Kazakhstan Stock Exchange JSC
Consolidated Financial Statements
for the Year Ended 31 December 2019
and Independent Auditor's Report

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Statement of the management of responsibility for preparation and approval of the consolidated financial statements for the year ended 31 December 2019

The following statement, which must be considered together with the description of responsibilities of the auditors contained in presented auditor's opinion is made for division of responsibilities of the management [1] and the auditors regarding the consolidated financial statements of Kazakhstan Stock Exchange JSC (hereinafter - the Group).

The management of Kazakhstan Stock Exchange JSC shall be liable for preparation of the consolidated financial statements presenting fairly the financial position at the close of business on 31 December 2019, and its performance, cash flows and changes in the equity for the year ended 31 December 2019, under International Financial Reporting Standards (IFRSs).

When preparing the financial statements, the management shall be liable for:

- selecting and applying appropriate accounting policy;
- presentation of relevant, reliable, comparable, and understandable information, including information about the accounting policy;
- to provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- assessing the Group's ability to continue as a going concern in the foreseeable future.

The Group's management shall be liable for:

- development, implementation and ensuring the reliable internal control in the Group;
- keeping records in a form allowing disclosing and explaining the Groups' transactions, and
- disclosing at any date sufficiently and accurately the financial position of the Group and ensuring compliance of the financial statements with the requirements of IFRSs;
- keeping accounting records under the legislation of the Republic of Kazakhstan;
- taking all reasonably possible actions to safeguard the Group's assets;
- detecting and preventing fraud and other abusive practices.

The consolidated financial statements for the year ended 31 December 2019 have been approved by the Group's management on 17 April 2020.

On behalf of the Management

KASE

A.O. Aldambergen
Chairman of the Management Board

S.U. Akybbekova
Chief Accountant

17 April 2020
Almaty, Kazakhstan

[1] The Management shall mean here the Management Board of Kazakhstan Stock Exchange JSC, subject to paragraph 2 of clause 4 of Article 6 of the Law of the Republic of Kazakhstan "On business accounting and financial reporting".

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INDEPENDENT AUDITOR'S REPORT

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

Auditor's Report

Opinion

We have audited the applied consolidated financial statements of Kazakhstan Stock Exchange JSC and its subsidiary (the Group) which comprise the consolidated statement of financial position at the close of business on 31 December 2019, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the summary of significant accounting principles and other explanatory notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group at the close of business on 31 December 2019, and its performance and cash flows for the year then ended, in accordance with 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) and ethical requirements that are relevant to our audit of the financial statements in Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual audit report but does not include the financial statements and our auditor's report thereon. We assume that the approved annual audit report will be submitted to us after this Audit Report has been issued. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

BDO Kazakhstan LLP

State license of the Committee of financial control of the Ministry of Finance of the Republic of Kazakhstan No.15003448 dated 19 February 2015 to conduct the audit

Director T.A. Omarov ____________

17 April 2020

Auditor Irina Litvinchik ____________

Auditor's Qualification Certificate No.0000223 issued on 22.12.2014 by the Qualification Commission for certification of the auditors of the RK

6, Gabdullin Street, Almaty, A15H4E3

Republic of Kazakhstan

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019
(thousand Kazakhstan tenge, except earnings per share denominated in tenge)

	Notes	Year ended 31 December 2019	Year ended 31 December 2018
Incomes from services and commission incomes	4	**2.474.903**	2.360.794
Interest incomes	5	**1.706.859**	671.598
Recovering (forming) provision for impairment of interest-bearing assets and other transactions	6	**(6.111)**	(4.444)
Net (loss)/profit on foreign currency transactions	7	**58**	10.135
Loss from subsidiary liquidation		**-**	(19.213)
Other income	8	**108.806**	62.021
Operating incomes		**4.284.515**	3.080.891
Interest expenses	5	**(31.255)**	-
Operating expenses	9	**(1.838.789)**	(1.938.678)
Profit before tax		**2.414.471**	1.142.213
Expenses on corporate income tax	10	**(221.782)**	(176.901)
Net profit		**2.192.689**	965.312
Other comprehensive income			
Other comprehensive income reclassified as profit or loss in current or subsequent periods			
Net unrealized loss from revaluation of investments at fair value		**(44)**	(44)
Other comprehensive income non-reclassified as profit or loss in current or subsequent periods			
Revalued property, plant and equipment:		**-**	-
Revalued property, plant and equipment	17	**-**	-
Effect of income tax	10	**-**	-
Other comprehensive income		**(44)**	(44)
Total comprehensive income		**2.192.645**	965.268
Earnings per share			
Basic and diluted (tenge)	11	**2.250,36**	**1.024,73**

On behalf of the Management[2]

A.O. Aldambergen
Chairman of the Management Board

17 April 2020
Almaty, Kazakhstan

S.U. Akybbekova
Chief Accountant

[2] Hereinafter in the consolidated financial statements of the Group and the notes hereto the Management shall mean the Management Board of Kazakhstan Stock Exchange JSC, subject to paragraph 2 of clause 4 of Article 6 of the Law of the Republic of Kazakhstan "On business accounting and financial reporting".

The notes on pages 6-40 shall be an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2019

(thousand Kazakhstan tenge)

	Notes	*31 December 2019*	*31 December 2018*
ASSETS			
Cash and cash equivalents	13	**20.261.920**	26.720.462
Cash with banks	14	**1.377.794**	1.145.303
Financial assets at fair value through other comprehensive income	15	**21.053**	21.053
Financial assets at amortized cost	16	**18.770.472**	18.593.240
Central counterparty financial assets	12	**961.946**	3.341.113
Reverse REPO	16	**27.274.727**	-
Prepayments		**4.372**	4.939
Property, plant and equipment	17	**1.397.689**	1.333.716
Intangible assets	18	**734.879**	156.215
Assets held for sale		**92.495**	100.325
Prepaid current corporate income tax		**20.468**	-
Deferred corporate tax asset	10	**1.000**	710
Other assets	19	**122.268**	166.717
Total assets		**71.041.083**	51.583.793
Liabilities and equity			
Liabilities			
Clearing participants' funds	20	**32.857.039**	39.141.386
Central counterparty financial liabilities	12	**961.946**	3.341.113
REPO	21	**25.321.727**	-
Received advances		**49.038**	66.228
Current corporate income tax liabilities		**1.081**	20.785
Deferred corporate income tax liabilities	10	**74.087**	24.360
Other liabilities	22	**376.036**	77.956
Total liabilities		**59.640.954**	42.671.828
Equity			
Issued capital	23	**2.661.775**	2.366.256
Redeemed own equity instruments		**(62.076)**	(62.076)
Provision for revalued investments at fair value through other comprehensive income		**13**	57
Provision for revalued property, plant and equipment	17	**179.490**	179.893
Other funds		**1.750.000**	1.750.000
Retained earnings		**6.870.927**	4.677.835
Total equity		**11.400.129**	8.911.965
Total liabilities and equity		**71.041.083**	51.583.793

