

**Kazakhstan Stock Exchange JSC
Consolidated Financial Statements
for the year ended 31 December 2017
and Independent Auditor's Report**

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**Statement of Management's Responsibility for the Preparation and Approval of the Consolidated
Financial Statements for the Year Ended 31 December 2017**

Management¹ of Kazakhstan Stock Exchange JSC (hereinafter the "Company") is responsible for the preparation of the consolidated financial statements that present fairly the financial position as at 2017 December 31, its performance, cash flows and changes in equity for the year then ended, in accordance with the International Financial Reporting Standards (hereinafter "IFRS").

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

- selecting appropriate accounting policies and applying them consistently;
- providing information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- additional disclosures when compliance with the specific requirements of IFRSs is insufficient to enable users of the financial statements to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- making assessment of the Group's ability to continue operating in the foreseeable future.

Management of the Group is also responsible for:

- designing, implementing, and maintaining reliable internal controls within the Group;
- maintaining the accounting records in the manner, which allows to disclose and explain the Group's transactions, and
- presenting at any moment the information on the financial position of the Group and ensuring that the financial statements comply with IFRS;
- maintaining statutory accounting records in compliance with the legislation of the Republic of Kazakhstan;
- taking all reasonably possible measures to ensure the safekeeping of the assets of the Group;
- detecting and preventing financial fraud and other irregularities.


The consolidated financial statements for the year ended 31 December 2017 have been authorised for issue by management of the Group on 26 March 2018.

On behalf of the Management



A.O. Aldambergen
Chairman of the Board

26 March 2018
Almaty, Kazakhstan



I.B. Kapanova
Chief Accountant

¹The Management here refers to the Management Board of the Kazakhstan Stock Exchange JSC with the account of paragraph 2 of item 4 of Article 6 of the Law of the Republic of Kazakhstan *On Accounting and Financial Reporting*.



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INDEPENDENT AUDITORS' REPORT

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

Auditor's opinion

Opinion

We have audited the accompanying consolidated financial statements of Kazakhstan Stock Exchange JSC and its subsidiaries (hereinafter the "Group"), which comprises the consolidated statement of financial position as at 31 December 2017, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

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

Basis for Opinion

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

Responsibility of Management and those charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for the evaluation of a Group's ability to continue as a going concern, and for disclosure, where appropriate, of information relevant to the going concern, as well as for the preparation of the financial statements based on the assumption of going concern, except when management intends to liquidate the Group, or discontinue its operations, or where has no other realistic alternatives, other than liquidation or discontinuation of operations.

Those charged with governance are responsible for supervision of the preparation of the Group's consolidated financial statements.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objective is to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement due to fraud or errors, and to express the audit opinion. Reasonable assurance means a high degree of certainty, but does not guarantee that the audit performed in accordance with the International Standards on Auditing always identifies material misstatements, if any. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. In addition, we perform the following:

- identify and assess the risks of material misstatement in the financial statements, whether due to fraud or errors; design and perform audit procedures in response to the risks; obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion;

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- make a conclusion with respect to the appropriateness of application of ongoing concern assumption, and based on the audit evidence obtained we make a conclusion whether there is substantial uncertainty due to certain events or conditions that can result in significant doubts about the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion about the financial statements. Our conclusions are based on the audit evidence obtained before the date of our audit opinion. However, future events or conditions can result in the loss of the Group's ability to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Kazakhstan LLP

State License No. 15003448, issued on February 19, 2015 by the Committee for Financial Control of the Ministry of Finance of the Republic of Kazakhstan, Astana.

Director T. A. Omarov



26 March 2018

Auditor A.Sh. Orazgaliyeva

Auditor qualifying certificate No.MF-0000178

Issued by the Qualification Commission for Certification of Auditors in the Republic of Kazakhstan on 21.01.2014.



6 Gabdullin St.,
Almaty, Kazakhstan

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

(KZT thousand, except earnings per share denominated in KZT)

	Note	Year ended	
		31 December 2017	31 December 2016
Income from services and commission fee	4	1.939.460	1.506.977
Interest income	5	554.160	649.894
Reversal (creation) of a provision for impairment of interest-bearing assets, and other transactions	6	656	(8.472)
Net loss from transactions with available-for-sale investment securities		-	-
Net foreign exchange (loss)/gain	7	2.927	(4.306)
Share of an associate's profit	16	792	612
Other income		23.619	10.085
Operating income		2.521.614	2.154.790
OPERATING EXPENSES	8	(1.615.972)	(1.286.814)
Profit before tax		905.642	867.976
Corporate income tax expenses	9	(112.833)	(146.201)
Net profit		792.809	721.775
Other comprehensive income			
<i>Other comprehensive income to be subsequently reclassified to profit or loss:</i>			
Net realised gain on sale of available-for-sale investments		-	-
Net realised loss from revaluation of available-for-sale investments		(44)	(45)
<i>Other comprehensive income not to be subsequently reclassified to profit or loss:</i>			
Revaluation of property, plant and equipment		(25.663)	213.902
Revaluation of property, plant and equipment	17	(29.682)	218.846
Effect of income tax	9	4.019	(4.944)
Other comprehensive income		(25.707)	213.857
Total comprehensive income		767.102	935.632
Earnings per share			
Basic and diluted earnings per share (KZT)	10	841,61	766,20

On behalf of the Management²

A.O. Aldambergen
Chairman of the Board

26 March 2018
Almaty, Kazakhstan

I.B. Kapanova
Chief Accountant

² Here and elsewhere in the consolidated financial statements of the Company and the notes thereto, the Management refers to the Management Board of Kazakhstan Stock Exchange JSC with the account of paragraph 2 of item 4 of Article 6 of the Law of the Republic of Kazakhstan *On Accounting and Financial Reporting*.

The accompanying notes on pages 6 to 46 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2017

(KZT thousand)

	Note	31 December 2017 ³	31 December 2016
ASSETS			
Cash and cash equivalents	11	102.759	110.159
Restricted cash	12	1.859.408	426.636
Cash at banks	13	1.926.341	2.635.126
Available-for-sale investments	14	21.053	21.053
Held-to-maturity investments	15	4.156.119	2.547.064
Investments in an associate	16	141.256	140.464
Advances paid		6.142	3.844
Property, plant and equipment	17	1.381.846	1.475.191
Intangible assets	18	179.134	208.231
Prepayments for current corporate income tax		120.520	157.764
Deferred corporate income tax asset	9	633	-
Other assets	19	114.258	83.464
Total assets		10.009.469	7.808.996
LIABILITIES AND EQUITY			
Liabilities			
Restricted cash liabilities to members of the Exchange	12	1.859.408	426.636
Advances received		51.831	41.310
Liabilities on current corporate income tax		3.218	2.786
Deferred corporate income tax liability	9	23.546	35.541
Other liabilities	20	59.576	57.935
Total liabilities		1.997.579	564.208
EQUITY			
Share capital	21	2.366.256	2.366.256
Revaluation reserve for available-for-sale investments		101	145
Property, plant and equipment revaluation reserve	17	181.105	213.770
Other funds		240.000	225.000
Retained earnings		5.224.428	4.439.617
Total equity		8.011.890	7.244.788
Total equity and liabilities		10.009.469	7.808.996

On behalf of the Management



A.O. Aldambergen
Chairman of the Board

26 March 2018
Almaty, Kazakhstan

I.B. Kapanova
Chief Accountant

³ Here and elsewhere in the consolidated financial statements of the Company and the notes thereto, 31 December of any year means 24.00 (Almaty time) of 31 December of that year.

The accompanying notes on pages 6 to 46 form an integral part of these consolidated financial statements

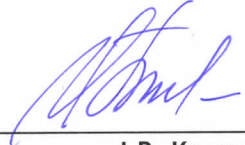
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

(KZT thousand)

	<i>Share capital</i>	<i>Revaluation reserve for available-for-sale investments</i>	<i>Property, plant and equipment revaluation reserve</i>	<i>Other funds</i>	<i>Retained earnings</i>	<i>Total equity</i>
31 December 2015	2.366.256	190	-	225.000	3.717.710	6.309.156
Other comprehensive income	-	(45)	-	-	-	(45)
Revaluation of property, plant and equipment	-	-	213.902	-	-	213.902
Amortisation of the revaluation fund	-	-	(132)	-	132	-
Net profit for the year	-	-	-	-	721.775	721.775
Total comprehensive income	-	(45)	213.770	-	721.907	935.632
31 December 2016	2.366.256	145	213.770	225.000	4.439.617	7.244.788
Other comprehensive income	-	(44)	-	-	-	(44)
Revaluation of property, plant and equipment	-	-	(25.663)	-	-	(25.663)
Amortisation of the revaluation fund	-	-	(1.239)	-	1.239	-
Transfer of the PPE revaluation reserve at disposal	-	-	(5.763)	-	5.763	-
Increase in the reserve fund	-	-	-	15.000	(15.000)	-
Net profit for the year	-	-	-	-	792.809	792.809
Total comprehensive income	-	(44)	(32.665)	15.000	784.811	767.102
31 December 2017	2.366.256	101	181.105	240.000	5.224.428	8.011.890

On behalf of the Management


A.O. Aldambergen
 Chairman of the Board
 26 March 2018
 Almaty, Kazakhstan


I.B. Kapanova
 Chief Accountant

The accompanying notes on pages 6 to 46 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017
(KZT thousand)

	<i>Note</i>	<i>Year ended 31 December 2017</i>	<i>Year ended 31 December 2016</i>
Cash flows from operating activities			
Profit before tax		905.642	867.976
Adjustments to non-monetary items			
Provision for impairment of other assets	6	656	8.472
Making a revaluation reserve for property, plant and equipment		8.038	-
Revaluation loss on property, plant and equipment	17	54.410	4.796
Share in an associate's profit	16	(792)	(612)
Net change in the fair value of available for sale investments		(44)	(45)
Loss from disposal of property, plant and equipment		14.173	1.618
Loss on dealing transactions		-	-
Accrued interest income	5	(554.160)	(649.894)
Depreciation and amortisation	8	134.796	75.217
Cash flows from operating activities before changes in operating assets and liabilities		562.719	307.528
Changes in operating assets and liabilities:			
<i>Increase/(decrease) in operating assets</i>			
Restricted cash		(1.432.772)	1.462.445
Cash at banks		640.614	1.962.512
Advances paid		(2.298)	2.253
Other assets		(31.450)	(9.498)
<i>Increase/(decrease) in operating liabilities</i>			
Liabilities to members of the Exchange on restricted cash		1.432.772	(1.462.465)
Advances received		10.521	(6.893)
Other liabilities		1.641	1.090
Cash inflows from operating activities before tax		1.181.747	2.256.972
Interest received		628.598	643.050
Corporate income tax paid		(91.804)	(230.052)
Net cash inflows from operating activities		1.718.541	2.669.970

The accompanying notes on pages 6 to 46 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	<i>Note</i>	<i>Year ended 31 December 2017</i>	<i>Year ended 31 December 2016</i>
Cash flows from investing activities			
Acquisition of property and equipment	17	(87.288)	(58.912)
Acquisition of intangible assets		(11.697)	(9.518)
Salaries and other costs capitalised to intangible assets		(11.634)	(29.665)
Acquisition of held-to-maturity investments		(1.615.322)	(2.525.010)
Net cash used in investing activities		(1.725.941)	(2.623.105)
Net increase/(decrease) in cash and cash equivalents		(7.400)	46.865
Cash and cash equivalents at the beginning of the year	11	110.159	63.294
Cash and cash equivalents at the end of the year	11	102.759	110.159

On behalf of the Management



A.O. Aldambergen
Chairman of the Board

26 March 2018
Almaty, Kazakhstan

I.B. Kapanova
Chief Accountant

The accompanying notes on pages 6 to 46 form an integral part of these consolidated financial statements

*(KZT thousand, unless otherwise stated)***1. COMPANY**

Kazakhstan Stock Exchange Joint-stock Company (hereinafter the “Company”, “Exchange”) was established on 17 November 1993 in accordance with the legislation of the Republic of Kazakhstan.

