, and KZT 100,000 thousand reserve fund for trading with index futures contracts of the Company. As at the reporting date, there were no changes in the level of the reserve fund. The reserve fund is a part of other funds in the statement of changes in equity.

Investment in associates

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

Performance, as well as assets and liabilities of an associate are included in these consolidated financial statements under the equity method. In accordance with the equity method, investments in an associate are initially recognised in the consolidated statement of financial position at cost and subsequently adjusted based on the Group's share in profit or loss and other comprehensive income of an associate.

The requirements of IAS 36 *Impairment of Assets* 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 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 investment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)

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.

If a member entity of the Group deals with an associate, gains and losses arising from transactions with an associate are recognised in the consolidated financial statements of the Group only to the extent of the share in an associate, which is not owned by the Group.

Taxation

Corporate income tax expense comprises of current corporate income tax expense and deferred taxes, and it is recognized in the Group's consolidated income statement, except where the deferred tax is related to the operations directly recorded in other comprehensive income or equity.

The amount of current corporate 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 corporate income tax assets and liabilities are calculated in respect of all temporary differences using the balance sheet liability method. Deferred 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 utilised.

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 profit will be available to allow all or part of the assets to be utilised.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws 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 enforced right to offset current tax assets against current tax liabilities; and
- Deferred tax assets and deferred tax liabilities refer to income tax charged by the same tax body from the same tax payer.

Critical accounting judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of trade receivable

Trade receivable are included in the consolidated statement of financial position within other assets. The Group regularly reviews its receivables to assess impairment. The Group's provisions are established to recognize losses from impairment of receivables. The Group considers accounting estimates related to allowance for impairment of trade 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 are determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes 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 2014 and 2013, gross trade receivable amounted to KZT 72,350 thousand and KZT 64,685 thousand, respectively, and allowance for impairment losses amounted to KZT 5,288 thousand and KZT 2,892 thousand (Note 17), respectively.

Taxation

Kazakhstan's tax, currency and customs legislation and regulations are subject to ongoing changes and varying interpretations. 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. Tax periods remain open to review by tax authorities for five calendar years preceding the year of review.

As of 31 December 2014 and 31 December 2013, Management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Additional taxes, fines and penalties may be assessed following any challenges by the relevant authorities, which could have an impact on the Group's 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 unfavourable 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 Company as to how to respond to the lawsuit, claim or fine. As of the date of the issue of these consolidated financial statements the Group was not involved in any litigation.

(In thousands of tenge unless otherwise indicated)

4. FEE AND COMMISSION INCOME

	2014	2013
Fee and commission income		
Listing fees	588,188	488,534
Commission fees for operations on the Stock exchange	377,143	390,566
Stock exchange membership fees	311,645	289,726
Income from information services	167,130	152,449
Income from remote access services	22,718	16,530
Clearing fee	26	61
Total fee and commission income	1,466,850	1,337,866

5. INTEREST INCOME

	2014	2013
Interest income comprises:		
Interest income on financial assets carried at amortized cost:		
interest income on unimpaired financial assets	250,325	85,475
interest income on impaired financial assets	2,041	2,041
Total interest income	252,366	87,516
Interest income on financial assets carried at amortised cost comprises:		
Interest income on cash and cash equivalents	892	1,154
Interest income on bank deposits	229,720	80,343
Interest income on reverse repurchase agreements with securities	13,238	–
Interest income on held-to-maturity investment securities	4,872	6,019
Interest income on financial assets carried at fair value comprises:		
Interest income on available-for-sale investment securities	3,644	–
Total interest income on financial assets	252,366	87,516

6. ALLOWANCE FOR IMPAIRMENT OF INTEREST-BEARING ASSETS AND OTHER TRANSACTIONS

The movements in allowance for impairment of interest-bearing assets and other allowances is set out below:

	Held-to-maturity investment securities	Other assets	Total
As at 31 December 2012	39,858	6,862	46,720
Reversal of allowance	–	(3,702)	(3,702)
Write-off	–	(268)	(268)
As at 31 December 2013	39,858	2,892	42,750
Allowance charge	–	2,527	2,527
Write-off	–	(131)	(131)
As at 31 December 2014	39,858	5,288	45,146

(In thousands of tenge unless otherwise indicated)

7. OPERATING EXPENSES

	2014	2013
Personnel expenses	650,861	660,208
Depreciation and amortisation	65,366	62,708
Social tax	64,302	60,149
Taxes other than income tax	29,358	28,339
Maintenance of property and equipment	28,616	27,391
Communications and SWIFT maintenance	24,177	25,299
Maintenance and operational lease expenses	21,540	23,928
Business trip expenses	18,815	12,560
Professional services	17,832	8,401
Bank services	8,950	7,600
Membership fee	8,522	3,685
Information services	8,390	9,819
Business development expenses	6,688	8,141
Training of personnel	3,721	1,745
Insurance expense	1,244	1,593
Post and courier services expenses	857	976
Other expenses	33,050	50,476
Total operating expenses	992,019	993,018

8. CORPORATE INCOME TAX

Corporate income tax benefit comprise:

	2014	2013
Current corporate income tax charge	149,773	95,929
Deferred corporate income tax expenses/(benefit)	2,645	(2,569)
Corporate income tax expenses	152,418	93,360

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 tax reflects net tax effect of temporary differences between carrying amount of assets and liabilities for financial statements purposes and the amount to be determined for tax purposes. Temporary differences as at 31 December 2014 and 2013, relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax vs accounting bases' differences for certain assets.

(In thousands of tenge unless otherwise indicated)

8. CORPORATE INCOME TAX (continued)

Tax effect of temporary differences as at 31 December 2014 and 2013, is as follows:

	31 December 2014	31 December 2013
Tax effect of deductible temporary differences		
Unused vacation reserve	4,646	5,531
Property and equipment, depreciation charge	148	156
Deferred tax assets	4,794	5,687
Tax effects of taxable temporary differences		
Property and equipment, depreciation charge	(28,874)	(27,122)
Deferred tax liabilities	(28,874)	(27,122)
Total net deferred tax liabilities	(24,080)	(21,435)

Recorded in the consolidated statement of financial position as follows:

	2014	2013
Deferred tax assets	421	132
Deferred tax liabilities	(24,501)	(21,567)
Net deferred tax liability, ending	(24,080)	(21,435)

Movements of net deferred tax liability:

	2014	2013
Net deferred tax liability, beginning	21,435	24,004
Deferred corporate income tax expenses/(benefit)	2,645	(2,569)
Net deferred tax liability, ending	24,080	21,435

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

(In thousands of tenge unless otherwise indicated)

8. CORPORATE INCOME TAX (continued)

The reconciliation between the corporate income tax expense in the accompanying consolidated financial statements and profit before corporate income tax multiplied by the statutory tax rate for the periods ended 31 December is as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Profit before tax	735,912	446,305
Statutory corporate income tax rate	20%	20%
Taxation at the statutory tax rate	147,182	89,261
Non-taxable interest income and other income on government securities and other securities	(1,653)	(1,204)
Income/(loss) from adjustment of deferred tax	–	(2,280)
Non-deductible expenses		
- General and administrative expenses	1,428	7,142
- Membership fee	1,520	690
- Allowance for impairment of other assets	505	(710)
- Share of the associate losses:	28	18
- Other	3,408	443
Total permanent differences on corporate income tax	5,236	4,099
Corporate income tax expenses	152,418	93,360

9. EARNINGS PER SHARE

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

	Year ended 31 December 2014	Year ended 31 December 2013
Net profit for the year attributable to shareholders of the Group	583,494	352,945
Weighted average number of common shares for basic income per share computation	942,013	758,776
Basic and diluted earnings per share (tenge)	619.41	465.15

10. CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Cash on hand	519	417
Correspondent accounts and current accounts with other banks	72,657	55,396
Total cash and cash equivalents	73,176	55,813