On behalf of the Management

A.O. Aldambergen
Chairman of the Management Board

17 April 2020
Almaty, Kazakhstan

S.U. Akybbekova
Chief Accountant

The notes on pages 6-40 shall be an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019
(thousand Kazakhstan tenge)

	Issued capital	*Provision for revalued investments available for sale*	*Provision for revalued property, plant and equipment*	*Other funds*	*Retained earnings*	*Total equity*
31 December 2017	**2.366.256**	**101**	**181.105**	**240.000**	**5.224.428**	**8.011.890**
Provisions for expected credit losses in view of application of IFRS 9	-	-	-	-	(3.117)	(3.117)
Purchase of treasury shares	(62.076)	-	-	-	-	(62.076)
Other comprehensive loss	-	(44)	-	-	-	(44)
Revaluation reserve depreciation	-	-	(403)	-	403	-
Carry-over of revalued property, plant and equipment at the disposal	-	-	(809)	-	809	-
Increase in reserve funds	-	-	-	1.510.000	(1.510.000)	-
Net profit for the year	-	-	-	-	965.312	965.312
Total comprehensive income	(62.076)	(44)	(1.212)	1.510.000	(546.593)	900.075
31 December 2018	**2.304.180**	**57**	**179.893**	**1.750.000**	**4.677.835**	**8.911.965**
Other comprehensive loss	-	(44)	-	-	-	(44)
Revaluation reserve depreciation	-	-	(403)	-	403	-
Revenue from increase in issued capital in terms of ordinary shares	295.519	-	-	-	-	295.519
Net profit for the year	-	-	-	-	2.192.689	2.192.689
Total comprehensive income	295.519	(44)	(403)	-	2.193.092	2.488.164
31 December 2019	**2.599.699**	**13**	**179.490**	**1.750.000**	**6.870.927**	**11.400.129**

On behalf of the Management

A.O. Aldambergen
Chairman of the Management Board

S.U. Akybbekova
Chief Accountant

17 April 2020
Almaty, Kazakhstan

The notes on pages 6-40 shall be an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019
(thousand Kazakhstan tenge)

	Notes	*Year ended 31 December 2019*	*Year ended 31 December 2018*
Cash flows from operating activities			
Profit before tax		**2.414.471**	1.142.213
Adjusted non-monetary items			
Provision for impairment of other assets	6	**2.425**	(976)
Forming provision for revalued property, plant and equipment			–
Loss from revaluation of property, plant and equipment	17		–
Net change in fair value of investments through other comprehensive income		**(44)**	(44)
Loss from disposal of property, plant and equipment		**6.322**	4.776
Loss from impairment of investments in associate		**-**	37.473
(Profit)/ loss from reclassification of the associate as assets held for sale		**-**	6.256
Other received PPE and IA		**-**	(3.474)
Accrued interest income	5	**(1.706.859)**	(671.598)
Depreciation and deterioration	17,18	**124.519**	132.515
Cash flows from operating activities before changes in operating assets and liabilities		**840.834**	**647.141**
Changes in operating assets and liabilities			
Increase/(decrease) in operating assets			
Clearing participants' funds		**6.784.348**	1.859.408
Cash with banks		**(230.925)**	772.495
Reverse REPO		**(27.274.727)**	-
Prepayments		**567**	1.203
Other assets		**39.637**	(52.015)
Increase/(decrease) in operating liabilities			
Liabilities on clearing participants' funds		**(13.063.663)**	37.281.978
REPO		**25.321.727**	-
Obtained advances		**(17.190)**	14.397
Other liabilities		**298.080**	18.380
Cash receipts from (used in) operating activities before tax		**(7.301.312)**	**40.542.987**
Obtained interest		**1.707.466**	674.195
Paid corporate income tax		**(212.517)**	(38.077)
Net cash receipts from (used in) operating activities		**(5.806.363)**	**41.179.105**

The notes on pages 6-40 shall be an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Notes	Year ended 31 December 2019	Year ended 31 December 2018
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(153.593)**	(36.354)
Acquisition of intangible assets		**(596.772)**	(12.436)
Salary and other costs capitalized as intangible assets		**(20.315)**	(16.776)
Acquisition of investments at amortized cost		**(177.018)**	(14.433.760)
Net cash flows used in investing activities		**(947.698)**	(14.499.326)
Cash flows from financing activities			
Cash receipts from the increase in issued capital in terms of ordinary shares		**295.519**	-
Redeemed own equity instruments		-	(62.076)
Net cash receipts from (used in) financing activities		**295.519**	(62.076)
Net increase/(decrease) in cash and cash equivalents		**(6.458.542)**	26.617.703
Cash and cash equivalents at the beginning of the year	13	**26.720.462**	102.759
Cash and cash equivalents at the end of the year	13	**20.261.920**	26.720.462

On behalf of the Management

A.O. Aldambergen
Chairman of the Management Board

S.U. Akybbekova
Chief Accountant

17 April 2020
Almaty, Kazakhstan

The notes on pages 6-40 shall be an integral part of these consolidated financial statements.

(thousand Kazakhstan tenge, unless otherwise stated)

1. CORPORATE INFORMATION

Kazakhstan Stock Exchange Joint-Stock Company (the Company, the Stock Exchange) was established on 17 November 1993 under the legislation of the Republic of Kazakhstan.

The Company is currently operating based on Certificate of the State Re-registration of a Legal Entity No.1952-1910-01-AO dated 07 January 2004 issued by the Office of Justice of Bostandyk District of the Department of Justice of Almaty City.