Currently, the Company operates on the basis of the Certificate of State Re-registration of a Legal Entity No.1952-1910-01-AO dated 7 February 2004, issued by the Bostandyk District Office of Almaty Department of Justice.

The Company’s activities on the stock market are based on the following licenses:

- 1) license No. 4.2.3/1 to carry out activities on the stock market dated 19 July 2012 No. 4.2.3/1, issued by the Committee for the Control and Supervision of the Financial Market and Financial Organizations of the National Bank of Kazakhstan. The license entitles the Company to carry out the following activities on the stock market:
 - arrangements for trading securities and financial instruments;
 - clearing activities on transactions involving financial instruments on the stock market.
- 2) license No. 5.3.3 to carry out banking transactions in national and foreign currencies dated 29 June 2012 issued by the Committee for the Control and Supervision of the Financial Market and Financial Organizations. The license entitles to carry out the following banking operations:
 - opening and maintenance of correspondent accounts for banks and entities conducting certain types of banking transactions;
 - money transfer transactions: Money transfers for individuals and legal entities;
 - opening and maintenance of bank accounts for legal entities.

The Company is registered at: 280 Baizakov St., North Tower of the Almaty Towers complex, Almaty, 050040, Republic of Kazakhstan.

Principal activities of the Company and its subsidiaries (the “Group”) are the arrangement and technical support for trading securities and other financial instruments by conducting trades using the Exchange’s trading system, providing financial and information services, as well as other services not prohibited by the legislation of the Republic of Kazakhstan.

As at the end of the day on 31 December 2017 and 31 December 2016, shareholders of the Company, each owning more than 5% of the total amount of shares were recorded as follows:

	31 December 2017 %	31 December 2016 %
Shareholders		
National Bank of Kazakhstan	50,10	50,10
CENTRAS Venture Fund LLP	-	6,88
CENTRICA LLP	6,88	-
Kazkommertsbank JSC	6,33	6,33
Others (each owning less than 5%)	36,69	36,69
Total	100,00	100,00

In accordance with paragraph 2 of Article 84 of the Law of the Republic of Kazakhstan *On Securities Market* (hereinafter the “Law”), the share of each shareholder of an Exchange together with its affiliates may not exceed twenty percent of the total number of placed shares, except for when the shareholder is an authorised body, that is, the National Bank of Kazakhstan.

During the years ended 31 December 2017 and 31 December 2016 controlling party of the Company is the National Bank of Kazakhstan (hereinafter the National Bank).

*(KZT thousand, unless otherwise stated)***1. COMPANY (continued)**

The Company is the parent company of the Group, which includes the following entities consolidated for the purposes of these financial statements, as at the end of the day on 31 December 2017 and 31 December 2016:

<i>Name</i>	<i>Country of business</i>	<i>Percentage of voting shares, (%)</i>	<i>Contribution to share capital (KZT thousand)</i>	<i>Activity</i>
IRBIS Information Agency of Financial Markets	Kazakhstan	100	8.930	Information services
eTrade.kz LLP	Kazakhstan	100	12.852	Information technology
			<u>21.782</u>	

On 9 December 2016, the Board of Directors decided to approve the start of liquidation activities of IRBIS Information Agency of Financial Markets.

Associate

The associated company RTRS operates in the Republic of Kazakhstan and acts as a reserve trading and settlement centre. Investments in an associate for consolidation purposes are accounted for using the equity method.

During the years ended 31 December 2017 and 31 December 2016, the percentage of participation in share capital was 50% of direct participation, there is also indirect participation in share capital of RTRS LLP by owning 34.69% of shares in Central Securities Depository JSC.

The Exchange does not consolidate financial statements of RTRS LLP as the Group does not control it. The National Bank of Kazakhstan controls RTRS LLP by owning 54.98% shares of the Central Securities Depository JSC under the Law *On Securities Market*, and 50.1% shares of the Exchange. Total indirect participation of the National Bank in the in share capital of RTRS LLP is 52.54%.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**Accounting Basis**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared on a historical cost basis except as disclosed in the section Significant Accounting Policies, for example, available-for-sale investments, groups of property plant and equipment: buildings, land, vehicles have been measured at fair value.

These consolidated financial statements have been prepared assuming that the Group will continue as a going concern in the foreseeable future.

These consolidated financial statements are presented in Kazakhstani tenge thousands (hereinafter "KZT") except for earnings per share, unless otherwise stated.

Functional Currency

The functional currency of the consolidated financial statements of the Group is tenge, which best reflects the economic nature of the underlying events and circumstances relevant to the Group.

(KZT thousand, unless otherwise stated)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

Adoption of New and Revised IFRS

Changes in Accounting Policy

As of 1 December 2016, the Group adopted changes in estimates that are recognised prospectively, and are not a change in the accounting policy, but are included in the calculation of net profit in the period when the change occurred, as it affects current and subsequent periods.

Significant changes in estimates affected the following sections of the Accounting Policy:

- 1) accounting for PPE and intangible assets:
 - depreciation rates;
 - subsequent measurement of groups of assets: buildings, land, vehicles (at remeasured cost);
 - write-off procedure for PPE items and intangible assets;
- 2) accounting for past due accounts:
 - write-off procedure past due accounts;
 - timing, amount of provisions for doubtful debts.

New and Revised Standards and Interpretations

The Group adopted the following revised IFRSs that are effective for annual periods beginning on or after 01 January 2017. The Group has not early adopted any standards, interpretations and amendments that have been issued but not yet effective.

Annual Improvements to IFRS, 2014-2016 cycle

These improvements are effective on or after 1 January 2017, and are not expected to have an impact on the Group. They include the following amendment.

The nature and impact of each amendment are described below.

Amendments to IAS 7 Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 *Statement of Cash Flows* to improve information provided to financial statement users about an entity's financing activities and liquidity. According to the amendments, entities are required to disclose information regarding changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes (e.g. arising from foreign exchange fluctuations). These amendments are effective since 1 January 2017.

During the years ended 31 December 2017 and 31 December 2016, there were no cash flows from financing activities requiring disclosure.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

In January 2016, the IASB issued amendments to IAS 12 clarifying how to account for deferred tax assets related to debt instruments measured at fair value in the financial statements but at cost for tax purposes.

The amendments clarify that the Group should consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference related to unrealised losses. In addition, the amendments provide guidance on how the Group determines the future taxable income, and describe the circumstances under which the entity may recover certain assets for more than its carrying amount.

This amendment did not have a material impact on the financial position and performance of the Group as the Group has no deductible temporary differences or assets that fall within the scope of the amendments.

(KZT thousand, unless otherwise stated)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

Adoption of New and Revised IFRS

Annual Improvements to IFRS, 2014-2016 cycle

Amendments to IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. As at 31 December 2017, these amendments did not have any impact on the financial statements of the Group, as none of the assets are classified as the above.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments*, issued by IASB in July 2014, reflects the results of all phases of projects relating to financial instruments, and replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new classification and measurement requirements, depreciation requirements and a new hedge accounting model.

With regard to classification and measurement, the new standard requires that all financial assets, except for equity instruments and derivatives be measured based on the Group's business model for managing the financial assets and their contractual cash flow characteristics. Instead of categories set by IAS 39, the standard introduces the following categories of financial instruments: at fair value through profit or loss (FVTPL), at fair value through other comprehensive income (FVTOCI) and at amortised cost. IFRS 9 also allows entities to irrevocably designate a financial instrument that would otherwise have to be measured at amortised cost or fair value through OCI to be measured at fair value through profit or loss if doing so would eliminate or significantly reduce a measurement or recognition inconsistency. Equity instruments not held for trade may be irrevocably designated to be measured at fair value through OCI with income or expense on such instruments not included in the statement of profit and loss. Accounting treatment of liabilities is generally similar to IAS 39 requirements.

IFRS 9 fundamentally changes the accounting approach for loan impairment. Instead of an incurred loss model, a forward-looking expected credit loss model has been introduced. The Group will be required to recognise an allowance for expected credit losses for all loans and other debt-type financial assets that are not measured at fair value through profit or loss, as well as on loan commitments and financial guarantees. The allowance shall be measured at an amount equal to the expected credit loss resulting from default over the next 12 months. If the credit risk on the instrument has increased significantly since initial recognition, the allowance is estimated using the probability of default approach over the term of the asset.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. Retrospective application is required, but restatement of comparative information is not required. The effect of applying the standard at the transition date (1 January 2018) should be stated in 'Retained earnings'. Application of IFRS 9 will not affect the classification and measurement of financial assets of the Group.

(KZT thousand, unless otherwise stated)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

Adoption of New and Revised IFRS (continued)

New and Revised Standards and Interpretations (continued)

Annual Improvements to IFRS, 2014-2016 cycle (continued)

IFRS 15 Revenue from Contracts with Customers

In May 2014 IASB issued IFRS 15 *Revenue from Contracts with Customers*, which applies to annual reporting periods beginning on or after 1 January 2018). Earlier application is permitted. IFRS 15 determines revenue recognition principles, and applies to all contracts with customers. However, interest and commission income directly related to financial instruments and leases remain outside the scope of IFRS 15 and will be governed by other applicable standards (e.g. IFRS 9 and IFRS 16 *Leases*).

