

Kazakhstan Stock Exchange JSC

Consolidated financial statements

*For the year ended 31 December 2015
with independent auditors' report*

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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 2015, consolidated statement of comprehensive income, 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.



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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 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

[Handwritten signature]

Evgeny Zhemaletdinov
Auditor/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

25 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For the year ended 31 December 2015***(In thousands of Kazakhstan tenge, except for Earnings per Share, which are in Tenge)*

	Note	Year ended	
		31 December 2015	31 December 2014
Fee and commission income	4	1,651,641	1,466,850
Interest income	5	421,673	252,366
Charge of allowance for impairment on interest bearing assets and other transactions	6	(3,529)	(2,527)
Net losses from investment securities available-for-sale		(77,219)	(14,822)
Net gain from foreign exchange operations	7	536,774	6,956
Share of profit/(loss) of associate	16	1,266	(138)
Other income		16,341	19,246
Operating income		2,546,947	1,727,931
Operating expenses	8	(1,299,676)	(992,019)
Profit before tax		1,247,271	735,912
Corporate income tax expense	9	(268,111)	(152,418)
Net profit		979,160	583,494
Other comprehensive (loss)/income			
<i>Other comprehensive income to be reclassified to profit or loss in the current or subsequent periods</i>			
Net realized loss from sale of investment securities available-for-sale		84,649	5,403
Net unrealised loss resulting from revaluation of investment securities available-for-sale		(45,253)	(39,219)
Other comprehensive income/(loss)		39,396	(33,816)
Total comprehensive income		1,018,556	549,678
Earnings per share			
Basic and diluted (KZT)	10	1,039.43	619.41

On behalf of the Management

Khoroshevskaya N.Y.
Acting Chairman of the Management Board

Kapanova I.B.
Chief accountant

25 March 2016
Almaty, Kazakhstan

The notes on pages 6-38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 31 December 2015***(thousands of tenge)*

	Note	31 December 2015	31 December 2014
Assets			
Cash and cash equivalents	11	63,294	73,176
Restricted cash	12	1,889,081	223,013
Amounts due from banks	13	4,590,794	3,028,931
Investment securities available-for-sale	14	21,053	519,100
Investment securities held-to-maturity	15	22,054	48,248
Investments in associate	16	139,852	138,586
Advances paid		6,097	3,593
Property and equipment	17	1,262,635	1,311,396
Intangible assets	18	185,861	162,351
Current corporate income tax prepaid		67,902	17,249
Deferred corporate tax asset	9	615	421
Other assets	19	82,054	105,613
Total assets		8,331,292	5,631,677
Liability and equity			
Liabilities			
Payables to trade members on restricted cash	12	1,889,101	223,013
Advances received		48,203	49,363
Current corporate income tax liabilities		3,214	3,124
Deferred corporate income tax liabilities	9	24,773	24,501
Other liabilities	20	56,845	41,076
Total liabilities		2,022,136	341,077
Equity			
Share capital	21	2,366,256	2,366,256
Revaluation reserve on investment securities available-for-sale		190	(39,206)
Other reserves		225,000	170,000
Retained earnings		3,717,710	2,793,550
Total capital		6,309,156	5,290,600
Total liabilities and equity		8,331,292	5,631,677

On behalf of the Management



Khoroshevskaya N.Y.
Acting Chairman of the Management Board

Kapanova I.B.
Chief accountant

25 March 2016
Almaty, Kazakhstan

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the year ended 31 December 2015***(thousands of tenge)*

	<i>Share capital</i>	<i>Investments available-for- sale revalua- tion reserve</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Total capital</i>
As at 31 December 2013	2,366,256	(5,390)	170,000	2,210,056	4,740,922
Net profit for the year	-	-	-	583,494	583,494
Other comprehensive loss for the year	-	(33,816)	-	-	(33,816)
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
Net profit for the year	-	-	-	979,160	979,160
Increase in reserves	-	-	55,000	(55,000)	-
Other comprehensive income for the year	-	39,396	-	-	39,396
Total comprehensive income	-	39,396	55,000	924,160	1,018,556
As at 31 December 2015	2,366,256	190	225,000	3,717,710	6,309,156

On behalf of the Management



Khoroshevskaya N.Y.
Acting Chairman of the Management Board

Kapanova I.B.
Chief accountant

25 March 2016
Almaty, Kazakhstan

CONSOLIDATED STATEMENT OF CASH FLOWS**For the year ended 31 December 2015***(thousands of tenge)*

	<i>Note</i>	<i>Year ended 31 December 2015</i>	<i>Year ended 31 December 2014</i>
Cash flows from operating activities			
Profit before tax		1,247,271	735,912
Adjustments of non-monetary items			
Allowance charge for impairment of assets	6	3,529	2,527
Share of (profits)/losses associate	16	(1,266)	138
Loss from dealing		195	10,766
Loss/(gain) on disposal of property and equipment		602	(1,003)
Accrued interest income	5	(421,673)	(252,366)
Depreciation and amortization	8	66,156	65,366
Cash flows from operating activities before changes in operating assets and liabilities		894,814	561,340
Changes in operating assets and liabilities			
<i>(Increase)/decrease in operating assets</i>			
Restricted cash		(1,666,068)	130,969
Amounts due from banks		(1,699,345)	156,434
Advances paid		(2,504)	(436)
Other assets		20,030	(14,060)
<i>Increase/(decrease) in operating liabilities</i>			
Liabilities to members of the Stock Exchange on cash restricted in use		1,666,088	(130,969)
Advances received		(1,160)	(2,731)
Other liabilities		15,769	(4,733)
Cash (used in)/from operating activities before taxes		(772,376)	695,814
Interest income received		563,773	93,645
Corporate income tax paid		(318,596)	(173,773)
Net cash (used in)/from operating activities		(527,199)	615,686