The Company's activities in the securities market are carried out based on the following licenses:

1) license to carry out activities in the securities market No.4.2.3/1 dated 19 July 2012 issued by the Committee for control and supervision of the financial market and financial organizations of the National Bank of the Republic of Kazakhstan. The license entitles to carry out the following types of activity in the securities market:
   - arranging trade in securities and other financial instruments;
   - clearing of transactions with financial instruments in the securities market;
2) license to settle banking operations in national and foreign currency No.4.3.8 dated 05 September 2018 issued by the National Bank of the Republic of Kazakhstan. The license entitles to settle the following banking operations:
   - to open and manage correspondent accounts of the banks and organizations settling specific types of banking operations;
   - to transfer: to execute orders of individuals and legal entities to pay and transfer money;
   - to open and manage bank accounts of legal entities;
   - to arrange for foreign currency exchange operations, except the arrangement of exchange operations with foreign currency in cash.

The legal address of the Company is 280 Baizakov St., North Tower of Almaty Tower Multifunction Complex, Floor 8, Almaty City, 050040, Republic of Kazakhstan.

The primary activity of the Stock Exchange is to organize trade in securities and other financial instruments under the legislation of the Republic of Kazakhstan.

The related activities of the Stock Exchange include clearing of transactions with financial instruments, settlement of specific types of banking operations, provision of information and other services not prohibited by the legislation of the Republic of Kazakhstan.

As at the close of business on 31 December 2019 and 31 December 2018, the shareholders each of which holds ordinary shares in the Company comprising more than 5% of its total allocated shares are stated as follows:

	31 December 2019, %	*31 December 2018, %*
Shareholders		
SE National Bank of the Republic of Kazakhstan	**49,11**	**50,10**
Kommesk-Omir Insurance Company JSC	**8,54**	**-**
Halyk Savings Bank of Kazakhstan JSC	**7,59**	**7,75**
CENTRICA LLP	**-**	**6,88**
Others (individually holding less than 5%)	**34,76**	**35,27**
Total	**100,00**	**100,00**

Under clause 2 of Article 84 of the law of the Republic of Kazakhstan *"On securities market"* (the Law), an interest of each shareholder being an organizer of trades together with its affiliates cannot exceed 20% of the total allocated shares, except where a shareholder is a competent authority, i.e. the National Bank of the Republic of Kazakhstan.

During the years ended 31 December 2019 and 31 December 2018, the controlling party of the Company is the National Bank of the Republic of Kazakhstan (the RK NB).

The Company is a parent of the Group, which comprises the following organizations consolidated for these financial statements:

1. CORPORATE INFORMATION (continued)

At the close of business on 31 December 2019

Name	*Country of business*	*Percentage of voting shares (%)*	*Contribution to issued capital (thousand tenges)*	*Type of business*
eTrade.kz LLP	Kazakhstan	100	12.852	Information technologies
			12.852	

At the close of business on 31 December 2018

Name	*Country of business*	*Percentage of voting shares (%)*	*Contribution to issued capital (thousand tenges)*	*Type of business*
eTrade.kz LLP	Kazakhstan	100	12.852	Information technologies
			12.852	

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Accounting basis

These consolidated financial statements have been prepared under International Financial Reporting Standards (IFRSs) as approved by the International Accounting Standards Board (IAS Board). The consolidated financial statements have been prepared under on actual cost basis, except the basis noted in Significant Accounting Policies section (for instance, investments at fair value, a group of property, plant and equipment: building, land, transport vehicles have been measured at revalued amount.

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

These consolidated financial statements are presented in a thousand Kazakhstan tenge (tenge), except earnings per share, unless otherwise stated.

Functional currency

The functional currency of the Group's consolidated financial statements is the tenge – the currency, which represents the best the economic essence of the underlying events and circumstances relating to the Group.

Adoption of new and revised IFRSs

The accounting principles adopted when preparing the consolidated financial statements conform to the principles applied when preparing the consolidated financial statements of the Group for the year ended 31 December 2018, except the adopted new standards and interpretations effective as from 1 January 2019. The Group did not early apply the standards, interpretations or amendments, which were issued but not effective yet.

The nature and effect of the changes are disclosed below.

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

IFRS 16 Leases

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for the most of leases in the balance sheet using the common accounting model. A lessee has the right to decide not to apply requirements for using the common accounting model for the following items:

- short-term lease; and
- lease of a low-value underlying asset.

Since the Group acts as a lessee in short-term lease contracts or contracts of lease of a low-value underlying asset, the lease payments under such lease are recognized as expenses in the straight-line method during a lease term. Thus, the adoption of IFRS 16 had no impact on accounting leases under which the Group is a lessee. Therefore, comparative information provided in these consolidated financial statements was not restated.

Under IFRS 16, accounting for a lessor did not change practically as compared to IAS 17. The lessors will continue to classify a lease using the same classification principles as in IAS 17, with distinguishing two types of lease: operating and finance. Thus, the adoption of IFRS 16 had no impact on accounting the leases under which the Group is a lessor.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatment by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- how an entity considers changes in facts and circumstances.

The entity must decide whether to consider each uncertain tax treatment separately or with one or more other uncertain tax treatments. It is required to use an approach allowing predicting to a closer approximation the result of uncertainty resolution. The Group uses significant judgement when discovering uncertainty relating to the income tax assessment conventions. Since the Group carries out its activities under complicated international conditions, it analysed whether adoption of this Interpretation has an impact on its consolidated financial statements.

Considering that the Group complies with the requirements of the tax laws, the Group concluded that the taxation authority can probably adopt the tax treatments applied by it (including treatments applied by its subsidiaries). This Interpretation had no impact on the Group's consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or fair value through other comprehensive income, provided that the contract cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

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

Adoption of new and revised IFRSs (continued)

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to re-measure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

The entity is also required to determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to re-measure that net defined benefit liability (asset). These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

These amendments had no impact on the consolidated financial statements of the Group since the Group did not have long-term interests in associate and joint venture considered therein.

IFRS Annual Improvements, 2015-2017 cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including re-measuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer re-measures its entire previously held interest in the joint operations.

These amendments had no impact on the consolidated financial statements of the Group since it did not have such operations during reported periods.

IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not re-measured.

These amendments had no impact on the consolidated financial statements of the Group since it did not have the operations under which it obtained joint control.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the effective policy of the Group conforms to the requirements of the amendments, their adoption had no impact on the consolidated financial statements of the Group.