Under IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also includes disclosure requirements with respect to information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 16 Leases

In January 2016, the IASB issued a new standard IFRS 16 *Leases*, which regulates accounting for leases. The lessors' accounting largely remains unchanged. However, lessees are required to recognise right-to-use assets and corresponding lease liabilities in the balance-sheet. Lessees shall use a single accounting model for all leases, unless the underlying asset is of low value. Generally, the profit or loss recognition pattern for all leases consistent with the current procedure for lease recognition pattern with interest and depreciation expense recognised separately in the statement of profit or loss.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted provided that the Company will start applying the new IFRS 16 from the same date.

The Group does not plan to early apply IFRS 16, and is currently assessing the impact of this standard.

Amendments to IFRS 2 Share-based Payment

The IASB has issued amendments to IFRS 2 *Share-based Payment* in relation to the classification and measurement of share-based payment transactions. The amendments are intended to eliminate diversity in practice, but are narrow in scope and address specific areas of classification and measurement. The amendments cover three accounting areas:

- the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- classification of a share-based payment transaction, which permits an entity withhold a certain amount of equity instruments in order to fulfil an employee's tax obligation on the employee's behalf;
- the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

(KZT thousand, unless otherwise stated)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

Adoption of New and Revised IFRS (continued)

New and Revised Standards and Interpretations (continued)

Annual Improvements to IFRS, 2014-2016 cycle (continued)

Amendments to IFRS 2 Share-based Payment (continued)

These amendments are effective for annual periods beginning on or after 1 January 2018. Entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments are intended to address issues arising from implementing IFRS 9 *Financial Instruments*, before the new insurance contracts standard comes into effect, which is currently being deliberated by the IASB. The amendments provide two options for entities that issue insurance contracts: a temporary exemption from applying IFRS 9 or the overlay approach. Entities whose predominant activity is issuing contracts may defer the application of IFRS 9. Such entities will be permitted to continue applying IAS 39 *Financial Instruments: Recognition and Measurement*, and defer the application of IFRS 9 until 1 January 2021. The overlay approach requires an entity to remove from profit or loss additional volatility that may arise if IFRS 9 is applied with IFRS 4.

Temporary exemption is allowed to be applied for the first time for reporting periods beginning on or after 1 January 2018. The Group may elect to apply the overlay approach when it first applies IFRS 9, the approach shall be applied retrospectively to designated financial assets on transition to IFRS 9. These amendments are not expected to have any impact on the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis for Consolidation

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

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the acquisition date (the date that control commences) until the date of sale (the date that control ceases). Total comprehensive income of subsidiaries is allocated to owners of the Group.

Financial statements of the Group's subsidiaries are prepared for the same reporting period as those of the Company, using the same accounting policy.

All balances, income and expenses arising from operations within the Group are eliminated on consolidation.

Recognition service and commission fee income

Service and commission fee income is recognised the relevant services are rendered. Income on admission membership fees and listing fees are recognised on the basis of decisions to admit entities to the Exchange membership and include securities to the Exchange official list. Income received by the Company from any entity as monthly membership fees is recognised monthly on an ongoing basis as long as the entity is a member of the Exchange. Income on annual listing fee is recognised within 12 months to which they relate.

(KZT thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of Interest Income

Interest income is recognised on an accrual basis and is calculated using the effective interest method. 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 revenue or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts to the net carrying amount of the financial asset or liability. Cash flows are discounted through the expected life of the financial asset or liability or, when appropriate, a shorter period.

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

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

Fair Value Measurement

The Group estimates at each reporting date financial instruments such as available-for-sale securities by value which approximates their fair value. The fair value of financial instruments measured at amortised cost is disclosed in Note 23.

The fair value is the price that would be received for the sale of an asset or paid out for the transfer of a liability in the normal transaction between market participants at the measurement date. A fair value measurement assumes 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 Group shall have an access to the principal market or most advantageous market. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

(KZT thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement (continued)

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

Financial Instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position of the Group, where the Group becomes a party to a contract in respect of the relevant financial instrument.

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

Financial Assets

Classification of financial assets at initial recognition depends on the purpose of acquisition of financial assets and its characteristics.

Financial assets are classified in the following categories: held-to-maturity investments, available-for-sale investments, and accounts receivable.

Held-to-maturity Investments

Held-to-maturity investments include listed debt securities non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity.

After initial recognition held-to-maturity investments are carried at amortised cost using the effective interest rate method, less provision for impairment.

If the Group has sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (except in very narrowly defined circumstances), the whole category shall be reclassified as available-for-sale. In addition, the Group may not classify any financial asset as held-to-maturity during the subsequent two years. Amortisation of held-to-maturity investments is recognised in the statement of comprehensive income.

Available-for-sale Investments

Investments are classified as available-for-sale when they are held for an indefinite period, and are sold due to changes in market conditions or in order to meet the disposal requirements on these investments.

(KZT thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets (continued)

Available-for-sale investments are measured cost, which approximates their fair value, with changes therein recognised directly in other comprehensive income of the Group as a revaluation reserve for available-for-sale investments. At the disposal of such investments, the related amount of the revaluation reserve is excluded from other comprehensive income of the Group and is recognised in the statement of profit or loss. Interest on corporate bonds classified as available-for-sale is calculated using the effective interest rate method and is recognised in interest income in other comprehensive income.

Available-for-sale investments in securities that do not have a quoted market price in an active market and whose fair value cannot be determined, are measured at cost less impairment losses at the end of each reporting period.

Accounts Receivable

Receivables are carried at amortised cost using the effective interest rate method. Short-term receivables are carried at historical cost if the effect of discounting of future cash flows is immaterial. Gains and losses on such assets are recognised in profit or loss upon disposal or impairment or depreciation of such assets.

Impairment of Financial Assets

Financial assets are tested for impairment at the end of each reporting period. Financial assets are impaired where 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 financial assets have been impacted.

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 the counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments;
- default or delinquency in interest or principal payments;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets such as receivables, assets that are assessed not to be impaired individually are also tested for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, 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 impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

(KZT thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Financial Assets (continued)

For financial assets carried at cost, impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted using the financial asset's current market interest rate. Such impairment shall not be reversed in future periods.

The carrying amount of the financial asset is reduced by the impairment loss with the exception of receivables and held-to-maturity investments where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss (except for available-for-sale equity instruments) decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit and loss account. The carrying amount of financial assets at the date of reversal of an impairment loss should not be more than the carrying amount that would have been stated if the impairment had not been recognised.

If available-for-sale investments are recognized as impaired, the total amount which is the difference between the present value (net of repayment of principal and amortisation) and their current fair value less impairment losses recognised in the previous statement of comprehensive income is reclassified from equity to other comprehensive income.

Impairment losses on equity instruments previously recognised in profit or loss are not reversed. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale investments revaluation reserve. Impairment losses on debt instruments classified as available-for-sale are subsequently reversed through profit or loss if the increase in the fair value is objectively linked to an event occurring after the impairment loss was recognised.

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

- the rights to receive cash flows from the asset have expired;
- the Group has transferred substantially all the risks and rewards of ownership of the asset;
- the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the asset as it no longer controls the asset.

After a transfer, the Group reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains in the consolidated statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether it has retained control of the asset. The asset is derecognised if the Group has not retained control. 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 the derecognition of financial assets are recognised in comprehensive income as other income/expenses from operating activities.

(KZT thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Liabilities

Financial liabilities are accounted for at fair value less transaction costs.

Other financial liabilities are subsequently carried at amortised cost. Interest expenses are carried at amortised cost using the effective interest rate method.

Derecognition of Financial Liabilities

The Group derecognises financial liabilities only upon their repayment, cancellation or expiration. 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 existing liability and the recognition of a new liability. The difference between the carrying amount of a derecognised financial liability and paid or payable consideration is recognised in the statement of profit or loss.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and balances on correspondent accounts with banks in Kazakhstan and abroad with initial maturities of up to 3 (three) months, except for restricted cash.

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

Major part of the restricted cash includes money of the Exchange members on correspondent accounts of the Exchange at the reporting date used for next day transactions. In addition, in accordance with the internal document of the Group "Rules for Clearing Activities for Transactions with Financial Instruments" (hereinafter the "Rules"), each clearing member must maintain a certain level of margin and security deposit on a correspondent account of the Group. Moreover, some of the clearing members deposit money at the end of a trading day on the Group's correspondent account to make trades the following day. The Group regards such funds as restricted cash, and recognises them as liabilities to market members.

Cash at banks

In the course of business the Group opens current accounts and deposits with banks for a term of more than 3 (three) months. Fixed maturity deposits are carried at amortised cost using the effective interest method. Due from banks are accounted for net of provision for impairment, if any.

Property, Plant and Equipment

Items of property, plant and equipment (PPE) are initially recognised at acquisition cost, which includes direct costs and non-refundable taxes that are directly attributable to the acquisition of PPE.

After initial recognition PPE items are carried:

- 1) using the revaluation model: buildings and structures, land plots and vehicles;
- 2) using the cost model for all other groups of property and equipment.

When using the revaluation model, items of PPE are stated at fair value at the revaluation date net of accumulated depreciation and impairment losses.

*(KZT thousand, unless otherwise stated)***3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Property, Plant and Equipment (continued)**

The Group capitalises the costs incurred during the modernisation and repair of assets, which extends the useful life of the unit or increases future economic benefits from the use of the asset. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalisation are charged to consolidated statement of comprehensive income of the Group as incurred.

Depreciation of PPE is included in the consolidated statement of the Group in comprehensive income as operating expenses over their estimated useful lives, using the straight-line method. If components of any item of PPE have different useful lives, they are treated as individual items of PPE.

Estimated useful lives of property, plant and equipment of the Group are provided below.

	<i>Useful lives used in 2017 (in years)</i>	<i>Useful lives used after 1 December 2016 (in years)</i>
Buildings	40	40
Machinery and equipment	3-15	3-15
Vehicles	6,7	6,7
Other assets	6-10	6-10

Land and construction-in-progress items are not depreciated.

The carrying amount, useful lives and depreciation methods are reviewed at each reporting date.

Intangible Assets

Intangible assets include software and licenses.

Intangible assets acquired separately are initially measured at cost. The value of intangible assets acquired in a business combination is their fair value at the acquisition date. After initial recognition intangible assets are stated using the cost model. When using the cost model, intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditures of the Group to generate an intangible asset are included in cost of an intangible asset, and accounted for as construction-in-progress until ready for its intended use in accordance with the contract terms.