The notes on pages 6-38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	<i>Note</i>	<i>Year ended 31 December 2015</i>	<i>Year ended 31 December 2014</i>
Cash flows from investing activities			
Purchase of property and equipment	17	(7,855)	(26,039)
Purchase of intangible assets		(3,477)	(19,042)
Salaries and other costs, capitalized to intangible assets		(30,252)	(38,989)
Proceeds from sale of property and equipment		77	1,123
Acquisition of investments available-for-sale		-	(538,984)
Proceeds from sale of investment securities available-for-sale		533,247	151
Proceeds from maturity of investments held-to-maturity		25,577	23,457
Net cash from/(used in) investing activities		517,317	(598,323)
Net (decrease)/increase in cash and cash equivalents		(9,882)	17,363
Cash and cash equivalents, beginning of the year	11	73,176	55,813
Cash and cash equivalents, ending of the year	11	63,294	73,176

On behalf of the Management



Khoroshevskaya N.Y.
Acting Chairman of the Management Board

Kapanova I.B.
Chief accountant

25 March 2016
Almaty, Kazakhstan

(In thousands of tenge, unless otherwise indicated)

1. ORGANIZATION

Kazakhstan Stock Exchange Joint Stock Company (hereinafter, the "Company" or "Stock Exchange") was established on 17 November 1993 in accordance with the legislation of the Republic of Kazakhstan.

Currently the Company conducts its business under a certificate on state re-registration of a legal entity No. 54214-1910-AO dated 7 January 2004 issued by department of Justice of Almaty.

The Company carries out its activities in the securities' market based on licenses:

1. The license to carry out activities in the securities market dated 19 July 2012 No. 4.2.3 / 1 issued by the Committee of the National Bank of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (the "FMSC"). The license gives the right to carry out the following activities in the securities market:
 - management of trading in securities and other financial instruments;
 - clearing activities on transactions with financial instruments in securities' market.
2. The license to conduct banking operations in national and foreign currency dated 29 June 2012 No. 5.3.3 issued by the FMSC. The license gives the right to conduct the following banking operations:
 - opening and maintaining correspondent accounts of banks and entities carrying out certain types of banking operations;
 - transfer operations: execution of orders of individuals and legal entities on payments and money transfer;
 - opening and maintaining bank accounts of legal entities.

The Company's registered office is: 050040, Republic of Kazakhstan, Almaty, Baizakov 280, North Tower, a multifunctional complex "Almaty Towers", 8th floor.

The core activities of the Company and its subsidiaries (hereinafter, the "Group") include providing financial and information services including organizational support and maintenance of trading in securities and other financial instruments through direct trading using the Company's trade system.

As at 31 December 2015 and 2014, the Company was owned by the following shareholders, which own more than 5% of the issued ordinary shares of the Company:

	<i>31 December 2015, %</i>	<i>31 December 2014, %</i>
Shareholders		
National Bank of the Republic of Kazakhstan	50.10	50.10
Venture Funds CENTRAS LLP	6.74	-
Kazkommertsbank JSC	6.33	-
Others (individually own less than 5%)	36.83	49.90
Total	100.00	100.00

In accordance with the Law of the Republic of Kazakhstan *On Securities Market* (the Law) (sub-paragraph 3) paragraph 2 Article 84) the share of the authorised body in the capital of an auctioneer is more than fifty percent from the total number of voting shares of an auctioneer. As at 31 December 2015, the ultimate controlling party of the Company is the National Bank of the Republic of Kazakhstan.

The Company is the parent of the Group, which includes the following entities consolidated for the purposes of these financial statements as at 31 December 2015 and 2014:

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

(In thousands of tenge, unless otherwise indicated)

1. ORGANISATION (continued)

Associate

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

As at 31 December 2015 and 2014, the contribution in share capital of associate amounted to 50% of direct participation and there is indirect participation in the share capital of RTRS LLP through the ownership of 34.69% of shares in Central securities depository JSC.

The Group does not consolidate the financial statements of RTRS LLP as the Group has no control. National Bank of the Republic of Kazakhstan (hereinafter – NBRK) has effective control of the RTRS LLP through the ownership of 54.98% of shares of Central securities depository JSC in accordance to the law *On the Securities Market* and through the ownership of 50.1% of shares of the Stock Exchange. The total indirect contribution of NBRK in charter capital of RTRS LLP is 52.54%.

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 Summary of significant accounting policies. For example, investments available-for-sale were measured at fair value.

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

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

Functional currency

The functional currency of the Group’s consolidated financial statements is tenge, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity.

Application of new and revised IFRS

Changes in accounting policy

The adopted accounting policies are consistent with those of the previous financial year, except for the new and revised standards and interpretations effective on 1 January 2015.

New and amended standards and interpretations

The Group applied the following IFRS amendments, which became effective for annual periods on or after 1 January 2015:

Amendments to IAS 19 Defined Benefit Plans: Employee Benefits

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where such contributions are linked to the services, they must be attributed to periods of service by reducing the service cost. 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 them as a reduction in the service cost in the period in which the service is rendered, instead of allocating these contributions to the periods of service. These amendments are not relevant to the Group, since the Group does not have defined benefit plans with contributions from employees or third parties.

(In thousands of tenge, unless otherwise indicated)

2. BASIS OF PREPARATION (continued)

Application of new and revised IFRS (continued)

New and amended standards and interpretations (continued)

Annual improvements 2010-2012 cycle

These improvements are effective from 1 July 2014 and applied by the Bank in these financial statements for the first time. They include the following amendments:

IFRS 2 Share-based Payment

The amendment 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.

These amendments did not impact the accounting policy of the Group.

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). Such an approach is not consistent with the Group's accounting policies and for this reason this amendment has no impact on its accounting policies.

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.

The Group has not applied the aggregation criteria in IFRS 8.12.

IFRS 13 Fair Value Measurement

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. Such an approach is not consistent with the Group's accounting policies and for this reason this amendment has no impact on its accounting policies.

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

The amendments are applied retrospectively and clarify provisions of IAS 16 and IAS 38 stating 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 carrying amount of the asset and its carrying amount. The Group did not record any revaluation adjustments during the current period.