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

IFRS Annual Improvements, 2015-2017 cycle (continued)

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities, which are necessary to prepare that asset for its intended use or sale, are completed.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

Application of these amendments had no impact on the consolidated financial statements of the Group.

New standards, interpretations and amendments not effective yet

There is several standards, amendments to the standards and interpretations, which have been issued by the IAS Board and become effective for the future reporting periods, which the Group has decided not to adopt at an early stage. The most important of them are the following ones, which become effective for the period beginning on 1 January 2020:

- IAS 1 *Presentation of Financial Statements*;
- Amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*;
- Amendment to IFRS 3 *Business Combinations – Definition of Business*;
- Revised conceptual financial reporting framework.

The Group is currently estimating the impact of those new accounting standards and amendments.
The Group does not expect that any other standards that are issued by the IAS Board but are not effective yet, will have a significant impact on the Group. The other new and amended standards, which have been issued by the IAS Board at the date hereof, but will become effective during the future periods, are listed below:

• IFRS 17 Insurance Contracts (effective as from 1 January 2021). In June 2019, the IAS Board published the preliminary draft amendments to IFRS 17, including the postponement of the effective date to 1 January 2022. The draft amendments have not been completed at the moment of preparation of the statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Consolidation basis

The consolidated financial statements include the financial statements of the Company and organizations controlled by the Company (and its subsidiary). Control is carried out only if the following conditions are met:

- The Group has powers with an investee (i.e. existing rights ensuring current ability to manage significant activities of an investee);
- The Group is exposed to the risk of changes in incomes from an interest in an investee or rights to receive such incomes;
- The Group can exercise its powers to affect the incomes.

The Group again analyses the existence of control for an investee, in case the facts and circumstances evidence of change of one or more of three components of control. The financial statements of the subsidiary are consolidated with the financial statements of the Group starting from acquisition of that subsidiary (a date from which effective control of the Group over those organizations begins) until sale (a date from which effective control of the Group over those organizations stops). The aggregate comprehensive income of subsidiaries is attributed to owners of the Group.

The financial statements of the Group's subsidiary shall be prepared for the same reporting period as the Company's statements and using the same accounting policies. All balances, incomes, and expenses resulting from operations inside the Group are excluded in consolidation.

Incomes

Income is recognized if it is probable that the Group receives economic benefits and revenue can be reliably measured, irrespective of the time of payment. Revenue is measured at a fair value of received or receivable consideration, subject to contractual terms of payment, and less taxes or duties. The Group analyses contracts concluded by it that provide a derivation of revenue as per specific criteria to determine whether it acts as a principal or an agent. The Group has concluded that it acts as a principal under all of such contracts.

Activities are carried out through separate identifiable contracts with customers. The Group recognizes revenue to report provision of promised services to consumers in an amount of a consideration in which the Group expects to acquire the right in exchange for provided services less all discounts, returns.

In recognition of revenue, the Group takes the following steps:
1) to identify a contract with a customer;
2) to identify a liability to be settled under a contract;
3) to determine a transaction price;
4) to allocate a transaction price between separate liabilities to be settled under a contract;
5) to recognize revenue when/as far as the liability to be settled under a contract is discharged.
Under IFRS 15, the Group recognizes revenue from services provided by the Group during the period, since the customers simultaneously obtain and use benefits provided by the Group.

Recognition of incomes from services and commission incomes

Incomes from services and commission incomes are recognized as far as respective services are provided. Incomes on admission membership fees and listing fees are recognized based on decisions on the admission of organizations as members of the Stock Exchange and official listing of the securities on the Stock Exchange. Income received by the Group from any organization as monthly membership contributions is recognized on a continuing monthly basis until that organization is a member of the Stock Exchange. Incomes on annual listing fees are recognized during the 12-month period which they relate to.

Recognition of interest incomes

Interest incomes are stated on an accrual basis and calculated in the effective interest method. The effective interest method consists in calculating amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities), as well as attributing interest income or interest expense to a respective period.

Effective interest rate is an interest rate using which the expected future cash payments or receipts are reduced to the net current value of a financial asset or a financial liability. Besides, cash flows are discounted for a period of the expected life of a financial asset or a financial liability or, if applicable, for a shorter period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Incomes (continued)

Interest incomes include interest incomes from investments in securities, accrued return on deposits and cash balances in the effective interest method.

If a financial asset or a group of homogeneous financial assets is (partially) written off as a result of depreciation, the interest income is determined subject to the original effective interest rate used to discount future cash flows to calculate impairment losses.

Advances from customers

Under IFRS 15, the Group used the practical simplification for short-term advances. As per that simplification, the Group will not adjust promised amount of consideration subject to the effect of significant financing component in contracts, if, upon conclusion of a contract, the Group expects that a period between the provision of promised services by the Group to a customer and payment from a customer for such service does not exceed one year.

Presentation of contracts with customers

If a party to a contract fulfilled any obligations under a contract, the Group presents a contract in the statement of financial position either as a contract asset or a contract liability depending on the ratio between an entity's fulfilment of an obligation under a contract and a customer's payments. The Group separately presents unconditional rights in compensation as receivables.

A contract asset is a right of the Group to receive compensation in exchange for goods or services provided by an entity to a customer. The Group tests a contract asset for impairment under IFRS 9.

Receivables mean an unconditional right of an entity to a compensation. A right to compensation is unconditional if the moment when such compensation becomes payable is conditioned by the passage of time only. The Group recognizes receivables if it has a current right to receive a payment, even if such an amount can be refundable thereafter. The Group accounts for receivables under IFRS 9. If a customer pays compensation or the Group has the right to a compensation, which is unconditional (i.e. receivables), before the Group provides a service to a customer, the Group is required to present a contract as an obligation under a contract when making a payment or when payment becomes due (whatever is earlier). An obligation under a contract is the Group's obligation to provide services to a customer for which an entity receives consideration (or a payable consideration) from a customer.

Requirements for presentation and disclosure of information

The Group detailed the information on revenue recognized under contracts with customers with breaking down by categories presenting how the economic factors affect the nature, amount, terms, and uncertainty of revenue and cash flows. Disclosures of detailed revenue are considered in Note 8.

Classification and measurement of financial assets

Under IFRS 9, the Group initially measures the financial assets at fair value that is increased by costs for the transaction, in the event of financial assets not measured at fair value through profit or loss.