(In thousands of tenge unless otherwise indicated)

11. AMOUNTS DUE FROM BANKS

	31 December 2014			31 December 2013		
	%	Maturity	Amount	%	Maturity	Amount
Term deposits						
Eurasian Bank JSC	5.7-8.50	August 2015	1,129,010	5.0-8.50	August 2015	880,490
SB Sberbank of Russia JSC	8.50	July 2015	1,097,363	8.00	July 2015	1,018,843
Bank CenterCredit JSC	8.0	February 2015	750,784	5.00	February 2014	467,639
Kazinvestbank JSC	7.50	July 2015	26,157	–	–	–
Qazaq Banki JSC	7.50	October 2015	20,108			
Subsidiary bank Alpha Bank JSC	3.0	August 2015	5,509	–	–	–
Halyk Savings Bank of Kazakhstan JSC	–	–	–	4.20-6.0	December 2014	510,051
ATF Bank JSC	–	–	–	5.25	January 2014	132,503
Kazkommertsbank JSC	–	–	–	4.20	September 2014	20,236
Total amounts due from banks			3,028,931			3,029,762

As at 31 December 2014 and 2013, cash with banks comprised accrued interest in the amount of KZT 202,655 thousand and KZT 47,052 thousand, respectively.

12. INVESTMENT SECURITIES AVAILABLE-FOR-SALE

	31 December 2014		31 December 2013	
	Ownership, %	Amount	Ownership, %	Amount
Equity securities				
Central Securities Depository JSC	34.69	18,800	34,69	18,800
Kyrgyz stock exchange CJSC	10.58	2,253	11,00	2,253
BTA Bank JSC	–	–	–	152
Total equity securities		21,053		21,205
Debt securities (Level 1)				
National Company KazMunayGaz JSC	–	498,047	–	–
Total investments available-for-sale		519,00	–	21,205

13. HELD-TO-MATURITY INVESTMENT SECURITIES

	31 December 2014	31 December 2013
Corporate bonds	88,106	112,089
	88,106	112,089
Less – allowance for impairment loss (Note 5)	(39,858)	(39,858)
Total held-to-maturity investment securities	48,248	72,231

(In thousands of tenge unless otherwise indicated)

13. HELD-TO-MATURITY INVESTMENT SECURITIES (continued)

Movements in the allowance for impairment losses for the years ended 31 December 2014 and 2013 are disclosed in Note 5.

	31 December 2014		31 December 2013	
	Nominal interest rate, %	Amount	Nominal interest rate, %	Amount
Debt securities				
Omek XXI JSC	i + 2.50	35,967	i + 2.50	35,967
Temirbank JSC	8	25,945	8	25,945
Kazkommertsbank JSC	i + 2.00	26,194	i + 2.00	25,432
ATF Bank JSC	–	–	i + 1.00	23,450
Mortgage Organization Kazakhstan Mortgage Company JSC	–	–	i + 1.80	1,295
		88,106		112,089
Less allowance for impairment		(39,858)		(39,858)
Total held-to-maturity investment securities		48,248		72,231

i inflation rate.

As at 31 December 2014 and 2013, investments held to maturity included accrued interest of KZT 7,320 thousand and KZT 7,846 thousand, respectively.

14. INVESTMENTS TO ASSOCIATES

Movements of an investment in the associate were as follows:

	2014	2013
At the beginning of the year	138,724	138,813
Share in loss of an associate	(138)	(89)
At the ending of the year	138,586	138,724

The following table illustrates summarised financial information of RTRS LLP:

	31 December 2014	31 December 2013
Cash and cash equivalents	13,825	10,789
Property and equipment	259,688	266,024
Other assets	3,757	1,353
Total assets	277,270	278,166
Other liabilities	98	718
Total liabilities	98	718
Equity	277,172	277,448
Group's share in net assets	50%	50%
Carrying value of the investment in the associate	138,586	138,724

(In thousands of tenge unless otherwise indicated)