(In thousands of tenge, unless otherwise indicated)

2. BASIS OF PREPARATION (continued)

Application of new and revised IFRS (continued)

New and amended standards and interpretations (continued)

Annual improvements 2010-2012 cycle (continued)

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 entity services. This amendment has no impact on the Group since it does not engage other entities to provide the key management personnel services.

Annual improvements 2011-2013 cycle

These improvements are effective from 1 July 2014 and applied by the Bank in these financial statements for the first time. 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.

The Group is not a joint arrangement, accordingly, this amendment is not relevant to the Group.

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). The Group does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property 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. In previous periods, the Group has applied IFRS 3, not IAS 40, in determining whether the transaction constitutes an asset acquisition or a business combination. Thus, this amendment does not impact the accounting policy of the Group.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Meaning of Effective IFRSs

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. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

New and revised IFRSs in issue 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.

(In thousands of tenge, unless otherwise indicated)

2. BASIS OF PREPARATION (continued)

Application of new and revised IFRS (continued)

New and revised IFRSs in issue but not yet effective (continued)

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the 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 periods beginning on or after 1 January 2018. Early application is permitted. The standard is applied retrospectively but provision of comparative information is not mandatory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have no effect on the classification and measurement of the Group's financial assets.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 published in May 2014 establishes a new five-step model of accounting for revenue from contracts with customers. Recognition of revenue arising from lease contracts within the scope of IAS 17 *Leases* and insurance contracts within the scope of IFRS 4 *Insurance Contracts* and revenue arising in connection with financial instruments and other contractual rights and obligations within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* (or IFRS 9 *Financial Instruments*, if early adopted) is not within the scope of application of IFRS 15 and regulated by the respective standards.

Under IFRS 15 revenue is recognised at the amount of consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new standard is applicable to all entities and supersedes all current revenue recognition requirements under IFRS. This standard is applied retrospectively either in full or using the simplifications of practical nature for annual periods beginning on or after 1 January 2018. Early application is permitted. These amendments are not expected to have any impact to the Group.

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 account balances as separate line items on the statement of financial position and present movements in these account balances as separate line items in the income statement and statement of other comprehensive income. The standard requires disclosures on the nature of activities of the entity subject to rate-regulation, associated risks and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual 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 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. Earlier application is permitted. These amendments are not expected to have any impact to the Group.

(In thousands of tenge, unless otherwise indicated)

2. BASIS OF PREPARATION (continued)

Application of new and revised IFRS (continued)

New and revised IFRSs in issue but not yet effective (continued)

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

The amendments clarify one of the principles 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 under IAS 16 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 prospectively 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 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. Early application is permitted. The Group currently considers whether to apply these amendments for preparation of its separate financial statements.

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 as a contribution to equity. 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 amendments must be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Early application is permitted.

Amendments to IAS 1 Disclosure Initiative

Amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, the existing requirements of IAS 1. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements;
- that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

(In thousands of tenge, unless otherwise indicated)

2. BASIS OF PREPARATION (continued)

Application of new and revised IFRS (continued)

New and revised IFRSs in issue but not yet effective (continued)

Amendments to IAS 1 Disclosure Initiative (continued)

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 28 Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its profit in subsidiaries. These amendments must be applied retrospectively and are 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.

Annual improvements 2012-2014 cycle

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

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. Early 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 IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The amendments are effective for annual periods beginning on or after 1 January 2016. Early 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.

(In thousands of tenge, unless otherwise indicated)

2. BASIS OF PREPARATION (continued)

Application of new and revised IFRS (continued)

New and revised IFRSs in issue but not yet effective (continued)

Annual improvements 2012-2014 cycle (continued)

IFRS 7 Financial Instruments: Disclosures – applicability of the offsetting disclosures to condensed 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. As a result, it is not clear whether the respective information should be disclosed in the condensed interim financial statements or not.

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. These amendment must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

IAS 19 Employee Benefits – discounting rate for regional market

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 the respective currency, government bond rates must be used. The amendments are effective for annual periods beginning on or after 1 January 2016. Early 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. These amendment must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

(In thousands of tenge, unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of fee and commission income

Fee and commission income is recognized as services are provided. Membership and listing fees are recognized based on the decision on acceptance of the organization as a member of Stock Exchange and inclusion of securities in the official listing of Stock Exchange. Monthly membership fees are recognized constantly on a monthly basis whilst the organization is a member of Stock Exchange. Commission income on annual listing fees are recognized during the twelve month period to which they are related.

Recognition of interest income

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

The EIR is the rate that exactly discounts the estimated future cash receipts to the net carrying amount of the financial asset or financial liability. In this regard, cash flows are discounted for the period of the expected life of the financial asset or financial liability, or, where appropriate, for a shorter period.

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

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

Fair value measurement

The Group measures financial instruments, such as available-for-sale securities at the cost approximating their fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in *Note 24*.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 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 profit.

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 categorized 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 – techniques for which all inputs that relate to the lower hierarchy level which have a significant effect on the fair value are not observable.

(In thousands of tenge, unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The Group recognizes financial assets and liabilities in the consolidated statement of financial position when it becomes a party to the contract relating to the respective financial instrument.

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

Financial assets

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

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

Investments held to maturity

Investments held to maturity are comprise listing debt securities, which are not derivative instruments with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity.

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

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

Investments available-for-sale

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

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

Investments available for sale are recorded at the cost approximating the fair value and changes in their fair value are recognized directly within other comprehensive income of the Group as available for sale investments revaluation reserve. Where the investment is disposed of other comprehensive income of the Group the amount previously accumulated in the investments revaluation reserve is recognized in the consolidated income statement. Interest on debt securities classified as AFS calculated using the effective interest method, which is recognised in the consolidated statement of comprehensive income as interest income.

Accounts receivable

Accounts receivable are carried at amortised cost using the effective interest rate method. Where the accounts receivable bear a short-term nature and the effect of future cash flow discounting is not material, the accounts receivable are 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 investment have been affected.

(In thousands of tenge, unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

For listed and unlisted equity 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
- it becomes probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

Certain categories of financial assets, such as accounts receivable, assets that have not been individually recognized as impaired, in addition, are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts 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 the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables and investments held to maturity where the carrying amount is reduced through the use of an allowance account. Subject to recognition as uncollectible, receivables or investments held to maturity are written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

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

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

Derecognition of financial assets

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

- 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, but has transferred control of the asset.