The debt instruments held under a business model aimed at the derivation of contractual cash flows including only principal amount and interest thereon are measured, as a rule, at amortized cost. The debt instruments held under a business model the goal of which is achieved both by receiving the contractual cash flows and selling a financial asset, as well as those with the contract terms conditioning receipt of cash flows that are only payment of the principal amount and interest on principal outstanding are usually stated at fair value through OCI. All other debts and equity instruments are measured at fair value.

The analysis of whether the contractual cash flows under debt instruments are only payments of principal amount and interest was carried out based on the factors and circumstances existed at initial recognition of those assets.

Classification and measurement of financial liabilities

The financial liabilities are reflected in the accounting records at fair value less costs for the transaction. The other financial liabilities are further measured at amortized cost. The interest expense is calculated using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification and measurement of financial liabilities (continued)

The Group derecognizes the financial liabilities only if they are settled, cancelled or the claim therefore expire. Where existing financial liability is replaced with another liability to the same creditor subject to significantly different conditions or conditions of existing liability change significantly, then such replacement or change are accounted for as a write-off of an original liability and recognition of a new liability. A difference between carrying amount of a financial liability, which is derecognized, and paid or payable consideration is recognized as profit or loss.

Impairment

The Group uses the model of predicted expected credit losses (ECL). The expected credit losses are calculated as a difference between cash flows due to the Group under a contract and all cash flows that the Group expects to obtain. An insufficient receipt is discounted then at a rate approximate to the original effective interest rate for that asset.

As for the receivables, the Group applied a simplified approach provided by the standard and calculated ECL for the entire period. The Group used a valuation reserve matrix based on its experience of credit losses adjusted subject to predicted factors specific for borrowers and overall economic conditions.

In case of other debt financial assets, the ECL is calculated for 12 months. However, in case of a significant increase in credit risk under a financial instrument after initial recognition, an allowance for losses is measured in the amount equal to expected credit losses for the entire period.

The Group's management estimated the credit risk for the deposits placed with the National Bank of the RK and short-term government securities to be low considering their stable external credit ratings and it did not recognize expected credit losses for those assets.

Cash and cash equivalents

The cash and cash equivalents include cash on hand, cash with the RK NB, free cash balances on current and correspondent accounts with the banks of the Republic of Kazakhstan and abroad, with initial maturity up to three months, the balances on broker accounts, as well as balances on clearing accounts.

Clearing participants' funds

The most of clearing participants' funds comprise cash of the members of the foreign exchange market placed on correspondent accounts of the Stock Exchange at the reporting date to make operations on the next trading day. Under an internal document of the Group – Rules for conducting clearing activities relating to transactions with financial instruments (the Rules) - each clearing participant is required to keep a particular level of security and security deposit on a correspondent account of the Group. Likewise, some of the clearing participants leave sums of money at the close of business on a trading day on correspondent account of the Group to trade on the next trading day. The Group recognizes them as liabilities to clearing participants.

Cash with banks

In the course of its activities, the Group opens current accounts and deposits with banks for a period exceeding three months. The cash with banks with fixed maturity dates are accounted for at amortized cost using the effective interest method. The cash with banks is accounted for less provision for impairment if any.

Assets and liabilities of the central counterparty

The Stock Exchange acts as a central counterparty (the CC) in the foreign exchange market and derivative market being for each participant a party to all transactions concluded at exchange auctions and guarantees performance thereof on a net basis. The assets and liabilities for such transactions are presented in the statement of financial position at the net fair value calculated based on daily estimated prices determined by the Stock Exchange under approved internal documents. The financial liabilities measured at fair value through profit or loss include liabilities of the central counterparty on transactions in the foreign exchange market that are not completed at the end of the reporting period. These financial liabilities are stated at fair value with presenting re-measurement as profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Security of the central counterparty

The Stock Exchange guarantees discharge of net liabilities to the participants in the foreign exchange market and derivative market using the individual and collective security system. Individual security of a participant may be either full or partial depending on a category assigned to a clearing participant to be determined based on its financial position.

The CC claims for the amount of partial security are calculated based on internal methods of the Stock Exchange and must cover an amount of market risk of net liabilities of a clearing participant to the CC in all financial instruments. The financial instruments taken as partial security in the foreign exchange market and derivative market are the tenge and US dollar transferred by participants to the correspondent accounts of the Stock Exchange.

The clearing reserve and guarantee funds are collective security of settlement of the transactions to the clearing participants with partial security. The reserve funds are formed at the expense of own funds of the Stock Exchange for each stock exchange market. The guarantee funds are formed based on security deposits of the clearing participants.

Property, plant and equipment

The property, plant and equipment are initially recognized at acquisition (original) cost including direct costs and non-refundable taxes that are directly related to the acquisition of property, plant and equipment.

After initial recognition, the property, plant and equipment are accounted for under:
1) the accounting model at the revalued amount – buildings and structures, residential property, land plots and motor transport;
2) the accounting model at actual costs – all other groups of property, plant and equipment.

When using the accounting model at a revalued amount, the property, plant and equipment are accounted for at fair value at the revaluation date less accumulated depreciation and impairment losses.

The Group capitalizes costs incurred for upgrading and repairing the units of property, plant and equipment that extend the useful life of that unit or increase the future economic benefits from use thereof. Expenses for repair and technical maintenance of property, plant and equipment that do not meet that capitalization criterion are stated in the Group's consolidated statement of comprehensive income in that period in which they are incurred.

Depreciation of property, plant and equipment is included in the Group's consolidated statement of comprehensive income as operating expenses during the estimated useful life of those PPE using the straight-line method. If the components of any unit of property, plant and equipment have a different useful life, they are considered as separate units of property, plant and equipment. The estimated useful lives of the Group's property, plant and equipment are stated below.

	Useful lives (years) used in 2019
Buildings	40
Machinery and equipment	3-15
Transport vehicles	6,7
Other	6-10

Land and construction in progress are not depreciated. The carrying amount of property, plant and equipment, useful life and depreciation method are reviewed at each reporting date.

Intangible assets

Intangible assets include software and licenses.

Intangible assets acquired separately are initially measured at actual cost. Cost of intangible assets acquired as a result of business combination is a fair value at the acquisition date. After initial recognition, the intangible assets are accounted for under the accounting model at actual costs. When using the accounting model at actual costs, the intangible assets are accounted for at cost less accumulated amortization and accumulated impairment losses.