The cost of an internally generated intangible asset is the sum of the following expenditure incurred from the date when the intangible asset first meets the recognition criteria, and comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use:

- 1) costs of materials and services used or consumed in generating the intangible asset;
- 2) the salaries, wages and other employment related costs of personnel directly engaged in generating the asset (the Group capitalises benefits of employees involved in the finalisation of software on the basis of work completion reports, if such work meets all of the above requirements);
- 3) any expenditure that is directly attributable to generating the asset, such as fees to register a legal right, patents and licences that are used to generate the asset.

*(KZT thousand, unless otherwise stated)***3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Intangible Assets (continued)**

Intangible assets may have finite and indefinite useful lives.

Intangible assets with indefinite useful lives are not amortised but are tested annually for impairment.

Estimated useful lives of intangible assets are provided below:

	<i>Useful lives used in 2017 (in years)</i>	<i>Useful lives used after 1 December 2016 (in years)</i>
Internally generated software	3-9	3-9
Other software and licenses	5	5
Other intangible assets	5	5

Provisions

Estimated liabilities are recognised when the Group has an obligation (legal or constructive) as a result of a past event, and it is probable that the Group will have to settle the obligation, and the amount of the obligation can be reliably estimated.

The estimated liability is measured at the best estimate of the amount required to settle the obligation at the reporting date, taking into account uncertainties surrounding the obligation. If the amount of the provision is calculated on the basis of the estimated cash flows to settle the obligations, and the effect of time value of money is material, the amount of the provision shall be the present value of such cash flows.

When expenditure required to settle the obligation is expected to be reimbursed by a third party, the relevant receivable is recognised as an asset when it is virtually certain that the reimbursement will be received and the amount can be measured reliably.

Foreign Currencies

During the preparation of financial statements of each separate company of the Group, transactions in currencies other than the functional currency (hereinafter “foreign currencies”) are recorded at the market exchange rate at the date of the transaction. Monetary items denominated in foreign currencies are translated at the relevant exchange rate⁴ as at the end of each reporting period. Non-monetary items carried at fair value denominated in foreign currency, are subject to translation at the market exchange rate prevailing at the date on which the most recent fair value was determined. Non-monetary items carried at historical cost denominated in a foreign currency are not retranslated.

The market exchange rates as at the year-end used by the Group in preparing consolidated financial statements are provided below:

	<i>31 December 2017</i>	<i>31 December 2016</i>
KZT/1 USD	332,33	333,29
KZT/1 EUR	398,23	352,42
KZT/1 RUR	5,77	5,43
KZT/1 GBP	448,61	409,78

⁴ Conversion into functional currency is done using market exchange rate defined according to the procedure established by the NBRK jointly with the authorized governmental body responsible for regulation of activities in the field of accounting and financial reporting.

(KZT thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share Capital

Share capital is recorded at historical cost.

Dividends on ordinary shares are recorded as a decrease in equity in the period, in which they were declared. Dividends declared after the reporting date are treated as events after the reporting date according to IAS 10 *Events after the Reporting Period* and disclosed accordingly.

Capital Reserves and Funds

Reserves and funds recognised in equity in the statement of financial position of the Group comprise:

- available-for-sale investments revaluation reserve, which includes changes in the fair value of investments classified as available-for-sale;
- PPE revaluation reserve;
- other funds formed to cover the possible default of participants in the derivatives market.

In 2010, the Exchange Council of the Company decided to create a reserve fund in the amount of KZT 170,000 thousand to cover the insolvency risk of market participants on derivative instruments. The reserve fund consists of KZT 70,000 thousand of reserve fund for trading with futures foreign exchange contracts and KZT 100,000 thousand of reserve fund for trading with index futures contracts of the Company. In 2015 it was decided to create a clearing reserve fund for a “stock” exchange market sector in the amount of KZT 55,000 thousand. On 14 December 2017 it was decided to increase the clearing reserve fund for “stock” exchange market to KZT 70,000 thousand.

The reserve fund is a part of other funds in the consolidated statement of changes in equity.

Investments in Associates

Associate is a company, on financial and operational activities of which the Group has significant influence, and that is neither a subsidiary nor a joint organisation. Significant influence implies the right to participate in taking decisions relating to financial and economic activities of the organisation, but does not imply control or joint control over such activities.

Performance and also assets and liabilities of the associate are included in these consolidated financial statements with using the equity method. According to the equity method, investments in associate are initially recognised in consolidated financial statements of financial position at cost and subsequently adjusted to the Group's share of profit or loss and other comprehensive income of the associate.

Requirements of IAS 36 *Impairment of Assets* shall be applied to determine the need for recognition of an impairment loss on the Group's investments in the associate. If necessary, the carrying value of the investment (including goodwill) is tested for impairment according to IAS 36 by comparing its recoverable value (the highest value of the value in use and the fair value less costs to sell) with its carrying amount. Recognised impairment loss is included in the carrying amount of the investment.

Reversal of such impairment loss is recognised in accordance with IAS 36 in cases where the recoverable value of the investment subsequently increases.

If an entity - a member of the Group, conducts transactions with an associate, profits and losses arising from transactions with associates are recognised in the Group's consolidated financial statements only to the extent of its interest in the associate that does not belong to the Group.

(KZT thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Corporate income tax expenses consist of the current and deferred taxes are recorded in the Group's statement of profit and loss, except for cases when deferred tax relates to transactions recorded directly in other comprehensive income or equity.

The amount of current corporate tax expense is the expected amount of tax accrued for period and calculated on a basis of tax rates effective in accordance with the laws of the Republic of Kazakhstan at the reporting date, taking into account all adjustments on tax debts of previous years.

Assets and liabilities for deferred corporate income tax are calculated in respect of temporary differences using the balance sheet liability method. Deferred taxes are determined on all temporary differences between the tax base of assets and liabilities and their carrying amounts in financial statements, except for deferred income tax arising from the initial recognition of goodwill, asset or liability in a transaction which is not a business combination and that, at the time of the transaction, has no effect on the accounting income or tax income 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 the achievement of sufficient taxable profit, which will allow using all or part of the assets, is assessed as unlikely.

Deferred tax assets and liabilities are measured at tax rates that will be applied during the period when deferred asset is realised or liability is settled, based on the laws that have been enacted or substantively enacted at the reporting date.

The Company offsets deferred tax assets and liabilities, and presents the final difference in the separate statement of financial position, if:

- the Group has a legally enforceable right to offset current tax claims against current tax liabilities; and
- deferred tax assets and liabilities relate to income taxes levied by the same tax authority from the same tax entity.

Critical Accounting Judgments and Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, Company Management makes 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 prior experience and other factors deemed relevant in specific circumstances. Actual results can differ from these estimates.

Estimates and basic judgments are constantly reviewed. Changes in accounting estimates are recognised in the period in which the estimate is revised, if the change affects only that period, or in the change period and future periods, if the change affects both current and future periods.

(KZT thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical Accounting Judgments and Sources of Estimation Uncertainty (continued)

Main Sources of Estimation Uncertainty

Key assumptions concerning the future and other key sources of uncertainty in the estimates as at the end of reporting period, which with high probability can cause material adjustments to the carrying value of assets and liabilities within the next financial year, are given below.

Impairment of Receivables

Accounts receivable are included in other assets in the consolidated statement of financial position. The Group tests its receivables for impairment on a regular basis. The Group's reserves are established to recognise incurred impairment losses on receivables. Group considers that accounting estimates related to receivables impairment provision are the key source of uncertainty due to the fact that (i) they are highly exposed to changes from period to period as the assumptions about future norms of losses and evaluation of potential losses on impaired receivables, are based on actual figures, available on the current date; and (ii) if there is a material difference between the estimated loss and the actual losses incurred by the Company, creation of provisions, which may have a material impact on the Company's financial statements in subsequent periods, will be required.

Provisions for impairment of financial assets in the financial statements are determined on a basis of current economic and political conditions. Company is unable to predict what changes will occur in the Republic of Kazakhstan and what impact these changes may have on the adequacy of provisions for impairment of financial assets in future periods.

If debtor fails to pay the amounts of debt at maturity stipulated by relevant contract, the debt is considered overdue and subject to classification.

Classification of overdue receivables is carried out depending on a number of days of delay according to the following categories:

- 1) category 1 - up to 30 days past due (inclusive);
- 2) category 2 - over 30 days to 180 days past due (inclusive);
- 3) category 3 - over 180 days past due.

Depending on classification of overdue receivables the reserves (provisions) are created on account of expired costs in the following amounts:

- 1) category 1 - 0% of overdue receivables amount;
- 2) category 2 - 50% of overdue receivables amount;
- 3) category 3 - 100% of overdue receivables amount.

If before expiration of 180 days the Group has the circumstances which confirm the absence of the Group's right to collect receivables with appropriate supporting documentation (a valid court decision, completion of liquidation of the debtor - legal entity, etc.), this receivable is subject to classification by category 3 on a date of occurrence of these circumstances.

*(KZT thousand, unless otherwise stated)***3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Critical Accounting Judgments and Sources of Estimation Uncertainty (continued)**

The Group ceases to recognise the asset in accounting only for debts classified by category 3 and after taking all measures to recover overdue receivables which did not lead to repayment of debt by the debtor.

As at the end of day on 31 December 2017 and 31 December 2016, total value of accounts receivable amounted to KZT 93,218 thousand and KZT 60,704 thousand, respectively, and impairment provision amounted to KZT 6,598 thousand and KZT 14,542 thousand, respectively (Note 19).

Taxation

Kazakhstani tax, currency and customs legislation is subject to varying interpretations and frequent changes. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and state authorities. Tax periods remain open to review by tax authorities for five calendar years preceding the years of tax inspections.

Management believes that during the years ended as at 31 December 2017 and 31 December 2016, its interpretation of the applicable laws is appropriate and it is probable that the Group's positions with respect to taxes, currency and customs will be confirmed. After inspections by corresponding authorities the Company may be assessed additional taxes, penalties and interest, which may have influence on net profit of the Company.

Court Proceedings

In accordance with IFRS the Group recognizes the need for the creation of provisions only when there are current obligations arising from past events which can be reliably estimated. If these criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. Application of this principle with respect to proceedings requires the Group to take decisions on various operational and legal issues beyond its control. In case of proceedings, the Group will adhere to the policy of reviewing pending legal proceedings, as well as at each reporting date in order to assess the need to form provisions. There are the following factors, considered by the Group in making decisions on accrual of contingent liabilities: essence of lawsuit, claim or penalty; amount of potential damage, which can be incurred by the Group as a result of unfavourable outcome of the proceeding; course of proceeding (including events after the financial statements date but prior to publication thereof); opinions of legal counsels; previous experience with similar proceedings and any decisions of the Group Management as to how to react to the lawsuit, claim or penalty. As at the date of issue of these consolidated financial statements, the Group was not involved in significant proceedings.