14. INVESTMENTS TO ASSOCIATES (continued)

	For 2014	For 2013
Revenue from rendering of the services	36,557	35,539
Finance income	261	–
Administrative expenses	(37,093)	(35,633)
Other	–	(84)
Loss for the year	(275)	(178)
Other comprehensive income	–	–
Total comprehensive loss for the year	(275)	(178)

15. PROPERTY AND EQUIPMENT

	Building	Land	Machinery and equipment	Vehicles	Other	Total
At cost						
31 December 2012	1,151,957	1,628	262,503	63,792	106,735	1,586,615
Additions	44	–	32,940	–	3,241	36,225
Reclassification between property and equipment and intangible assets	–	–	3,028	–	(8,386)	(5,358)
Reclassified to inventory	–	–	(1,437)	–	(7,090)	(8,527)
Internal movement	–	–	1,714	–	(1,714)	–
Offsetting accumulated depreciation and cost of transferred assets	–	–	(4,472)	(4,903)	(8,718)	(18,093)
Disposal	–	–	(1,317)	–	(446)	(1,763)
31 December 2013	1,152,001	1,628	292,959	58,889	83,622	1,589,099
Additions	59	–	9,925	8,338	7,716	26,038
Other reclassifications	–	–	19	(4,929)	–	(4,910)
Offsetting accumulated depreciation and cost of transferred assets	–	–	(1,523)	(16,714)	(36)	(18,273)
Disposal	–	–	(120)	–	–	(120)
31 December 2014	1,152,060	1,628	301,260	45,584	91,302	1,591,834
Accumulated depreciation						
31 December 2012	(11,495)	–	(116,968)	(37,510)	(35,770)	(201,743)
Depreciation charge	(11,520)	–	(33,457)	(6,004)	(6,740)	(57,721)
Reclassification between property and equipment and intangible assets	–	–	–	–	78	78
Internal movement	–	–	957	–	(957)	–
Offsetting accumulated depreciation and cost of transferred assets			4,472	4,903	8,718	18,093
31 December 2013	(23,015)	–	(144,996)	(38,611)	(34,671)	(241,293)
Depreciation charge	(11,520)	–	(35,379)	(5,037)	(5,482)	(57,418)
Reclassified to inventory	–	–	–	–	–	–
Internal movement	–	–	116	–	(116)	–
Offsetting accumulated depreciation and cost of transferred assets	–	–	2,583	15,654	36	18,273
31 December 2014	(34,535)	–	(177,676)	(27,994)	(40,233)	(280,438)
Net book value						
As at 31 December 2014	1,117,525	1,628	123,584	17,590	51,069	1,311,396
As at 31 December 2013	1,128,986	1,628	147,963	20,278	48,951	1,347,806
As at 31 December 2012	1,140,462	1,628	145,535	26,282	70,965	1,384,872

(In thousands of tenge unless otherwise indicated)

16. INTANGIBLE ASSETS

	Internally developed software	Other software and licenses	Total
At cost			
31 December 2012	25,844	24,916	50,760
Additions	–	30,282	30,282
Disposals	–	(120)	(120)
Salaries and other costs, capitalised to intangible assets	36,629	–	36,629
Reclassification between property and equipment and intangible assets	–	5,358	5,358
Offsetting accumulated depreciation and cost of transferred assets	–	(9)	(9)
31 December 2013	62,473	60,427	122,900
Additions	**11**	**19,031**	**19,042**
Salaries and other costs, capitalised to intangible assets	**38,989**	**–**	**38,989**
Internal transfer	**(5,126)**	**5,126**	**–**
31 December 2014	**96,347**	**84,584**	**180,931**
Accumulated depreciation			
31 December 2012	–	(5,576)	(5,576)
Depreciation charge	–	(4,987)	(4,987)
Offsetting accumulated depreciation and cost of transferred assets	–	9	9
Reclassification between property and equipment and intangible assets	–	(78)	(78)
31 December 2013	–	(10,632)	(10,632)
Amortization charge	**–**	**(7,948)**	**(7,948)**
31 December 2014	**–**	**(18,580)**	**(18,580)**
Net book value			
As at 31 December 2014	**96,347**	**66,004**	**162,351**
As at 31 December 2013	62,473	49,795	112,268
As at 31 December 2012	25,844	19,340	45,184