(In thousands of tenge, unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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

Any gains or losses arising from derecognition of financial assets are recognized in the Group's consolidated 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, financial liabilities are measured at amortized cost. An interest expense is calculated using the effective interest rate method.

Derecognition of financial liabilities

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balance on current accounts and correspondent accounts in banks of the Republic of Kazakhstan and overseas with initial maturity of up to three months except for cash restricted in use.

Restricted cash and liabilities to Exchange members on restricted cash

As at reporting date most of the restricted cash represented by cash placements of the foreign currency trade members on correspondent accounts of Stock Exchange for the transaction on the next trading day. Additionally, in accordance with the Group's internal document "Rules of the clearing activities on transactions with financial instruments" (hereinafter, the "Rules"), each clearing member must maintain a certain level of margin and initial margin on the correspondent account of the Company. Moreover, some of the clearing members leave cash on the correspondent account of the Group at the end of the trading day for the purpose of trading on the next trading day. The Group treats such means as cash restricted in use and recognizes them as liabilities to the market participants.

Due from banks

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

Property and equipment

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

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

(In thousands of tenge, unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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

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

	<u>Life, in years</u>
Buildings	100
Machinery and equipment	6-9
Vehicles	9
Other	11

Land and construction-in-progress are not depreciated.

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

Intangible assets

Intangible assets include computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. The 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 useful lives comprise other software and licences, which are amortised over the license term or the useful life of 7 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with finite 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 when the Company 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 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 capitalizes salary of employees directly involved in software development based on the progress reports in the case of conformity of such works to all of the above mentioned requirements.

The Group regards an intangible asset as having an indefinite useful life when, based on an analysis of all of the relevant factors, an asset is under development or 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.

(In thousands of tenge, unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

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

Foreign currencies

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

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

	<u>31 December</u> <u>2015</u>	<u>31 December</u> <u>2014</u>
KZT / 1 USD	340.01	182.35
KZT / 1 EUR	371.46	221.97
KZT / 1 RUR	4.61	3.17
KZT / 1 GBP	504.06	283.34

Share capital

Share capital is recognised at historical cost.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event in accordance with IAS 10 *Subsequent Events* and are appropriately disclosed.

Reserves and funds within equity

The reserves and funds recorded in equity in the Group's consolidated statement of financial position include:

- "available-for-sale" reserve which comprises changes in fair value of investment securities available-for-sale;
- "other reserve" which is formed for covering the possible default of derivative market members.

In 2010 the Group's 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 KZT 70,000 thousand reserve fund for trading with currency futures contracts, and KZT 100,000 thousand reserve fund for trading with the Group index futures contracts. In 2015, it was decided to set up a clearing reserve fund for the sector "stock" exchange market in the amount of KZT 55,000 thousand. The reserve fund is included within other funds in the capital flow statement.

(In thousands of tenge, unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

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

The results and assets and liabilities of associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

The requirements of IAS 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 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of investment.

Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

Taxation

The corporate income tax expense comprises current and deferred tax and is recognized in the consolidated income statement of the Group, except where the deferred tax relates to transactions recognized directly 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 profits will be available to allow all or part of the asset to be recovered.

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

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

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

(In thousands of tenge, unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgments and key sources of estimation uncertainty

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

Estimates and basic judgements are continuously revised. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

Impairment of accounts receivable

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

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

As at 31 December 2015 and 31 December 2014 the receivables totalled to KZT 53,340 thousand and KZT 72,350 thousand, respectively, and the allowance for impairment amounted to KZT 6,629 thousand and KZT 5,288 thousand (*Note 19*), respectively.

Taxation

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

As at 31 December 2015 and 31 December 2014, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Significant additional actual taxes, penalties and interest may be assessed following any challenges by the relevant authorities, which could have a material impact on the Group's reported net profit.

Litigations

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

	<u>2015</u>	<u>2014</u>
Fee and commission income		
Listing fees	646,320	588,188
Commission fees for operations on the Stock exchange	457,160	377,143
Stock exchange membership fees	347,643	311,645
Income from information services	179,977	167,130
Income from remote access services	20,514	22,718
Clearing fees	27	26
Total fee and commission income	<u>1,651,641</u>	<u>1,466,850</u>

5. INTEREST INCOME

	<u>2015</u>	<u>2014</u>
Interest income comprises		
Interest income on non-impaired financial assets	419,632	250,325
Interest income on impaired financial assets	2,041	2,041
Total interest income	<u>421,673</u>	<u>252,366</u>

Interest income on financial assets carried at amortized cost comprises

Interest income on cash and cash equivalents	1,516	892
Interest income on bank deposits	273,340	229,720
Interest income on reverse repurchase agreements with securities	120,421	13,238
Interest income on held-to-maturity investment securities	2,808	4,872

Interest income on financial assets carried at fair value comprises

Interest income from available-for-sale investment securities	23,588	3,644
Total interest income from financial assets	<u>421,673</u>	<u>252,366</u>

6. ALLOWANCE FOR IMPAIRMENT ON INTEREST BEARING ASSETS AND OTHER TRANSACTIONS

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

	<u>Investments held to maturity</u>	<u>Other assets</u>	<u>Total</u>
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
Allowance charge	-	3,529	3,529
Write-off	-	(2,188)	(2,188)
As at 31 December 2015	<u>39,858</u>	<u>6,629</u>	<u>46,487</u>

7. NET GAIN FROM FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations for the year ended 31 December 2015 was in the amount of KZT 536,774 thousand (2014: KZT 6,956 thousand) resulted from the appreciation of major foreign currencies against tenge and the foreign currencies asset exposure. On 20 August 2015, the Government of the Republic of Kazakhstan made a decision to transit to a fully flexible exchange rate, resulting in increase of tenge exchange rate against the US dollar by 86%, from 182.35 as at 1 January 2015 to 340.01 as at 31 December 2015.