4. INCOME FROM SERVICES AND COMMISSIONS

	2017	2016
Income from services and commissions		
Listing fees	654.159	570.310
Fees for membership on the Exchange	360.034	379.871
Commissions for transactions on the Exchange	687.838	331.770
Income from information services	212.687	199.578
Income from remote access services	22.793	24.657
Clearing fees	1.949	791
Total services and commissions income	1.939.460	1.506.977

*(KZT thousand, unless otherwise stated)***5. INTEREST INCOME**

	2017	2016
Interest income includes:		
Interest income on non-impaired financial assets	552.119	647.853
Interest income on impaired financial assets	2.041	2.041
Total interest income	554.160	649.894
Interest income from financial assets, carried at amortised cost, includes:		
Interest income from funds in banks	166.117	471.438
Interest income from held-to-maturity investments	372.516	136.779
Interest income, connected with gaining interest for transactions of reverse repurchase agreements with securities	3.623	39.000
Interest income from cash and cash equivalents	11.904	2.677
Interest income from financial assets, carried at fair cost, includes:		
Interest income on available-for-sale investments	-	-
Total interest income from financial assets	554.160	649.894

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

Information on changes of provisions for impairment of interest-bearing assets, and other provisions is provided as follows:

	<i>Held-to- maturity investments</i>	<i>Other assets</i>	<i>Total</i>
<i>As at the end of day on 31 December 2015</i>	39.858	6.629	46.487
Creation of provisions	-	8.472	8.472
Write-off	-	(559)	(559)
<i>As at the end of day on 31 December 2016</i>	39.858	14.542	54.400
Creation of provisions	-	(656)	(656)
Write-off	(35.966)	(7.288)	(43.254)
<i>As at the end of day on 31 December 2017</i>	3.892	6.598	10.490

7. NET PROFIT (LOSS) FROM TRANSACTIONS WITH FOREIGN CURRENCY

Net profit from transactions with foreign currency for the year ended 31 December 2017, amounted to KZT 2,927 thousand mainly attributable to foreign currency deposit of Tsesnabank JSC outlined in note 13. (2016: net foreign exchange loss in the amount of KZT 4,306 thousand).

*(KZT thousand, unless otherwise stated)***8. OPERATING EXPENSES**

	<u>2017</u>	<u>2016</u>
Employee benefits costs	980.570	836.755
Depreciation and amortisation	134.795	75.217
Social tax	98.081	81.950
Loss from revaluation of PPE	54.410	4.796
Maintenance and repairs of PPE	47.842	38.009
Bank services	46.698	13.837
Taxes other than corporate income tax	43.122	34.581
Communications and SWIFT maintenance	30.339	29.792
Business development costs	26.237	20.966
Business trip expenses	23.458	31.758
Maintenance and operating lease expenses	17.741	19.879
Professional services	14.101	22.273
Information services	13.651	9.422
Membership fees	12.554	12.953
Personnel training	8.066	5.161
Expenses for postal and courier services	2.443	1.567
Insurance expenses	1.519	1.409
Other expenses	60.345	46.489
Total operating expenses	1.615.972	1.286.814

Expenses of the Group in the reporting period increased compared with 2016 by KZT 329,158 thousand (+25.58%). Below is the information on significant deviations by the main items of Exchange expenses.

Increase of employee benefits expenses in 2017 by KZT 143,815 thousand (+17,2%) and respectively expenses for social tax by KZT 16,131 thousand (+19,7%) in comparison with 2016, in most part due to filling vacant positions and increase in staff of the Exchange, as well as expenses for social payments to employees (material assistance, payment for maternity leave).

Staff expenses do not include remuneration to employees directly involved in the improvement of software products capitalized as intangible assets of the Group. Information on the above stated remuneration is disclosed in Note 18 to the this financial statements.

Application of new norms of depreciation and amortisation from 1 December 2016 had impact on increase of these expenses in 2017 by KZT 59,578 thousand (+79.2%) compared to 2016.

Loss on revaluation of PPE in the reporting year is greater by KZT 49,614 thousand (+1,034.5%) as compared with 2016 due to revaluation of an administrative building located at 280 Baizakov str., Almaty.

Year-on-year growth of expenses on banking services in 2017 by KZT 32,861 thousand (+237.5%) is associated with increase in tariffs of Central Securities Depository JSC for registration of transactions.

Increase of expenses for maintenance of property, plant and equipment and intangible assets by KZT 9,833 thousand (+25.9%) in the reporting period compared with 2016 is related to current repair of administrative premises at the address: 280 Baizakov str., Almaty.

Other expenses in 2017 increased by 13,856 (+29.8%) as compared to 2016, mainly due to expenses on write-off of construction-in-progress of a specialised data processing centre complex for amount of KZT 7,432 thousand and expenses under civil contracts in connection with the assessment under compulsory health insurance.

*(KZT thousand, unless otherwise stated)***9. CORPORATE INCOME TAX**

Expenses for corporate income tax consist of the following items:

	2017	2016
Expenses for current corporate income tax	121.442	139.762
Expenses for deferred corporate income tax	(8.609)	6.439
Expenses for corporate income tax	112.833	146.201

The Group carries out calculations on income tax for current period on a basis of tax base in accordance with the requirements of the tax legislation of the Republic of Kazakhstan, which may differ from IFRS.

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

Deferred tax reflects the net tax effect of temporary differences between the carrying value of assets and liabilities for the purposes of financial statements and the amount calculated. Temporary differences at the end of day on 31 December 2017 and 31 December 2016 are mainly connected with different methods/terms for income and expenses accounting, as well as temporary differences arising from different approaches to accounting and tax value of certain assets.

Tax effect from temporary differences as at the end of day on 31 December 2017 and 31 December 2016 is as follows:

	31 December 2017	<i>Other comprehensive income consists of</i>	<i>In statement of profit and loss</i>	31 December 2016
Tax effect of deductible temporary differences				
Provision for unused annual leaves	6.200	-	(1.001)	7.201
Property, Plant and Equipment	91	-	(33)	124
Provision for assets impairment	3.473	-	(493)	3.966
Provision for doubtful claims	740	-	(46)	786
Deferred income tax assets	10.504	-	(1.573)	12.077
Tax effect of taxable temporary differences				
Property, Plant and Equipment	(33.417)	4.019	10.182	(47.618)
Deferred tax liabilities	(33.417)	4.019	10.182	(47.618)
Total liabilities for deferred income tax	(22.913)	4.019	8.609	(35.541)

Movement of net deferred tax liability

	31 December 2017	<i>Other comprehensive income consists of</i>	<i>In statement of profit and loss</i>	31 December 2016
Net deferred tax liability at the beginning of year	35.541	-	11.383	24.158
Deferred tax through capital on PPE revaluation	(4.019)	(4.019)	(4.944)	4.944
Expenses for deferred income tax	(8.609)	-	(15.048)	6.439
Net deferred tax liability at the end of year	22.913	(4.019)	(8.609)	35.541

Deferred tax asset is recognised in respect of a subsidiary eTrade.kz LLP.

*(KZT thousand, unless otherwise stated)***9. CORPORATE INCOME TAX (continued)****Movement of net deferred tax liability (continued)**

The tax rate used for reconciliations below is a corporate tax rate of 20% on taxable profit in accordance with the tax legislation in the Republic of Kazakhstan.

The reconciliation between corporate income tax expenses recorded in these consolidated financial statements and profit before corporate income tax expenditures accounting, multiplied by the standard tax rate for years ended 31 December is as follows.

	<i>Year ended 31 December 2017</i>	<i>Year ended 31 December 2016</i>
Profit before tax	905.642	867.976
Standard rate of corporate income tax	20%	20%
Tax at statutory rate	181.128	173.595
Non-taxable interest income and other income from government securities and other securities	(74.503)	(27.356)
Expenses, not reducing tax base		
General and administrative expenses	2.672	5.814
Membership fees	2.379	2.468
Provision for other assets impairment	158	1.003
Expenses on available-for-sale securities	-	-
Interest in an associate's profit of	(159)	(122)
Other	1.158	(9.201)
Total permanent differences on corporate income tax	(68.295)	(27.394)
Expenses for corporate income tax	112.833	146.201

10. EARNINGS PER SHARE

Amount of profit and weighted average number of ordinary shares used to calculate basic and diluted earnings per share are as follows.

	<i>Year ended 31 December 2017</i>	<i>Year ended 31 December 2016</i>
Net profit for year related to shareholders of the Company	792.809	721.775
The weighted average number of ordinary shares for the purposes of determining basic earnings per share	942.013	942.013
Basic and diluted earnings per share (KZT)	841,61	766,20

*(KZT thousand, unless otherwise stated)***11. CASH AND CASH EQUIVALENTS**

	<i>31 December 2017</i>	<i>31 December 2016</i>
Cash on hand	381	417
Correspondent and current accounts in other banks	102.378	109.742
Total cash and cash equivalents	102.759	110.159

12. RESTRICTED CASH

	<i>31 December 2017</i>	<i>31 December 2016</i>
The National Bank of the Republic of Kazakhstan	1.859.408	426.636
Total restricted cash	1.859.408	426.636

As at the end of day on 31 December 2017 and 31 December 2016, restricted cash is represented by the funds of the Exchange members, placed for purpose of performing operations in foreign currency. Funds were placed by the following Exchange members.

	<i>31 December 2017</i>	<i>31 December 2016</i>
Kazakhstan second-tier banks	1.820.960	392.851
Other financial institutions	38.448	33.785
Total restricted cash liabilities	1.859.408	426.636

13. CASH AT BANKS

	<i>31 December 2017</i>			<i>31 December 2016</i>		
	%	<i>Maturity</i>	<i>Amount</i>	%	<i>Maturity</i>	<i>Amount</i>
Fixed-term deposits						
SB Alfa-Bank JSC	10,0	February 2019	960.000	13,0	January 2017	555.401
Tsesnabank JSC	2,5	August 2018	248.011	3-15	February - August 2017	467.834
SB Sberbank of Russia JSC	10,0	February 2018	718.330	16,0	February 2017	1.611.891
Total cash at banks			1.926.341			2.635.126

As at the end of day on 31 December 2017 and 31 December 2016 cash at banks included accrued interest in the amount of KZT 3,846 thousand and KZT 72,017 thousand, respectively.