17. OTHER ASSETS

	31 December 2014	31 December 2013
Other financial assets		
Commission fees receivable	**48,298**	44,896
Income from information services receivable	**13,356**	16,678
Listing fees receivable	**5,757**	1,048
Membership fees receivable	**2,618**	246
Fines and penalties receivable	**1,559**	1,627
Income from remote access services receivable	**759**	190
Income for clearing transactions services	**3**	–
	72,350	64,685
Allowance for trade receivable (Note 6)	**(5,288)**	(2,892)
	67,062	61,793

(In thousands of tenge unless otherwise indicated)

17. OTHER ASSETS (continued)

	31 December 2014	31 December 2013
Other non-financial assets		
Inventories	20,406	15,144
Taxes other than corporate income tax	11,205	10,106
Deferred expenses	6,043	2,122
Advances for vacations	889	–
Other	8	4
Total other non-financial assets	38,551	27,376
Total other assets	105,613	89,169

Movements in the allowance for impairment of other assets for the years ended 31 December 2014 and 2013 are disclosed in Note 6.

18. OTHER LIABILITIES

	31 December 2014	31 December 2013
Other financial liabilities		
Payables to suppliers	6,693	1,894
Dividends payable	2,203	2,203
	8,896	4,097
Other non-financial liabilities		
Allowance for unused vacations	28,220	35,230
Taxes other than corporate income tax	3,590	5,059
Other	370	1,423
Total other liabilities	41,076	45,809

19. SHARE CAPITAL

The Company's charter capital comprises the following number of ordinary shares:

	Authorised charter capital, shares	Charter capital, authorised but not issued, shares	Issued charter capital, shares
Ordinary shares			
As at 31 December 2012	5,000,000	4,455,001	544,999
Issuance of ordinary shares	–	(397,014)	397,014
As at 31 December 2013	5,000,000	4,057,987	942,013
Issuance of ordinary shares	–	–	–
As at 31 December 2014	5,000,000	4,057,987	942,013

As at 31 December 2014 and 2013, issued and fully paid charter capital amounted to KZT 2,366,256 thousand.

On 10 June 2013, the Stock exchange placed 397,014 ordinary shares of authorised that were purchased by National Bank of the Republic of Kazakhstan for KZT 1,848,965 thousand.

20. COMMITMENTS AND CONTINGENCIES

Litigations

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 separate financial statements.

Taxation

Due to the presence in Kazakhstan commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice of the tax authorities of making arbitrary judgement of activities of tax payers, if a particular treatment based on Management's judgement of the Group's business activities was to be challenged by the tax authorities, the Group may by assessed additional taxes, penalties and interest.

Such uncertainty may in particular relate to the valuation of financial instruments, allowance for impairment 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 separate 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 course of development of Kazakhstan is heavily influenced by the economic, fiscal and monetary policies of the government, adopted laws and regulations, 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 global market.

(In thousands of tenge unless otherwise indicated)

21. RELATED PARTY TRANSACTIONS

Transactions between the Group and its subsidiaries, which are its related parties, were excluded on consolidation and are not recorded in this note. Details of transactions between the Group and related parties are disclosed below.

	31 December 2014	31 December 2013
Cash and cash equivalents		
- Other related parties	911	10,905
Restricted cash		
- Parent	223,013	353,982
Amounts due from banks		
- Other related parties	20,108	510,051
Investment securities available-for-sale		
- Other related parties	21,054	21,054
Held-to-maturity investment securities		
- Other related parties	22,053	22,053
Other assets		
- Parent	3,472	24,919
- Key management personnel	592	4
- Other related parties	9,208	2,636
Payables to trade members on restricted cash		
- Other related parties	208,411	195,879
Advances received		
- Associates	1,144	–
- Other related parties	2,302	1,795
Other liabilities		
- Associate	1,265	–
- Key management personnel	4,209	19
- Other related parties	36	163