If the Group produces an intangible asset, then expenses for the development of an intangible asset are included in the cost of an intangible asset and accounted for as construction in progress until an intangible asset is ready in full for the intended use under the contract terms.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

The cost of an in-house intangible asset is an amount of the following costs incurred from a date on which an intangible asset becomes meeting the recognition criteria for the first time and includes all costs that may be directly allocated or attributed reasonably and consistently to development, production, manufacturing and preparation of an asset for its intended use:

1) costs for materials and services used or consumed when producing an intangible asset;
2) salary and other costs connected with employees directly involved in the production of an asset (the Group capitalizes rewards of employees directly involved in completion of development of the software products based on reports on works performed if such works conform to all of the above-mentioned requirements);
3) any costs that directly relate to an asset produced, such as fees for registration of a legal right, patents and licenses used for the production of an asset.

Intangible assets can have limited or unlimited useful life. Intangible assets with indefinite useful life are not amortized, but they are annually tested for impairment.

The estimated useful lives of intangible assets are stated below:

	Useful lives (years) used in 2019
In-house software	3-9
Other software and licenses	5
Other IA	5

Provisions

Provisions are stated in the accounting records when the Group has obligations (legal or constructive) as a result of past events and it is highly probable that the Group is required to discharge those obligations and such obligations can be measured with a reasonable degree of accuracy.

An amount of the provision for forthcoming expenses stated in the accounting records is the best measurement of an amount necessary to settle liabilities as determined at the reporting date, subject to risks and uncertainties inherent in those liabilities. If an amount of provision is calculated based on proposed cash flows for settlement of liabilities and influence of change in time value of money is significant, then the provision is determined as the discounted value of such cash flows.

If it is expected that payments that are necessary to settle liabilities will be recovered in part or in full by a third party, respective receivables are stated as an asset given that receipt of indemnity is certain and an amount of those receivables can be reliably measured.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale, if their carrying amount is to be recovered mainly by selling them, but not as a result of continuous use. Non-current assets and disposal groups classified as held for sale are measured at the lower of two values: carrying amount and fair value less selling expenses. Selling expenses are additional costs directly relating to the disposal of an asset (or disposal group) and do not include finance costs and expense on income tax.

A criterion to classify an item as held for sale shall be met only if a sale is highly probable and an asset or disposal group can be immediately sold in their current condition. Actions required to sell must indicate a remote probability of significant changes in selling actions, as well as cancellation of a sale. The management is required to assume an obligation to implement a plan to sell an asset and a sale must be expected to be completed within a year from date of classification.

After classification, as held for sale, the property, plant and equipment and intangible assets, are not subject to amortization.

(thousand Kazakhstan tenge, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparation of the financial statements of each separate company of the Group and consolidated statements of the Group, the transactions that are made in currencies other than the functional currency (the "foreign currencies") are accounted for at market foreign exchange rate prevailing at the transaction date. Cash items denominated in foreign currencies are translated at the respective exchange rate[3] at the end of each reporting period. Non-cash items accounted for at fair value denominated in foreign currency are subject to translation at market foreign exchange rates prevailing at the date of determination of fair value. Non-cash items stated at historical cost denominated in foreign currency are not translated.

The year-end market foreign exchange rates used by the Group in preparation of the consolidated financial statements are stated below:

	31 December 2019	*31 December 2018*
KZT/1 USD	**381,18**	**384,20**
KZT/1 EUR	**426,85**	**439,37**
KZT/1 RUR	**6,17**	**5,52**
KZT/1 GBP	**499,99**	**488,13**

Issued capital

The issued capital is accounted for at the original cost.

Dividends on ordinary shares are stated as a decrease in equity capital in that period in which they are declared. Dividends declared after the reporting date are considered as events after the reporting date under IAS 10 *Events After the Reporting Period* and the information thereon are disclosed respectively.

Provisions and funds as parts of equity

Provisions and funds reported as parts of equity in the Group's statement of financial position include:

- investment revaluation reserve, which includes changes in fair value of investments classified as accounted for at fair value through other comprehensive income;
- property, plant and equipment revaluation reserve;
- other funds, which are formed to cover the possible default of the market participants.

In 2018, the reserve fund was increased up to 1.750.000 thousand tenges.

	31 December 2018	*31 December 2018*
Fund to trade with currency futures	**70.000**	70.000
Fund to trade with index futures	**100.000**	100.000
Clearing reserve fund for "stock" exchange market sector	**80.000**	80.000
Clearing reserve fund of foreign exchange market	**1.500.000**	1.500.000

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

Taxation

Expenses on corporate income tax include current and deferred taxes and are reported in the Group's statement of profit and loss, except the cases where deferred tax relates to operations accounted for directly in other comprehensive income or equity.

An amount of current expense on corporate tax is an expected amount of tax payable for the period and calculated based on tax rates prevailing under the legislation of the Republic of Kazakhstan at the reporting date, subject to all adjustments to tax debt of prior years.

The deferred corporate income tax assets and liabilities are calculated for all temporary differences using the balance-sheet liabilities method. Deferred taxes are determined for all temporary differences between the tax base of assets and liabilities and their book amount in the financial statements, except deferred income tax resulted from the initial recognition of goodwill, asset or liability in a transaction, which is not a business combination and which, at its settlement, does not affect accounting income or taxable income and loss. A deferred tax asset is recognized only to the extent receipt of taxable profit against which deductible temporary differences can be used is highly probable.

[3] Translation in functional currency is made using the market foreign exchange rate fixed according to the procedure established by the RK NB together with the authorized state body regulating activities in the field of business accounting and financial reporting.

(thousand Kazakhstan tenge, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent earning of sufficient taxable profit allowing using all or part of assets is unlikely.

Deferred tax assets and liabilities are measured at tax rates, which will be used during the period of asset disposal or liability settlement based on the legislation in effect or substantially in effect at the reporting date.

The Group sets off deferred tax assets and liabilities and reports the total difference in the consolidated statement of financial position, if:

- the Group has a legal right to set off current tax assets against current tax liabilities, and
- deferred tax assets and liabilities relate to income tax levied by the same taxation authority from the same taxable business.

Lease

After a contract, the Group estimates whether a contract is a lease or contains indications of a lease. In other words, the Group determines whether a contract confers a right to control the use of the identified asset during a certain period in exchange for compensation.