(KZT thousand, unless otherwise stated)

14. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2017		31 December 2016	
	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
Total available-for-sale investments	-	21.053	-	21.053

Shares of Central Securities Depository JSC and Kyrgyz Stock Exchange CJSC are recorded at cost due to absence of active market and similar financial instruments, as well as due to the fact that their fair value cannot be reliably estimated using other methods. Management regularly reviews the investments on the existence of impairment.

15. HELD-TO-MATURITY INVESTMENTS

	31 December 2017	31 December 2016
Corporate bonds	25.944	61.912
Less provision for impairment (Note 6)	(3.892)	(39.858)
	22.052	22.054
Short-term state papers		
Notes of the National Bank of the Republic of Kazakhstan	4.134.067	2.525.010
Total held-to-maturity investments	4.156.119	2.547.064

Information on movement of the provision for impairment for years ended 31 December 2017 and 31 December 2016 is disclosed in Note 6.

	31 December 2017		31 December 2016	
	Nominal interest rate, %	Amount	Nominal interest rate, %	Amount
Debt securities				
Ornek XXI JSC	-	-	i + 2,50	35.967
Temirbank JSC	8,00	25.944	8,00	25.945
		25.944		61.912
Less provision for impairment		(3.892)		(39.858)
		22.052		22.054
Short-term government securities				
Notes of the National Bank of the Republic of Kazakhstan		4.134.067		2.525.010
Total held-to-maturity investments		4.156.119		2.547.064

As at the end of day on 31 December 2017 and 31 December 2016 held-to-maturity investments included accrued interest in the amount of KZT 436 thousand and KZT 6,703 thousand, respectively.

*(KZT thousand, unless otherwise stated)***16. INVESTMENTS IN ASSOCIATE**

Movement in investments in associate is as follows:

	2017	2016
At the beginning of year	140.464	139.852
Interest in an associate's profit	792	612
At the end of year	141.256	140.464

Presented below is the summarized financial information on RTRS LLP.

	31 December 2017	31 December 2016
Cash and cash equivalents	7.834	6.367
Cash in banks	30.720	25.186
Investment property	172.471	174.315
Property, plant and equipment	68.518	72.590
Other assets	3.158	2.631
Total assets	282.701	281.089
Other liabilities	189	161
Total liabilities	189	161
Equity	282.512	280.928
Interest of the Group in net assets	50%	50%
Carrying value of investments in the associate	141.256	140.464
	For 2017	For 2016
Revenue from services provided	43.916	40.431
Financial income	2.801	2.876
General and administrative expenses	(45.105)	(42.084)
Other	(26)	-
Profit for year	1.586	1.223
Other comprehensive income	-	-
Total comprehensive income for the year	1.586	1.223

*(KZT thousand, unless otherwise stated)***17. PROPERTY, PLANT AND EQUIPMENT**

	<i>Building</i>	<i>Land</i>	<i>Machinery and equipment</i>	<i>Motor vehicles</i>	<i>Other</i>	<i>Total</i>
At historical cost						
31 December 2015	1.152.060	1.628	315.472	46.643	78.440	1.594.243
Proceeds	1.494	-	34.954	21.952	512	58.912
Other regrouping	-	-	(45.255)	-	45.255	-
Revaluation	13.832	194.127	-	10.887	-	218.846
Loss from revaluation	-	-	-	(4.796)	-	(4.796)
Reclassification	-	-	(812)	-	-	(812)
Offset of accumulated depreciation and initial value of transferred assets	-	-	(18.109)	(12.993)	(430)	(31.532)
Offset of accumulated depreciation and initial value of revaluated assets	(56.616)	-	-	(24.045)	-	(80.661)
Disposal	(1.494)	-	(98)	(384)	(26)	(2.002)
31 December 2016	1.109.276	195.755	286.152	37.264	123.751	1.752.198
Proceeds	-	-	66.415	20.000	873	87.288
Revaluation	(13.602)	(16.080)	-	-	-	(29.682)
Loss from revaluation	(54.410)	-	-	-	-	(54.410)
Offset of accumulated depreciation and initial value of transferred assets	-	-	(7.270)	(680)	(928)	(8.878)
Offset of accumulated depreciation and initial value of revaluated assets	(23.110)	-	-	-	-	(23.110)
Disposal	-	-	(478)	(5.910)	(7.590)	(13.978)
31 December 2017	1.018.154	179.675	344.819	50.674	116.106	1.709.428
Accumulated depreciation						
31 December 2015	(46.056)	-	(213.245)	(32.860)	(39.447)	(331.608)
Accumulated depreciation	(12.871)	-	(34.801)	(4.643)	(6.082)	(58.397)
Other regrouping	-	-	34.904	-	(34.904)	-
Offset of accumulated depreciation and initial value of transferred assets	-	-	18.109	12.993	430	31.532
Offset of accumulated depreciation and initial value of revaluated PPE	56.616	-	-	24.045	-	80.661
Reclassification	-	-	805	-	-	805
31 December 2016	(2.311)	-	(194.228)	(465)	(80.003)	(277.007)
Accumulated depreciation	(27.298)	-	(38.864)	(5.699)	(10.702)	(82.563)
Offset of accumulated depreciation and initial value of transferred assets	-	-	7.270	680	928	8.878
Offset of accumulated depreciation and initial value of revaluated PPE	23.110	-	-	-	-	23.110
31 December 2017	(6.499)	-	(225.822)	(5.484)	(89.777)	(327.582)
Residual value						

(KZT thousand, unless otherwise stated)

As at the end of day on 31 December 2017	1.011.655	179.675	118.997	45.190	26.329	1.381.846
As at the end of day on 31 December 2016	1.106.965	195.755	91.924	36.799	43.748	1.475.191
As at the end of day on 31 December 2015	1.106.004	1.628	102.227	13.783	38.993	1.262.635

For the year ended 31 December 2017, the Group recognised loss on revaluation of real estate located at: 280 Baizakov str., Almaty, as at the valuation date 1 October 2017, on a basis of Real estate market value appraisal report, provided by an independent appraiser TiM Consulting LLP, in accordance with Accounting policy of the Exchange as amended on 1 December 2016, applicable on a prospective basis taken into account under valuation technique at revalued amounts in accordance with IAS 16.

	<i>Carrying value without revaluation</i>	<i>Carrying value with revaluation</i>	<i>Difference</i>
31 December 2016			
<i>Building</i>	1.093.044	1.106.965	13.921
<i>Land</i>	1.628	195.755	194.127
<i>Motor vehicles</i>	30.530	36.799	6.269
31 December 2017	1.125.202	1.339.519	214.317
<i>Building</i>	1.064.242	1.011.655	(52.587)
<i>Land</i>	1.628	179.675	178.047
<i>Motor vehicles</i>	44.214	45.190	976
Total	1.110.084	1.236.520	126.436

*(KZT thousand, unless otherwise stated)***18. INTANGIBLE ASSETS**

	<i>Internally generated software</i>	<i>Other software and licenses</i>	<i>Other intangible assets</i>	<i>Total</i>
At historical cost				
31 December 2015	126.601	88.059	-	214.660
Proceeds	-	3.945	5.573	9.518
Salaries and other expenses, capitalized in intangible assets	29.665	-	-	29.665
Reclassification	-	812	-	812
31 December 2016	156.266	92.816	5.573	254.655
Proceeds	-	11.697	-	11.697
Salaries and other expenses, capitalized in intangible assets	11.634	-	-	11.634
Offset of accumulated depreciation and initial value of transferred assets	-	(200)	-	(200)
Disposal	-	(862)	-	(862)
31 December 2017	167.900	103.451	5.573	276.924
Accumulated depreciation				
31 December 2015	-	(28.799)	-	(28.799)
Accumulated depreciation	(2.440)	(14.380)	-	(16.820)
Reclassification	-	(805)	-	(805)
31 December 2016	(2.440)	(43.984)	-	(46.424)
Accumulated depreciation	(30.689)	(16.900)	(4.644)	(52.233)
Offset of accumulated depreciation and initial value of transferred assets	-	867	-	867
31 December 2017	(33.129)	(60.017)	(4.644)	(97.790)
Residual value				
As at the end of day on 31 December 2017	134.771	43.434	929	179.134
As at the end of day on 31 December 2016	153.826	48.832	5.573	208.231
As at the end of day on 31 December 2015	126.601	59.260	-	185.861

*(KZT thousand, unless otherwise stated)***19. OTHER ASSETS**

	<i>31 December 2017</i>	<i>31 December 2016</i>
Other financial assets		
Commissions receivable	51.452	29.274
Income receivable for information services	33.937	23.045
Listing fees receivable	6.723	7.516
Membership fees receivable	937	399
Income receivable from remote access services	36	387
Income for clearing operations services	133	83
Fines and penalties receivable	-	-
Total other financial assets	93.218	60.704
Provision for accounts receivable (<i>Note 6</i>)	(6.598)	(14.542)
	86.620	46.162
Other non-financial assets		
Taxes other than corporate income tax	9.156	14.877
Deferred expenses	4.477	11.642
Inventories	10.383	8.826
Advances for annual leaves	3.604	1.952
Other	18	5
Total other non-financial assets	27.638	37.302
Total other assets	114.258	83.464

Information on movement of the provision for impairment of other losses for years ended 31 December 2017 and 31 December 2016 is disclosed in Note 6.

20. OTHER LIABILITIES

	<i>31 December 2017</i>	<i>31 December 2016</i>
Other financial liabilities		
Accounts payable to suppliers	21.765	15.148
Dividends payable	2.203	2.203
	23.968	17.351
Other non-financial liabilities		
Provision for unused annual leaves	31.400	36.006
Taxes other than corporate income tax	2.470	2.692
Other	1.738	1.886
Total other liabilities	59.576	57.935

*(KZT thousand, unless otherwise stated)***21. SHARE CAPITAL**

Share capital of the Company is recorded by the following number of ordinary shares:

	<i>Authorized share capital, shares</i>	<i>Authorized capital for issue but unissued, shares</i>	<i>Issued authorized capital, shares</i>
Ordinary shares			
<i>As at the end of day on 31 December 2015</i>	5.000.000	4.057.987	942.013
Issuance of ordinary shares	-	-	-
<i>As at the end of day on 31 December 2016</i>	5.000.000	4.057.987	942.013
<i>As at the end of day on 31 December 2017</i>	5.000.000	4.057.987	942.013

As of 31 December 2017 and 2016, authorised issued and fully paid capital amounted, consisting of ordinary shares, amounted to KZT 2,366,256 thousand.

22. COMMITMENTS AND CONTINGENCIES**Court Proceedings**

In the course of business, clients and counterparties may file claims against the Group. Management believes that there will be no material losses to the Group as a result of any proceedings in respect of such claims and therefore no provision has been made in consolidated financial statements.