(In thousands of tenge unless otherwise indicated)

21. RELATED PARTY TRANSACTIONS (continued)

Included in the the consolidated statement of comprehensive income for the years ended 31 December 2014 and 2013 are the following amounts which were recognized in transactions with related parties:

	Year ended 31 December 2014	Year ended 31 December 2013
Fee and commission income		
- Parent	100,212	67,878
- Other related parties	203,534	52,500
Interest income		
- Parent	298	–
- Other related parties	25,789	170
Allowance for impairment of interest-bearing assets and other transactions		
- Other related parties	(434)	(148)
Operating expenses		
- Parent	–	(16)
- Associate	(22,060)	(19,503)
- Other related parties	(3,303)	(1,756)
Other income		
- Other related parties	278	6,798

Compensation to 11 members of key management personnel (2013: 8 members of key management personnel) comprises:

	Year ended 31 December 2014	Year ended 31 December 2013
Short-term benefits to key management personnel of the Company	124,876	85,183
Total	124,876	85,183

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value is disclosed in accordance with IFRS 13 *Fair Value Measurement*, IFRS 7 *Financial Instruments: Disclosures* and IAS 39 *Financial Instruments: Recognition and Measurement* in determining fair value or approximate fair value of such instruments.

Carrying amounts of cash and cash equivalents, restricted cash balances, due from banks, trade 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 2014		31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment securities held-to-maturity(Level 1)	48,248	44,592	72,231	68,864

Fair value measurement is intended to approximate the amount for which financial instruments can be exchanged in a current transaction 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 realisable in an immediate sale of the assets or settlement of liabilities.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

Financial instruments at fair value are divided hierarchically by three levels according to availability of market data:

- quoted in an active market (Level 1) – valuations based on quoted prices in active markets for identical assets or liabilities. Further adjustment or general discounting are not applied for such financial instruments. Since revaluation is based on quoted market prices that are easily and constantly available in an active market, these values involve no significant judgement.
- Valuation techniques using market data (Level 2) – measurement mainly based on market data directly or indirectly, and measurement based on one or several observable market prices on regular market transactions that are considered to be inactive.
- Valuation techniques based on information free from market data (Level 3) – measurement is based on data other than market data, and is significant to the fair value measurement.

23. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Group 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 process in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from existing risks 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 Stock exchange are governed by the relevant internal regulations of the Stock exchange.

Risk management structure

The Exchange Council is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Management Board

The Management Board has the responsibility to monitor the overall risk process within the Group.

The Exchange Council

The Exchange Council has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Risk management

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process.

(In thousands of tenge unless otherwise indicated)

23. RISK MANAGEMENT POLICIES (continued)

Investment Committee

Collegial body of the Stock exchange, the composition of which is approved by the Management Board. The main function of the Investing Committee is to make investment decisions on transactions with financial instruments using the assets of the Stock exchange.

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 in the Group's financial losses.

In accordance with the Policy on investing its own assets (the "Policy") approved by the decision of the Exchange Council, temporarily free assets of the Company are divided by two portfolio of own assets, accumulation and savings.

Assets of savings and accumulating portfolio can be placed for deposits with the second tier banks, which have a long-term rating not lower than B- upon the rating system of Standard & Poor's rating agency, or a long-term rating of a similar level of Fitch or Moody's Investors Service international rating agencies, in government securities of the Republic of Kazakhstan, debt securities (including coupon international bonds) that have a rating score not lower than BB- upon the international rating system of Standard & Poor's rating agency, or a rating score of the similar level upon the international rating score of Fitch or Moody's Investors Service agencies, and cash of savings and accumulating portfolio can be used for reverse automatic repurchase transactions with government securities. Additional assets of accumulating portfolio of own assets can be invested in non-government debt securities issued by the National Welfare Fund Samruk-Kazyna JSC.