(In thousands of tenge, unless otherwise indicated)

8. OPERATING EXPENSES

	<u>2015</u>	<u>2014</u>
Personnel expenses	888,059	650,861
Depreciation and amortization	66,156	65,366
Social tax	87,003	64,302
Property and equipment maintenance	37,732	28,616
Travel expenses	33,834	18,815
Taxes other than income tax	29,230	29,358
Communication and SWIFT maintenance	26,052	24,177
Operating lease and maintenance expenses	22,123	21,540
Professional services	14,957	17,832
Information services	14,877	8,390
Bank services	11,223	8,950
Business development expenses	8,579	6,688
Membership fees	8,131	8,252
Training of personnel	7,155	3,721
Insurance	1,261	1,244
Mail and courier expenses	1,222	857
Other expenses	42,082	33,050
Total operating expenses	<u>1,299,676</u>	<u>992,019</u>

9. CORPORATE INCOME TAX

Corporate income tax expense comprise:

	<u>2015</u>	<u>2014</u>
Current corporate income tax expense	268,033	149,773
Deferred corporate income tax expense	78	2,645
Corporate income tax expense	<u>268,111</u>	<u>152,418</u>

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 the 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 2015 and 31 December 2014 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.

Tax effect of temporary differences as at 31 December 2015 and 31 December 2014 is as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Tax effect of deductible temporary differences		
Unused vacations reserve	7,370	4,646
Property and equipment, depreciation charge	563	148
Deferred tax assets	<u>7,933</u>	<u>4,794</u>
Tax effect of taxable temporary differences		
Property and equipment, depreciation charge	(32,091)	(28,874)
Deferred tax liabilities	<u>(32,091)</u>	<u>(28,874)</u>
Total net deferred tax liabilities	<u>(24,158)</u>	<u>(24,080)</u>

(In thousands of tenge, unless otherwise indicated)

9. CORPORATE INCOME TAX (continued)

Recorded in the consolidated statement of financial position as follows:

	2015	2014
Deferred tax assets	615	421
Deferred tax liabilities	(24,773)	(24,501)
Net deferred tax liability at the end of the year	(24,158)	(24,080)

Movement of net deferred tax liability

	31 December 2015	31 December 2014
Net deferred tax liability at the beginning of the year	24,080	21,435
Deferred corporate income tax expense	78	2,645
Net deferred tax liability at the end of the year	24,158	24,080

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

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 2015	Year ended 31 December 2014
Profit before taxation	1,247,271	735,912
Statutory corporate income tax rate	20%	20%
Tax at statutory rate	249,454	147,182
Non-taxable interest income and other related income on government and other securities	(5,279)	(1,653)
Non-deductible expenses		
General and administrative expenses	5,393	1,428
Membership fees	1,514	1,520
Charge of allowance for impairment on other assets	722	505
Expenses from sale of securities available-for-sale	17,011	-
Share of (income)/loss of associate	(253)	28
Other	(451)	3,408
Total permanent differences on corporate income tax	18,657	5,236
Corporate income tax expense	268,111	152,418

10. EARNINGS PER SHARE

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

	Year ended 31 December 2015	Year ended 31 December 2014
Net profit for the year attributable to shareholders of the Group	979,160	583,494
Weighted average number of common shares for basic income per share computation	942,013	942,013
Basic and diluted earnings per share (KZT)	1,039.43	619.41

(In thousands of tenge, unless otherwise indicated)

11. CASH AND CASH EQUIVALENTS

	<u>31 December 2015</u>	<u>31 December 2014</u>
Cash on hand	650	519
Correspondent and current accounts with other banks	62,644	72,657
Total cash and cash equivalents	63,294	73,176

12. CASH RESTRICTED IN USE

	<u>31 December 2015</u>	<u>31 December 2014</u>
Citibank N.A.	1,360,040	-
National Bank of the Republic of Kazakhstan	529,041	223,013
Total cash restricted in use	1,889,081	223,013

As at 31 December 2015 and 2014, cash restricted in use comprise monetary funds of the Exchange members placed for execution of operations in foreign currency. Cash was placed by the following members of the Exchange:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Second tier Kazakhstan banks	1,866,232	211,192
Other financial organizations	22,869	11,821
Total liabilities on cash restricted in use	1,889,101	223,013

13. AMOUNTS DUE FROM BANKS

	<u>31 December 2015</u>			<u>31 December 2014</u>		
	%	Maturity	Amount	%	Maturity	Amount
Term deposits						
Eurasian Bank JSC	11.50	August 2016	1,039,930	5.7-8.50	August 2015	1,129,010
SB Sberbank of Russia JSC	11.00	July 2016	55,575	8.50	July 2015	1,097,363
Bank CenterCredit JSC	-	-	-	8.0	February 2015	750,784
Kazinvestbank JSC	-	-	-	7.50	July 2015	26,157
Qazaq Banki JSC	13.00	May-August 2016	890,234	7.50	October 2015	20,108
Subsidiary bank Alpha Bank JSC	13.00	December 2016	500,000	3.0	August 2015	5,509
Capital Bank Kazakhstan JSC	13.00	June 2016	502,653	-	-	-
AsiaCreditBank JSC	9.00	February 2016	1,000,000	-	-	-
Bank of Astana JSC	13.50	December 2016	502,250	-	-	-
Tsesna Bank JSC	5.20	August 2016	100,152	-	-	-
Total due from banks			4,590,794			3,028,931

As at 31 December 2015 and 2014, amounts due from banks included accrued interest of KZT 65,173 thousand and KZT 202,655 thousand, respectively.

(In thousands of tenge, unless otherwise indicated)

14. INVESTMENT SECURITIES AVAILABLE-FOR-SALE

	31 December 2015		31 December 2014	
	Ownership interest, %	Amount	Ownership interest, %	Amount
Equity securities				
Central securities depository JSC	34.69	18,800	34.69	18,800
Kyrgyz stock exchange CJSC	10.58	2,253	10.58	2,253
Total equity securities		21,053		21,053
Debt securities (level 1)				
National Company KazMunayGas JSC	-	-	-	498,047
Total investment securities available-for-sale		21,053		519,100

15. INVESTMENT SECURITIES HELD-TO-MATURITY

	31 December 2015	31 December 2014
Corporate bonds	61,912	88,106
	61,912	88,106
Less: allowance for impairment losses (Note 6)	(39,858)	(39,858)
Total investment securities held-to-maturity	22,054	48,248

Movements in the allowance for impairment losses for the years ended 31 December 2015 and 2014 are disclosed in Note 6.