Taxation

Due to presence in Kazakhstan commercial and, in particular, in tax legislation of provisions allowing more than one interpretation, and also due to the practice of tax authorities to make an arbitrary judgment on business activities of taxpayers, if any specific actions, based on Management's interpretation of the legislation in relation to business activities of the Group, will be challenged by the tax authorities, this may result in assessment of additional taxes, fines and penalties.

Such uncertainty may be related to the valuation of financial instruments, impairment provisions and market level for pricing of transactions. The Group management believes that it has accrued all tax amounts due, and accordingly, no provisions have been accrued in consolidated financial statements. A tax year remains open for review by the tax authorities during the five subsequent calendar years.

Operating Environment

Emerging markets such as Kazakhstan are subject to economic, political, social, and legal and legislative risks that are different than those of more developed markets. Laws and regulations affecting businesses in Kazakhstan are still subject to rapid changes there is possibility of their arbitrary and varying interpretations. The future economic direction of Kazakhstan is heavily influenced by economic, fiscal and monetary policies adopted by the government, together with developments in legal and regulatory, political environment.

Due to the fact that Kazakhstan produces and exports large amounts of oil and gas, the economy of Kazakhstan is particularly sensitive to changes in world prices for oil and gas.

*(KZT thousand, unless otherwise stated)***23. RELATED PARTY TRANSACTIONS**

Detailed information on transactions between the Group and other related parties is disclosed below.

	31 December 2017	31 December 2016
Cash and cash equivalents		
Other related parties	1.076	-
Restricted cash		
Parent company	1.859.408	426.636
Cash in banks		
Other related parties	-	-
Available-for-sale investments		
Other related parties	21.053	21.053
Held-to-maturity investments		
Parent company	4.134.067	2.525.010
Other related parties	-	-
Other assets		
Parent company	8.943	1.132
Key management personnel of the Group	1.395	-
Other related parties	12.817	5.137
Liabilities for restricted cash to members of the Exchange		
Other related parties	644.902	12.355
Advances received		
Other related parties	1.797	1.327
Other liabilities		
Associate	-	-
Key management personnel of the Group	6.888	7.983
Other related parties	3.484	372

*(KZT thousand, unless otherwise stated)***23. RELATED PARTY TRANSACTIONS (continued)**

The following amounts arising from related party transactions have been recorded in the consolidated statement of comprehensive income for the years ended 31 December 2017 and 31 December 2016.

	Year ended 31 December 2017	Year ended 31 December 2016
Income from services and commissions		
Parent company	94.623	39.404
Other related parties	393.372	114.243
Interest income		
Parent company	370.431	134.694
Other related parties	-	36.572
Creation of provision for impairment of assets on which interests are accrued and other transactions		
Other related parties	1.321	(452)
Operating expenses		
Parent company	-	-
Associate	(20.986)	(20.734)
Other related parties	(45.246)	(3.732)
Other income		
Other related parties	113	170

Compensation to 13 members of the key management personnel (2016: 17 members of the key management personnel) is as follows.

	Year ended 31 December 2017	Year ended 31 December 2016
Short-term compensation to key management personnel of the Group		
Compensation of the governing body	52.661	60.481
Compensation of the executive body members	133.536	115.669
Other officials	14.733	15.995
Total	200.930	192.145

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures of estimated fair value are made in accordance with IFRS 13 *Fair value measurement*, IFRS 7 *Financial instruments: Disclosures* and IAS 39 *Financial instruments: Recognition and Measurement* in respect of determining the fair or the approximate fair value of such instruments.

The carrying value of cash and cash equivalents, restricted cash, amounts due from banks, accounts receivable, clients' cash and accounts payable is approximately equal to their fair value due to the short-term nature of these financial instruments.

With the exception of the below mentioned items, Group management believes that the fair value of other financial assets and liabilities is approximately equal to their carrying value.

	31 December 2017		31 December 2016	
	<i>Carrying value</i>	<i>Fair value</i>	<i>Carrying value</i>	<i>Fair value</i>
Held-to-maturity investments (level 1)	4.156.119	4.147.997	2.547.064	2.545.242
Unrecognised income/(expense)		(8.122)	-	(1.822)

(KZT thousand, unless otherwise stated)

24. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value measurement is aimed at the most accurate determination of the value at which financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction. However, given the use of subjective judgements and uncertainties, the fair value should not be interpreted as being realisable in an immediate sale of assets or settlement of liabilities.

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

Financial instruments, recorded at fair value, are divided hierarchically into three levels due to availability of the market data:

- quoted prices in an active market (Level 1) – Valuations based on quoted prices in active markets for similar assets and liabilities. Additional adjustments or general discounting are not applied for such financial instruments. Since the revaluation is based on market quoted prices that are readily and permanently available in an active market, these values do not carry significant amount of judgements;
- valuation techniques using market data (level 2) – valuations are largely based directly or indirectly on market data, and valuations based on one or several observable market prices for ordinary transactions in markets which are considered inactive;
- valuation techniques based on information that does not contain market data (level 3) - valuations are based on data which are not market data and play a significant role in determining the fair value.

25. RISK MANAGEMENT POLICY

Risk management is an integral part of the Group's activities. The main risks inherent to activities of the Group:

- credit risk;
- operational risk;
- market and system risk;
- liquidity risk;
- legal risk;
- reputational risk.

The Group acknowledges the importance of effective and efficient risk management system. In order to ensure the efficient and effective risk management policy, the Group has identified the key risk management principles, the main purpose of which is to protect the Group from existing risks and allow it to achieve its planned targets. The main objectives of risk management system are: identification of risk sources, measurement of risk levels, development of policies and rules in the field of risk management and implementation of control mechanisms, including the establishment of limits and their subsequent compliance.

Risk management policy, process of identification, assessment, monitoring and response to risk events, as well as financial and operational risks management process of the Group are regulated by relevant internal documents of the Group.

The following is a description of the Group's main risks.

Risk Management Structure

Board of Directors

(KZT thousand, unless otherwise stated)

25. RISK MANAGEMENT POLICY (continued)

The Board of Directors is responsible for developing a risk management strategy, for approving the principles of policy concept and limits on the types of risks. Additionally, the Board of Directors is responsible for significant risk management issues and controls the implementation of relevant decisions taken in respect of risks and controls them.

Management Board

The Management Board is responsible for ensuring the organization of an effective risk management system at the Group.

Market Risk Committee

Collegial, advisory body of the Exchange, the structure of which is approved by Management Board. The main function of the Market risk committee is to analyse, monitor and identify risks associated with the situation in financial markets, activities of the Group, its counterparties - Exchange members, issuers and investors.

Investment Committee

Collegial body of the Exchange, the structure of which is approved by Management Board. The main function of the Investment committee is to make investment decisions on transactions with financial instruments at the expense of the Exchange's owned assets and ensuring that the level of financial risks associated with investing is minimized.

Credit Risk

The Group is exposed to the credit risk, i.e. risk of non-performance by correspondent banks, debtors or other counterparts of obligations to the Group and, consequently, risk of the Group's financial losses to be incurred.

In accordance with the Owned assets investing policy (hereinafter - the Policy), approved by the decision of the Board of Directors, creation of a profitability- and risk-balanced portfolio of financial instruments, diversified by types of assets, liquidity degrees, level of profitability, urgency.

Maximum Credit Risk Exposure

The assets constituting the portfolio of owned assets can be placed on deposits in second tier banks, having a long-term rating not lower than B + on a scale of Standard & Poor's rating agency or a long-term rating of the similar level of Fitch or Moody's Investors Service international rating agencies, in government securities of the Republic of Kazakhstan, debt securities (including coupon international bonds) that have credit rating not lower than BB- according to the international scale of Standard & Poor's agency or rating assessment of similar level on the international scale of Fitch or Moody's Investors Service agencies, as well as the cash of own portfolio can be used for reverse automatic repo transactions with government securities and government securities. Additionally, the assets of cumulative owned assets portfolio can be invested in non-government debt securities issued by Sovereign Wealth Fund Samruk-Kazyna JSC.

According to the Policy, corporate securities may be sold by decision of the Investment Committee. If the sale of these corporate securities results in losses, the Investment Committee shall make such a decision with approval of the Board of Directors. Corporate securities, issuers of which allowed default on coupon payments, are held in investment portfolio of the Exchange.

In accordance with the Policy the Financial and administrative department of the Exchange monthly analyses an owned assets investment portfolio of the Exchange, while the Risk management department quarterly analyses status of investment portfolio and its exposure to risks, including determining the probability of default of financial instruments, as well as stress testing and back testing of investment portfolio.

*(KZT thousand, unless otherwise stated)***25. RISK MANAGEMENT POLICY (continued)****Credit Risk (continued)**

The Exchange's credit risk on a part of trading participant is minimized through execution by the Exchange of payments on trades on a basis of the delivery-versus-payment principle.

Maximum credit risk exposure may vary significantly depending on individual risks inherent in specific assets and market risks.

The following table shows the maximum credit risk exposure of balance and off-balance sheet financial assets. For financial assets recorded in balance accounts, the maximum exposure is equal to the carrying amount of these assets prior to offsetting assets, liabilities and collateral.

	31 December 2017	31 December 2016
Cash and cash equivalents, except for cash on hand	102.378	109.742
Restricted cash	1.859.408	426.636
Cash in banks	1.926.341	2.635.126
Investments in available for sale securities	-	-
Held-to-maturity investments	4.156.119	2.547.064
Other financial assets	86.620	46.162
Total	8.130.866	5.764.730

The Group's financial assets are classified according to a number of criteria, such as credit rating, financial condition, overdue payments, and other criteria. Below is information on current credit ratings of the Group's financial assets assigned by international rating agencies. The highest possible rating is AAA, the investment level corresponds to ratings from AAA to BBB-, rating below BBB - refer to speculative grade.

As at the end of day on 31 December 2017 and 2016, in accordance with the criteria presented, financial assets are classified as standard, except for impaired assets.

(KZT thousand, unless otherwise stated)

25. RISK MANAGEMENT POLICY (continued)

Credit Risk (continued)

Maximum Credit Risk Exposure (continued)

During the years ended 31 December 2017 and 31 December 2016, there were no financial assets that were past due but not impaired.

Liquidity Risk

Liquidity Risk Management

Liquidity risk exists when the maturities of assets and liabilities of the Group do not match. The Group is also exposed to liquidity risk when credit risk of the trading participant incurs.

Temporarily available owned assets of the Group were placed on deposits in second-tier banks for a period of not more than two years. The list of second-tier banks in which the Exchange deposits could be placed was regularly reviewed and approved by the Exchange Investment Committee.