In accordance with the Policy, corporate securities be realised by the decision of the Investment Committee. In case realisation of these corporate securities results in losses, the Investment Committee will make this decision with the approval of the Exchange Council. Corporate securities of defaulted issuers are held in Group's investment portfolio until maturity.

According to the Policy, risk management department of the Stock exchange monthly carries out the analysis of investment portfolio of own assets of the Stock exchange and the Stock exchange investment portfolios risk exposure and stress testing of investment portfolios.

The credit risk of the Group with trade members is minimised 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.

	31 December 2014	31 December 2013
Cash and cash equivalents excluding for cash on hand	72,657	55,396
Restricted cash	223,013	353,982
Amounts due from banks	3,028,931	3,029,762
Investments in debt securities available-for-sale	498,047	–
Investment securities held-to-maturity	48,248	72,231
Other financial assets	67,062	61,793
Total	3,937,958	3,573,164

(In thousands of tenge unless otherwise indicated)

23. RISK MANAGEMENT POLICIES (continued)

Maximum exposure to credit risk (continued)

Financial assets of the Group 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 2014 and 2013, 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.

31 December 2014	AAA	AA	A	BBB	< BBB	No credit rating	Total
Cash and cash equivalents	-	48	5,744	915	65,950	-	72,657
Restricted cash	-	-	-	223,013	-	-	223,013
Amounts due from banks	-	-	-	1,097,363	1,931,568	-	3,028,931
Investment in debt securities available-for-sale	-	-	-	498,047	-	-	498,047
Investment securities held-to-maturity	-	-	-	-	22,053	26,195	48,248
Other financial assets	-	-	-	61	5,322	61,679	67,062
Total	-	48	5,744	1,819,399	2,024,893	87,874	3,937,958

31 December 2013	AAA	AA	A	BBB	< BBB	No credit rating	Total
Cash and cash equivalents	-	131	448	94	54,723	-	55,396
Restricted cash	-	-	-	353,982	-	-	353,982
Amounts due from banks	-	-	-	1,018,843	2,010,919	-	3,029,762
Held-to-maturity investment securities	-	-	-	22,977	48,272	982	72,231
Other financial assets	-	-	-	30,291	5,041	26,461	61,793
Total	-	131	448	1,426,187	2,118,955	27,443	3,573,164

As at 31 December 2014 and 2013, there were no financial assets, which were overdue, but not impaired.

Liquidity risk

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.

The Group places temporarily available funds with second tier banks deposits with a maturity of not more than two years. 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.

(In thousands of tenge unless otherwise indicated)

23. RISK MANAGEMENT POLICIES (continued)

Liquidity risk (continued)

Liquidity risk management (continued)

In accordance with the policy, temporarily available assets of the Group are divided. Assets of savings and accumulation portfolios can be placed with second tier banks deposits with maturity of up to 2 years. At that, diversification of investment objects representing savings and accumulating portfolios is carried out for the purpose of elimination of risks of loss arising from concentration of financial assets with the same maturity in the saving portfolio of the Group.

Moreover, in accordance with the Company's Policy, amounts due to trade members are not placed with any instruments, but are on correspondent accounts of the Company. Liquidity risk arising from exchange trade is minimised by execution of payments by the Company in return for net requirements of trade members by the delivery-against-payment principle, under which the trade member who breaks the calculation limit are not transferred, but remain on correspondent accounts of the Company. Besides, for the purpose of minimisation of risk of failure to fulfil liabilities on time transactions, the participants of time market formed guarantee funds, and the Company formed a reserve general reserve, the results of which are calculated using internal methodologies.

The following table presents the analysis of financial assets and liabilities measured based on remaining contractual maturities.

The table below is based upon the information provided to key management personnel of the Group.