	31 December 2015		31 December 2014	
	Nominal interest rate, %	Amount	Nominal interest rate, %	Amount
Debt securities				
Ornek XXI JSC	i + 2.50	35,967	i + 2.50	35,967
Temirbank JSC	8.00	25,945	8.00	25,945
Kazkommertsbank JSC	-	-	i + 2.00	26,194
		61,912		88,106
Less provision for impairment		(39,858)		(39,858)
Total investments held to maturity		22,054		48,248

i – inflation rate.

As at 31 December 2015 and 2014, investment securities held-to-maturity included accrued interest of KZT 6,703 thousand and KZT 7,320 thousand, respectively.

16. INVESTMENTS IN ASSOCIATE

Movements of an investment in associate were as follows:

	2015	2014
At the beginning of the year	138,586	138,724
Share of profit/(loss) of associate	1,266	(138)
At the end of the year	139,852	138,586

(In thousands of tenge, unless otherwise indicated)

16. INVESTMENTS IN ASSOCIATE (continued)

The summarized financial information of RTRS LLP is presented below:

	<i>31 December 2015</i>	<i>31 December 2014</i>
Cash and cash equivalents	24,223	13,825
Investment property	176,160	-
Property and equipment	77,149	259,688
Other assets	2,248	3,757
Total assets	279,780	277,270
Other liabilities	75	98
Total liabilities	75	98
Equity	279,705	277,172
Group's share in net assets	50%	50%
Carrying amount of investment in associate	139,852	138,586
	<i>For 2015</i>	<i>For 2014</i>
Revenue from rendering of the services	41,753	36,557
Finance income	877	261
Administrative expenses	(40,095)	(37,093)
Other	(3)	-
Profit/(loss) for the year	2,532	(275)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the year	2,532	(275)

(In thousands of tenge, unless otherwise indicated)

17. PROPERTY AND EQUIPMENT

	<i>Building</i>	<i>Land</i>	<i>Machinery and equipment</i>	<i>Vehicles</i>	<i>Other</i>	<i>Total</i>
At cost						
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 of 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
Additions	-	-	7,040	-	815	7,855
Other reclassifications	-	-	9,774	1,059	(10,833)	-
Offsetting of accumulated depreciation and cost of transferred assets	-	-	(2,389)	-	(2,378)	(4,767)
Disposal	-	-	(213)	-	(466)	(679)
31 December 2015	1,152,060	1,628	315,472	46,643	78,440	1,594,243
Accumulated depreciation						
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)
Internal movement	-	-	116	-	(116)	-
Offsetting of 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)
Depreciation charge	(11,521)	-	(34,224)	(4,866)	(5,326)	(55,937)
Internal movement	-	-	(3,734)	-	3,734	-
Offsetting of accumulated depreciation and cost of transferred assets	-	-	2,389	-	2,378	4,767
31 December 2015	(46,056)	-	(213,245)	(32,860)	(39,447)	(331,608)
Net book value						
As at 31 December 2015	1,106,004	1,628	102,227	13,783	38,993	1,262,635
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

(In thousands of tenge, unless otherwise indicated)

18. INTANGIBLE ASSETS

	<i>Internally developed software</i>	<i>Other software and licenses</i>	<i>Total</i>
At cost			
31 December 2013	62,473	60,427	122,900
Additions	11	19,031	19,042
Salaries and other costs, capitalized to intangible assets	38,989	-	38,989
Intercompany transfer	(5,126)	5,126	-
31 December 2014	96,347	84,584	180,931
Additions	-	3,477	3,477
Salaries and other costs, capitalized to intangible assets	30,252	-	30,252
Intercompany transfer	2	(2)	-
31 December 2015	126,601	88,059	214,660
Accumulated amortization			
31 December 2013	-	(10,632)	(10,632)
Amortization charge	-	(7,948)	(7,948)
31 December 2014	-	(18,580)	(18,580)
Amortization charge	-	(10,219)	(10,219)
31 December 2015	-	(28,799)	(28,799)
Net book value			
As at 31 December 2015	126,601	59,260	185,861
As at 31 December 2014	96,347	66,004	162,351
As at 31 December 2013	62,473	49,795	112,268

19. OTHER ASSETS

	<i>31 December 2015</i>	<i>31 December 2014</i>
Other financial assets		
Income from information services receivable	24,670	13,356
Commission fees receivable	18,032	48,298
Listing fees receivable	8,508	5,757
Membership fees receivable	1,189	2,618
Income from remote access services receivable	717	759
Fines and penalties receivable	198	1,559
Income from clearing transactions services	26	3
	53,340	72,350
Allowance for impairment on trade receivable (Note 6)	(6,629)	(5,288)
	46,711	67,062
Other non-financial assets		
Inventories	15,249	20,406
Taxes other than corporate income tax	12,293	11,205
Deferred expenses	7,444	6,043
Advances for vacations	302	889
Other	55	8
Total other non-financial assets	35,343	38,551
Total other assets	82,054	105,613

Movements in the allowance for impairment of other assets for the years ended 31 December 2015 and 2014, are disclosed in Note 6.

(In thousands of tenge, unless otherwise indicated)

20. OTHER LIABILITIES

	31 December 2015	31 December 2014
Other financial liabilities		
Payables to suppliers	10,076	6,693
Dividends payable	2,203	2,203
	12,279	8,896
Other non-financial liabilities		
Provision for unused vacations	40,060	28,220
Taxes other than corporate income tax	2,615	3,590
Other	1,891	370
Total other liabilities	56,845	41,076

21. SHARE CAPITAL

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

	Authorised share capital, shares	Share capital, authorized but not issued, shares	Share capital issued, shares
Common shares			
As at 31 December 2013	5,000,000	4,057,987	942,013
Issue of common shares	-	-	-
As at 31 December 2014	5,000,000	4,057,987	942,013
As at 31 December 2015	5,000,000	4,057,987	942,013

As at 31 December 2015 and 2014, issued and fully paid share capital amounted to KZT 2,366,256 thousand.