At the same time, diversification of the investment objects that make up an investment portfolio is made in order to eliminate the risks of loss arising as a result of concentration of financial assets with the same maturity in the Exchange's investment portfolio.

Moreover, according to the Exchange's Policy, trading participants' funds are not placed in any instruments, but are on the Exchange's correspondent accounts. Liquidity risk, arising in the course of stock trading is minimized through execution by the Exchange of payments to pay the net requirements of trading participants according to "delivery-versus-payment" principle, in which the money is not transferred to trading participant, who violated the settlement rules, but remains on the correspondent accounts of the Exchange. In addition, in order to minimize the default risk on futures, participants of derivatives market formed guarantee funds, and the Exchange formed a reserve fund, the amount of which is calculated according to internal methods.

The following table shows an analysis of financial assets and liabilities, calculated on a basis of remaining maturity under contracts.

*(KZT thousand, unless otherwise stated)***25. RISK MANAGEMENT POLICY (continued)****Liquidity Risk (continued)**

Table is given on a basis of information provided to the Management of the Exchange:

	<i>Up to 1 month</i>	<i>1-3 months</i>	<i>3 months – 1 year</i>	<i>1 year – 5 years</i>	<i>More than 5 years</i>	<i>Maturity is not set</i>	<i>31 December 2017, total</i>
Financial assets							
Cash and cash equivalents	102.378	-	-	-	-	-	102.378
Restricted cash	1.859.408	-	-	-	-	-	1.859.408
Cash at banks	-	718.330	248.011	960.000	-	-	1.926.341
Available-for-sale investments	-	-	2.253	-	-	18.800	21.053
Held-to-maturity investments	617.681	1.058.101	2.458.285	22.052	-	-	4.156.119
Other financial assets	86.620	-	-	-	-	-	86.620
Total financial assets	2.666.087	1.776.431	2.708.549	982.052	-	18.800	8.151.919
Financial liabilities							
Restricted cash liabilities to members of the Exchange	1.859.408	-	-	-	-	-	1.859.408
Other financial liabilities	23.968	-	-	-	-	-	23.968
Total financial liabilities	1.883.376	-	-	-	-	-	1.883.376
Net position	782.711	1.776.431	2.708.549	982.052	-	18.800	6.268.543
Cumulative liquidity gap as at the end of day on 31 December 2017	782.711	2.559.142	5.267.691	6.249.743	6.249.743	6.268.543	

*(KZT thousand, unless otherwise stated)***25. RISK MANAGEMENT POLICY (continued)****Liquidity Risk (continued)***Liquidity Risk Management (continued)*

	<i>Up to 1 month</i>	<i>1 month – 3 months</i>	<i>3 months – 1 year</i>	<i>1 year – 5 years</i>	<i>More than 5 years</i>	<i>Maturity is not set</i>	<i>31 December 2016, total</i>
Financial assets							
Cash and cash equivalents	109.742	-	-	-	-	-	109.742
Restricted cash	426.636	-	-	-	-	-	426.636
Cash at banks	555.401	1.933.079	146.646	-	-	-	2.635.126
Available-for-sale investments	-	-	2.253	-	-	18.800	21.053
Held-to-maturity investments	559.341	961.619	1.004.050	22.054	-	-	2.547.064
Other financial assets	46.162	-	-	-	-	-	46.162
Total financial assets	1.697.282	2.894.698	1.152.949	22.054	-	18.800	5.785.783
Financial liabilities							
Restricted cash liabilities to members of the Exchange	426.636	-	-	-	-	-	426.636
Other financial liabilities	17.351	-	-	-	-	-	17.351
Total financial liabilities	443.987	-	-	-	-	-	443.987
Net position	1.253.295	2.894.698	1.152.949	22.054	-	18.800	5.341.796
Cumulative liquidity gap as at the end of day on 31 December 2016	1.253.295	4.147.993	5.300.942	5.322.996	5.322.996	5.341.796	

The difference between undiscounted and discounted financial liabilities is insignificant because of their short term nature.

Market Risk

Market risk is the loss risk arising from changes in market conditions, including changes in interest rates, foreign exchange rates, prices of financial instruments, to which the Group is exposed.

Interest Rate Risk

Interest rate risk is the risk of changes in interest income or price of financial instruments due to changes in interest rates.

Management and Investment Committee of the Exchange are responsible for the Exchange's assets and liabilities management. In order to measure impact of interest rate risk on fair market value of financial instruments the Exchange holds periodic estimation of potential losses that may be caused by negative changes in market conditions. Risk management department periodically monitors the current financial results of investment portfolio.

*(KZT thousand, unless otherwise stated)***25. RISK MANAGEMENT POLICY (continued)****Market Risk (continued)***Interest Rate Risk (continued)*

In terms of exposure to the interest rate risk, the Exchange's investment portfolio is exposed to the risk of changes in coupon yield on bonds which have a floating rate indexed to an inflation level, and interest rate risk affects market value of the Exchange's sub-portfolio of bonds, classified as available-for-sale investments.

The following table provides an analysis of sensitivity to interest rate risk, which was made on a basis of reasonably possible changes of interest rates.

Effect on profit before tax is the effect of permitted changes in the interest rate on net interest income for one year based on change in the floating rate for financial assets and liabilities at floating rate at the end of day on 31 December 2017 and 31 December 2016, as well as the effect of revaluation of instruments at fixed interest rates at fair value.

Effect on equity is the effect of acceptable changes in the interest rate which has arisen as a result of changes in retained earnings, and the effect of revaluation of available for sale investment securities at fixed rates.

Effect on profit before tax on value of assets as at the end of day on 31 December 2017 and 31 December 2016 is as follows.

	<i>31 December 2017</i>		<i>31 December 2016</i>	
	<i>Interest rate +2%</i>	<i>Interest rate -2%</i>	<i>Interest rate +2%</i>	<i>Interest rate -2%</i>
Profit before tax and equity	123	(101)	109	(109)
Effect on equity	18	(15)	16	(16)

Currency Risk

Currency risk is the risk of change in the value of financial instrument associated with changes in exchange rates. Financial position and cash flows of the Group are exposed to foreign exchange fluctuations.

In accordance with provisions of the Investment Policy, owned assets may be invested in debt securities, placed on deposits in second tier banks, and also transactions of automatic repo with government securities are permitted. List of the second-tier banks in which the Exchange is entitled to place money for a deposit is established by the Exchange's Investment Committee, taking into account the peculiarities established by the Owned Assets Investment Policy. At the same time, the investment objects that make up investment portfolio of owned assets can be nominated in KZT, US dollars and Euro.

	<i>KZT</i>	<i>US dollar</i>	<i>Euro</i>	<i>Other</i>	<i>31 December 2017, total</i>
Financial assets					
Cash and cash equivalents	76.341	25.568	372	97	102.378
Restricted cash	1.859.408	-	-	-	1.859.408
Cash in banks	1.678.330	248.011	-	-	1.926.341
Held-to-maturity investments	4.156.119	-	-	-	4.156.119
Other financial assets	86.620	-	-	-	86.620
Total financial assets	7.856.818	273.579	372	97	8.130.866

*(KZT thousand, unless otherwise stated)***25. RISK MANAGEMENT POLICY (continued)****Currency Risk (continued)**

	<i>KZT</i>	<i>US dollar</i>	<i>Euro</i>	<i>Other</i>	<i>31 December 2016, total</i>
Financial assets					
Cash and cash equivalents	52.747	51.638	5 295	62	109.742
Restricted cash	426.636	-	-	-	426.636
Cash in banks	2.488.480	146.646	-	-	2.635.126
Held-to-maturity investments	2.547.064	-	-	-	2.547.064
Other financial assets	46.162	-	-	-	46.162
Total financial assets	5.561.089	198.284	5 295	62	5.764.730

As at the end of day on 31 December 2017 and 2016, a significant part of financial assets (2017: 96.63%, 2016: 96.47%) and all financial liabilities were denominated in KZT that means a low currency risk. Consequently, the Exchange is not exposed to a significant risk of changes in foreign exchange rates.

Limitations of Sensitivity Analysis

The above tables demonstrate the effect of the change in a main assumption while other assumptions remain unchanged. In reality, there is correlation between the assumptions and other factors. It should also be noted that the sensitivity is nonlinear, so these results should not be interpolated or extrapolated.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. In addition, the financial position of the Group may vary depending on changes taking place in the market. For example, the Group's financial risk management strategy aims to manage the exposure to securities market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation, and other actions.

Other limitations in the abovementioned sensitivity analyses include the use of hypothetical market movements to disclose potential risk, which is only the Group's forecast of upcoming market changes that cannot be predicted with any degree of certainty. In addition, the limitation is the assumption that all interest rates change in an identical manner.

Price Risk

The risk of price changes of equity instruments is the risk of changes in value of a financial instrument as a result of changes in market prices, regardless of whether those changes are caused by factors specific to separate securities or its issuer, or factors affecting all securities traded in the market.

Operational Risk

Operational risk is the risk of direct or indirect losses, resulting from a wide range of risk events related to or arising from a system failure, personnel errors, technology and infrastructure, 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.

(KZT thousand, unless otherwise stated)

25. RISK MANAGEMENT POLICY (continued)

Operational Risk (continued)

It is assumed that the Group is unable to eliminate all operational risks; however it seeks to manage such risks through the application of a control system, systematic inspections of the internal audit service, as well as through monitoring and response to possible risks.

Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes. Risk monitoring is implemented by a risk management department.

A backup centre was established in an associate RTRS LLP for purposes of managing the going concern of the Exchange and mitigation of operational risk due to a malfunction in the Exchange's systems.

Legal Risk

Legal risk management procedures include:

- regular monitoring of laws and internal procedures for compliance with the requirements;
- constant control over the Group employees' proper compliance with the applicable laws, regulations and internal documents of the Group;
- continuous monitoring of proposed amendments to applicable laws; also development and implementation of measures, including preventive, arising from the proposed and/or introduced amendments to applicable laws;
- total check of drafts of all internal documents of the Group and decisions of the Group bodies and officials for their compliance with the applicable laws, the Charter and internal documents of the Group;
- maximum standardization of all procedures, technologies and forms of documentation used in the Group activities in order to exclude their arbitrary (uncontrolled, unintended) application by the Group employees;
- mandatory preliminary legal examination of new business processes and services of the Group.

26. SUBSEQUENT EVENTS

No significant subsequent events took place after the reporting date.

27. APPROVAL DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements for the year ended 31 December 2017 have been authorised for issue by the Group's Management on 26 March 2018.