	Less than 1 months	1-3 months	3 months - 1 year	1 year - 5 years	Over 5 years	Loan maturity is not set	Total
Financial assets							
Cash and cash equivalents	73,176	–	–	–	–	–	73,176
Restricted cash	223,013	–	–	–	–	–	223,013
Amounts due from banks	–	750,784	2,278,147	–	–	–	3,028,931
Investment securities available-for-sale	–	–	–	–	498,047	21,053	519,100
Investment securities held-to-maturity	–	–	26,195	–	22,053	–	48,248
Other financial assets	62,283	4,779	–	–	–	–	67,062
Total financial assets	358,472	755,563	2,304,342	–	520,100	21,053	3,959,530
Financial liabilities							
Payables to trade members on restricted cash	223,013	–	–	–	–	–	223,013
Other financial liabilities	8,896	–	–	–	–	–	8,896
Total financial liabilities	231,909	–	–	–	–	–	231,909
Net position	126,563	755,563	2,304,342	–	520,100	21,053	3,727,621
Aggregate liquidity gap as at 31 December 2014	126,563	882,126	3,186,468	3,186,468	3,706,568	3,727,621	

(In thousands of tenge unless otherwise indicated)

23. RISK MANAGEMENT POLICIES (continued)

Liquidity risk (continued)

Liquidity risk management (continued)

	Less than 1 months	1-3 months	3 months - 1 year	1 year - 5 years	Over 5 years	Loan maturity is not set	Total
Financial assets							
Cash and cash equivalents	55,813	–	–	–	–	–	55,813
Restricted cash	353,982	–	–	–	–	–	353,982
Amounts due from banks	132,503	467,639	904,048	1,525,572	–	–	3,029,762
Investment securities available-for-sale	–	–	–	–	–	21,205	21,205
Investment securities held-to-maturity	–	1,170	390	48,007	21,682	982	72,231
Other financial assets	49,086	5,052	2,806	–	–	4,849	61,793
Total financial assets	591,384	473,861	907,244	1,573,579	21,682	27,036	3,594,786
Financial liabilities							
Payables to trade members on restricted cash	353,982	–	–	–	–	–	353,982
Other financial liabilities	1,894	–	–	–	–	2,203	4,097
Total financial liabilities	355,876	–	–	–	–	2,203	358,079
Net position	235,508	473,861	907,244	1,573,579	21,682	24,833	3,236,707
Aggregate liquidity gap as at 31 December 2013	235,508	709,369	1,616,613	3,190,192	3,211,874	3,236,707	

The difference between undiscounted and discounted 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

In the part of exposure to interest rate risk, investment portfolio of the Group is exposed to changes in coupon income on floating interest rate bonds indexed to inflation rate, and interest rate risk influences the market portfolio of a sub-portfolio of the Group bonds classified as investments available-for-sale.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on reasonably possible changes in the risk variable.

(In thousands of tenge unless otherwise indicated)

23. RISK MANAGEMENT POLICIES (continued)

Interest rate risk (continued)

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 2014 and 2013, 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 revaluating investment available for sale with fixed rates.

Impact on profit before tax based on asset values as at 31 December 2014 and 2013:

	31 December 2014		31 December 2013	
	Interest rate + 2%	Interest rate - 2%	Interest rate + 2%	Interest rate - 2%
Profit before tax and equity	211	(211)	1,527	(1,527)
Effect on equity	(77,838)	77,838	-	-

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's financial position and cash flows are exposed to changes in foreign currency exchange rates.

In accordance with the above investment Procedure, own assets are permitted to be invested only in government debt securities and second tier banks deposits. The list of second tier banks is specified by the Investment Committee. Investment of own funds of the Group in currency assets that consequently significantly restricts the currency risk of the Group is not used.

As at 31 December 2014 and 2013, the majority of financial assets (2014: 87%, 2013: 99%) and all financial liabilities are denominated in KZT, which supposes low currency risk. Hence the Ggroup 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 the results should not be interpolated or extrapolated.

The sensitivity analysis does 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.

23. RISK MANAGEMENT POLICIES (continued)

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. Because the investment portfolio of the Group comprises only debt securities classified as held-to-maturity, and investment securities available-for-sale comprise unquoted equity securities, 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 can 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 rights, 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 centre in associate company RTRS LLP.