22. 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 consolidated financial statements.

Taxation

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

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

Operating environment

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

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

(In thousands of tenge, unless otherwise indicated)

23. RELATED PARTY TRANSACTIONS

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

	<i>31 December 2015</i>	<i>31 December 2014</i>
Cash and cash equivalents		
Other related parties	2,949	911
Restricted cash		
Parent	529,041	223,013
Due from banks		
Other related parties	890,234	20,108
Investment securities available-for-sale		
Other related parties	21,053	21,053
Investment securities held to maturity		
Other related parties	22,054	22,054
Other assets		
Parent	393	3,472
Key management personnel of the company	48	592
Other related parties	10,808	9,208
Payables to trade members on restricted cash		
Other related parties	46,290	208,411
Advances received		
Associates	-	1,144
Other related parties	6,703	2,302
Other liabilities		
Associate	660	1,265
Key management personnel of the company	9,702	4,209
Other related parties	1,187	36

Included in the consolidated statement of comprehensive income for the years ended 31 December 2015 and 31 December 2014 are the following amounts which were recognized in transactions with related parties:

	<i>Year ended 31 December 2015</i>	<i>Year ended 31 December 2014</i>
Fee and commission income		
Parent	65,014	100,212
Other related parties	354,307	203,534
Interest income		
Parent	-	298
Other related parties	29,601	25,789
Charge of allowance for impairment on interest bearing assets and other transactions		
Other related parties	374	(434)
Operating expenses		
Parent	(20)	-
Associate	(21,496)	(22,060)
Other related parties	(7,861)	(3,303)
Other income		
Other related parties	634	278

(In thousands of tenge, unless otherwise indicated)

23. RELATED PARTY TRANSACTIONS (continued)

Compensation to 15 members of key management personnel (2014: 11 members of key management personnel) comprises:

	<i>Year ended 31 December 2015</i>	<i>Year ended 31 December 2014</i>
Short-term compensation to key management personnel of the Company	185,293	124,876
Total	185,293	124,876

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IFRS 13 *Fair Value Measurements*, IFRS 7 *Financial Instruments: Disclosure* and IAS 39 *Financial Instruments: Recognition and Measurement* regarding determination of the fair value or approximate fair value of such instruments.

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

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

	<i>31 December 2015</i>		<i>31 December 2014</i>	
	<i>Carrying value</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>
Investments held to maturity (level 1)	22,054	25,206	48,248	44,592
Unrecognised gain/(loss)		3,152		(3,656)

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

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

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

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

(In thousands of tenge, unless otherwise indicated)

25. RISK MANAGEMENT POLICIES

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

- credit risk;
- operating risk;
- market risk;
- liquidity risk.

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

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

Risk management structure

Board of directors

The Board of Directors is responsible for the development of risk management strategy, approval of conceptual framework of the policy and limits on types of risks. Additionally, the Board of Directors is responsible for the significant risk management issues and monitors execution of appropriate decisions made on risks and controls it.

Management Board

The Management Board is responsible for effective risk management system within the Group.

Investment Committee

The collective body of Stock Exchange, whose composition is approved by the Management Board. The core function of the Investment Committee is taking investment decisions on transactions with financial instruments using own assets of 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 for investing own assets (hereinafter, the "Policy") approved by the decision of the Stock Exchange Council, temporary surplus assets of the Company are separated into two portfolios of own assets – accumulative and savings.

The assets of savings and accumulative portfolios can be placed on deposits in second-tier banks with long-term rating not lower than B- (as at reporting date, from 3 February 2016 not less than B+) according to the scale of Standard & Poor's rating agency or the long-term rating of the similar level of international rating agencies Fitch or Moody's Investors Service, in government securities of the Republic of Kazakhstan, debt securities (including coupon international bonds), having the rating score not lower than BB- according to international scale or rating of the similar level according to the international scale of Standard & Poor's agency or rating of a similar level according to the international scale of Fitch or Moody's Investors Service. Cash on savings and accumulative portfolios can be used for the reverse automatic repo transactions with government securities. In addition, the assets of accumulative portfolio of own assets may be invested in non-government debt securities issued by National Welfare Fund "Samruk-Kazyna" JSC.

(In thousands of tenge, unless otherwise indicated)

25. RISK MANAGEMENT POLICIES (continued)

Credit risk (continued)

According to the Policy, corporate securities can be sold by the decision of the Investment Committee. In the event that sale of these corporate securities results in a loss, such a decision of Board of Directors shall be approved by the Exchange Council. Corporate securities of defaulted issuers are held in Group's investment portfolio.

In accordance with the Policy, Exchange Risk Management Unit holds monthly analysis of investment portfolios of own assets of the Exchange and exposure of Exchange investment portfolios to risks, as well as stress testing of investment portfolios.

The credit risk of the Group with trade members is minimized due to the execution by the Company 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 2015	31 December 2014
Cash and cash equivalents, except for cash on hand	62,644	72,657
Restricted cash	1,889,081	223,013
Due from banks	4,590,794	3,028,931
Investment in debt securities available-for-sale	-	498,047
Investments held to maturity	22,054	48,248
Other financial assets	46,711	67,062
Total	6,611,284	3,937,958

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

As at 31 December 2015 and 2014, in compliance with the presented criteria financial assets are classified as standard, except for those assets which are impaired.