Group as a lessee

The Group uses the common approach to recognize and measure all lease contracts, except short-term lease and lease of low-value assets. The Group recognizes liabilities on lease concerning lease payments and right-of-use assets, which are the right to use underlying assets.

The Group recognizes right-of-use assets at the commencement date of lease (i.e. date on which an underlying asset becomes available for use). The right-of-use assets are measured at original cost less accumulated amortization and accumulated impairment losses, with adjustment to re-measurement of liabilities on lease. The original cost of right-of-use assets includes recognized liabilities on the lease, incurred initial direct costs and lease payments made on or before the commencement date of the lease. If a lease contract confers a title in an underlying asset on the Group before the expiration of a lease term or if an original cost of a right-of-use asset indicates the intention of the Group to exercise a call option, the Group amortizes a right-of-use asset from the commencement date of the lease until the expiration of useful life of an underlying asset.

Otherwise, the Group amortizes a right-of-use asset from the commencement date of the lease until the earliest of the following dates: expiration of useful life of a right-of-use asset or expiration of a lease term.

The right-of-use assets are also subject to test for impairment.

For the short-term lease or lease of a low-value underlying asset, the Group recognizes lease payments as expense in the straight-line method during a lease term.

Group as a lessor

The Group classifies each of its lease contracts as an operating or finance lease. A lease is classified as a finance lease if it implies the transfer of substantially all risks and rewards incidental to possession of an underlying asset. A lease is classified as an operating lease if it does not imply a transfer of substantially all risks and rewards incidental to possession of an underlying asset.

The Group recognizes income from finance lease during a lease term based on a schedule presenting invariable periodic rate of return on net investment of a lessor in lease.

The Group recognizes lease payments under operating lease as an income in the straight-line method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures at a fair value such financial instruments as equity instruments and such non-financial assets – as property, plant and equipment.

Fair value is a price, which would be received at the sale of an asset or paid at the transfer of a liability in the course of the ordinary transaction between the market participants at the measurement date. Measurement of a fair value assumes that a transaction is settled to sell an asset or to transfer a liability:

- in the market, which is principal for that asset or liability; or
- in the absence of the principal market, in the market that is the most advantageous for that asset or liability.

The Group must have access to the principal or the most advantageous market.

The fair value of an asset or liability is measured using assumptions, which would be used by the market participants when fixing a price for an asset or liability provided that the market participants act in their best economic interests.

Measurement of a non-financial asset at fair value considers an ability of a market participant to generate economic benefits either by using an asset in the best and the most effective manner or as a result of its sale to another market participant, which will use that asset in the best and the most effective manner.

The Group uses such measurement models, which are acceptable in the existing circumstances and for which the data sufficient for measurement at fair value is available, and using as much as possible appropriate observable inputs and using minimally non-observable inputs.

All assets and liabilities measured in the financial statements at fair value or the fair value of which is disclosed in the financial statements are classified under the fair value hierarchy described below based on inputs of the lowest level, which are significant for measurement at fair value in general:

- Level 1 — quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2 – valuation models in which inputs significant for measurement at fair value relating to the lower level of the hierarchy are directly or indirectly observable in the market;
- Level 3 - valuation models in which inputs significant for measurement at fair value relating to the lower level of the hierarchy are not observable in the market.

In case of assets and liabilities, which are revalued in the financial statements from time to time, the Group determines whether they are required to be transferred between the hierarchy levels with analysing again the classification (based on inputs of the lowest level, which are significant for measurement at fair value in general) at the end of each reporting period.

The Group's management determines policy and procedures for both recurrent fair value measurements of the property, plant and equipment and unquoted financial assets and non-recurrent fair value measurements of such assets as assets held for sale. The external valuers are involved to evaluate such significant assets as items of property, plant and equipment and unquoted financial assets, as well as such significant liabilities as contingent consideration.

At each reporting date, the management analyses change in the value of assets and liabilities, which are required to be analysed or evaluated again under the Group's accounting policy.

From time to time, the management and external valuers of the Group present the results of the evaluation to the Group's independent auditors that assume discussion of principal assumptions that have been used at evaluation.

To disclose the fair value, the Group classified assets and liabilities based on their nature, characteristics and risks inherent in them, as well as applicable level in the fair value hierarchy as stated above.

The fair value of the financial instruments and non-financial assets, which are measured at fair value or fair value of which must be disclosed in the financial statements, is disclosed in the following notes:

- Disclosure of valuation methods, critical estimates and assumptions (Notes 3, 15, and 17);
- Disclosure of numerical information on fair value hierarchy (Note 26);
- Investments in unquoted shares (Note 15);
- Property, plant and equipment accounted for under accounting model at the revalued amount (Note 17);
- Financial instruments (including those stated at amortized cost) (Note 16).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting assumptions and sources of estimation uncertainty

When applying the Group's accounting policies, the management makes estimates and assumptions for carrying amount of assets and liabilities, which are not obvious from the other sources. The accounting estimates and underlying assumptions are based on experience and other factors that are deemed relevant under particular circumstances. The actual results can differ from those estimates.

The estimates and underlying assumptions are continuingly reviewed. Changes in accounting estimates are recognized in a period in which an estimate is reviewed if a change affects only that period or in a period of change and the future periods if a change affects both current and future periods.

Basic sources of estimation uncertainty

The main assumptions are given below for the future reporting period and other basic sources of estimation uncertainty at the end of the reporting period that highly likely can result in significant adjustments to carrying amount of assets and liabilities during the next financial year.

Assets held for sale

On 25 December 2018, the Board of Directors announced its decision to dispose of interest of the Stock Exchange in the issued capital of RTRS LLP. The Board of Directors considered that this investment met the criteria of classification as "held for sale" at that date being guided by the following:

- interest is available for immediate sale and can be sold to a customer in its current condition;
- events incidental to the sale were begun, and a sale was expected to be completed within a year from date of initial classification;
- a potential customer was identified and negotiations with it were completed at the reporting dated.

During 2019, that asset has not been disposed of due to lack of approval of that transaction by the RK NB which indirectly holds 52.54% interest in the issued capital of RTRS LLP. Nevertheless, the Group's management abides by the plan to sell the interest in RTRS LLP under a decision of the Board of Directors No.38 "On disposal of interest of the Stock Exchange in RTRS LLP and conclusion of a transaction with Central Securities Depository JSC" dated 25 December 2018 and considers a sale of that asset during 2020 to be highly probable.