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

	AAA	AA	A	BBB	< BBB	Credit ra- ting unas- signed	Total
31 December 2015							
Cash and cash equivalents	-	1,219	7,228	4,476	49,721	-	62,644
Restricted cash	-	-	1,360,040	529,041	-	-	1,889,081
Due from banks	-	-	-	-	4,590,794	-	4,590,794
Investments held to maturity	-	-	-	-	-	22,054	22,054
Other financial assets	-	-	-	-	-	46,711	46,711
Total	-	1,219	1,367,268	533,517	4,640,515	68,765	6,611,284

(In thousands of tenge, unless otherwise indicated)

25. RISK MANAGEMENT POLICIES (continued)

Maximum exposure to credit risk (continued)

	AAA	AA	A	BBB	< BBB	Credit rating unassigned	Total
31 December 2014							
Cash and cash equivalents	-	48	5,744	915	65,950	-	72,657
Restricted cash	-	-	-	223,013	-	-	223,013
Due from banks	-	-	-	1,097,363	1,931,568	-	3,028,931
Investments available-for-sale	-	-	-	498,047	-	-	498,047
Investments held to maturity	-	-	-	-	22,054	26,194	48,248
Other financial assets	-	-	-	61	5,322	61,679	67,062
Total	-	48	5,744	1,819,399	2,024,894	87,873	3,937,958

As at 31 December 2015 and 2014, there were no financial assets past due 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.

Temporarily surplus own assets of the Group were placed on deposits in second-tier banks for a term not exceeding two years. The list of second tier banks where the Group's deposits could be placed was reconsidered on a regular basis and approved by the Investment Committee of the Company.

According to the policy, the temporarily surplus assets of the Group are separated. Assets of savings and accumulative portfolios can be placed on deposits of second-tier banks for a term of up to two years. In this connection, diversification of investees included in the savings and accumulative portfolios is performed in order to eliminate the risk of losses resulting from the concentration of financial assets with the same maturity in the investment portfolios of the Group.

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

(In thousands of tenge, unless otherwise indicated)

25. RISK MANAGEMENT POLICIES (continued)

Liquidity risk (continued)

Liquidity risk management (continued)

The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the contractual maturity date.

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

	Less than 1 months	1-3 months	3 months – 1 year	1 year – 5 years	Over 5 years	Maturity undefined	Total
Financial assets							
Cash and cash equivalents	63,294	-	-	-	-	-	63,294
Restricted cash	1,889,081	-	-	-	-	-	1,889,081
Due from banks	-	1,000,000	3,590,794	-	-	-	4,590,794
Investments available-for-sale	-	-	-	-	-	21,053	21,053
Investments held to maturity	-	-	-	22,054	-	-	22,054
Other financial assets	46,711	-	-	-	-	-	46,711
Total financial assets	1,999,086	1,000,000	3,590,794	22,054	-	21,053	6,632,987
Financial liabilities							
Payables to trade members on cash restricted in use	1,889,101	-	-	-	-	-	1,889,101
Other financial liabilities	12,279	-	-	-	-	-	12,279
Total financial liabilities	1,901,380	-	-	-	-	-	1,901,380
Net position	97,706	1,000,000	3,590,794	22,054	-	21,053	4,731,607
Aggregate liquidity gap as at 31 December 2015	97,706	1,097,706	4,688,500	4,710,554	4,710,554	4,731,607	
Financial assets							
Cash and cash equivalents	73,176	-	-	-	-	-	73,176
Restricted cash	223,013	-	-	-	-	-	223,013
Due from banks	-	750,784	2,278,148	-	-	-	3,028,932
Investments available-for-sale	-	-	-	-	498,047	21,053	519,100
Investments held to maturity	-	-	26,194	-	22,054	-	48,248
Other financial assets	62,283	4,779	-	-	-	-	67,062
Total financial assets	358,472	755,563	2,304,342	-	520,101	21,053	3,959,531
Financial liabilities							
Payables to trade members on cash restricted in use	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	-	520,101	21,053	3,727,622
Aggregate liquidity gap as at 31 December 2014	126,563	882,126	3,186,468	3,186,468	3,706,569	3,727,622	

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

(In thousands of tenge, unless otherwise indicated)

25. RISK MANAGEMENT POLICIES (continued)

Market risk

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

Interest rate risk

In terms of the exposure to interest rate risk, the Group's investment portfolio is exposed to a risk of change of coupon yield on bonds, which have variable rate indexed to the inflation rate; a risk of change in interest rates have an effect on the market value of the Group's bonds sub-portfolio 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.

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 2015 and 2014, and the effect of revaluing instruments with fixed rates accounted at fair value.

The impact on equity is the effect of the assumed changes in interest rate due to changes in retained earnings and the effect of revaluing investment available for sale with fixed rates.

Impact on profit before tax based on asset values as at 31 December 2015 and 2014:

	31 December 2015		31 December 2014	
	Interest rate +2%	Interest rate -2%	Interest rate +2%	Interest rate -2%
Profit before tax and equity	109	(109)	211	(211)
Effect on equity	16	(16)	(77,838)	77,838

Currency risk

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

In accordance with the Investment Policy, Stock Exchange invests in debt securities, deposits of second tier banks, as well as auto repurchase transactions with government securities are allowed. The list of second tier banks in which the Stock Exchange has the right to place funds on deposit is established by the Investment Committee considering the features of the Investment Policy of own assets. Besides, investments represented by saving and accumulative portfolios may be denominated in US Dollars and Euro.

As at 31 December 2015 and 2014, a significant portion of financial assets (2015: 82%, 2014: 87%) and all financial liabilities are denominated in Tenge, which involves a low level of currency risk. Therefore, the Group is not exposed to a significant risk of change in foreign exchange rates.

Limitations of sensitivity analysis

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

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

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

(In thousands of tenge, unless otherwise indicated)

25. 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. Since the investment portfolio of the Group is represented by exclusively debt financial instruments classified as held to maturity and investments available-for-sale are represented with unquoted equity financial instruments, the Group is not exposed to price risk.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

The Group cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework, systematic inspections of internal audit department and by monitoring and responding to potential risks.

Controls include effective segregation of duties, access rights, authorization and reconciliation procedures, staff education and assessment processes. Risk monitoring is performed by the risk management department.

For the purpose of decreasing the operating risk arising from system failure the Company has established a reserve centre in an associate, RTRS LLP.