Impairment of receivables

Receivables are included in other assets in the consolidated statement of financial position. The simplified approach is used when assessing expected credit risks and forming provision for impairment of receivables, the contract assets, which result from transactions within the scope of IFRS 15, and the Group's receivables on lease.

The simplified approach lies in the following.

The credit losses expected during the entire life cycle of an asset are recognized for receivables and contract assets without significant financing component under IFRS 15 and for contracts with a term not exceeding one year since a life cycle of an asset is usually 12 months or less. Accordingly, 12-month credit loss and credit loss for the entire life cycle of an asset are equal for:

1) trade receivables – the Group calculates expected credit losses using the valuation reserve matrix (broken down by receivables on an ageing basis) adjusted subject to reasonable and justifiable information on current and predicted future economic conditions.

On an annual basis, not later than 01 March in a year following the year analysed, the Group analyses maturity dates of receivables to determine a level of defaults for the previous year and to fix a rate of valuation reserves. Calculated rates of valuation reserve are used during the reporting year for the receivables as at the close of business in a quarter depending on the number of days of delay to calculate a provision for expected credit losses. It also should be taken into consideration that a 100% rate of valuation reserve shall be used for the overdue receivables maturing more than 361 days (inclusive);

2) receivables, contract assets, receivables on lease with significant financing component – the Group uses the simplified approach of recognition of expected credit losses for the entire life cycle of a financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting assumptions and sources of estimation uncertainty (continued)

Impairment of receivables (continued)

The Group does not consider as past-due accounts the revision of periods and maturity date of receivables on provided assets. The Group derecognizes an asset in the accounting records only for receivables for which 100% of reserves (provisions) are formed for expected credit losses, or those receivables are not expected to be discharged upon taking all actions to recover overdue receivables, which have not resulted in repayment of a debt amount by a debtor. As at the close of business on 31 December 2019 and 31 December 2018, the total receivables amounted to 103.225 thousand tenges and 146.176 thousand tenges, accordingly, and the provision for impairment amounted to 10.966 thousand tenges and 6.154 thousand tenges, accordingly (Note 19).

Taxation

The Kazakhstan tax, foreign exchange and customs laws can be differently interpreted and are subject to frequent changes. The management interpretation of the laws applicable to transactions and activities of the Group can be disputed by respective regional or public authorities. The tax periods remain open for audit by the taxation authorities for five calendar years preceding the years of the tax audit. The Group believes that it adequately assesses tax liabilities for all reporting periods open for the audit based on its evaluation of many factors, including experience and interpretation of the tax laws. Such evaluation is based on estimates and assumptions and can include several sophisticated judgements about future events. If the resulting total tax liabilities differ from the amount recognized in the statements, then such difference can affect expenses on taxes for the period of such estimation. In the opinion of the management, as of 31 December 2019, all tax liabilities are assessed in full.

Revaluation of property, plant and equipment

The Group measures buildings, transport vehicles at a revalued amount, and changes in their fair value are recognized as parts of OCI. The buildings were measured based on real estate transaction with similar nature, location and condition of items. The property, plant and equipment are re-measured on a reasonably regular basis to the effect that possible difference between the carrying amount of property, plant and equipment and their estimated fair value at the reporting date is insignificant. In 2017, the Group engaged independent valuer to determine a fair value of investment property as of 31 December 2017. The Group's management considers that as of 31 December 2019, the carrying amount of property, plant and equipment of the Stock Exchange is equal / approximates to their fair value.

Measurement of financial instruments at fair value

Where the fair value of financial assets and financial liabilities recognized in the statement of financial position cannot be determined based on quotations in active markets, it is determined using the valuation models, including the model of discounted cash flows. Where possible, the information from observable markets is used as inputs for these models, but in cases where this is not practical, a certain estimation is required to fix a fair value. Estimations include consideration of such inputs as liquidity risk, credit risk, and volatility. Changes in assumptions regarding these factors can affect the fair value of financial instruments stated in the financial statements.

Impairment of non-financial assets

Impairment occurs if the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the largest of the following: fair value less costs for disposal or value in use. Calculation of fair value less costs for disposal is based on available information on binding transactions of sale of similar assets between independent parties or on observable market prices less additional costs due to the disposal of an asset.

Legal proceedings

Under IFRSs, the Group recognizes a need for forming provisions providing only current liabilities arisen due to occurred events, which can be reliably measured. A contingent liability not meeting the mentioned criteria can be disclosed in the notes to the financial statements. Application of this principle for legal proceedings requires the Group to make decisions on different operating and legal matters beyond its control.

(thousand Kazakhstan tenge, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting assumptions and sources of estimation uncertainty (continued)

Legal proceedings (continued)

In case of legal proceedings, the Group will abide by the policy of review of pending legal proceedings at each reporting date, as well, so that to evaluate a need to form provisions.

The following factors exist, which the Group takes into consideration when making decisions on provision formation: the substance of a suit, claim or penalty; the amount of potential damage, which the Group can incur if an outcome of a legal proceeding is unsuccessful for it; the progress of a legal proceeding (including after the date of the financial statements, but before publication thereof); conclusion of legal consultants; previous experience in similar legal proceedings; any decisions of the Group's management regarding the manner to respond to a suit, claim or penalties.

As of the date of issue of these consolidated financial statements, there were no legal proceedings against the Group.

Term of lease contracts

To determine expected lease terms the Group considers all relevant factors and circumstances that stipulate the existence of the Group's economic impetus to exercise or not to exercise the right to extend the terms of the lease contracts. Such factors can be:

- various improvements of the leased property;
- costs in connection with the termination of the lease;
- significance of such an underlying asset for activities of a lessee, for instance, subject to whether an underlying asset is a special-purpose asset, location of an underlying asset and existence of appropriate alternatives.

In determining the factors mentioned above the Group also is guided by past practise concerning a period during which the Group usually uses certain types of assets, as well as the economic reasons for which the Group do so. Changes in scales and nature of activities, a situation in the industry can affect the judgement of the management regarding actually expected lease terms, and, accordingly, the indications presented in the consolidated financial statements.

4. INCOMES FROM SERVICES AND COMMISSION INCOMES

	2019	*2018*
Incomes from services and commission incomes		
Commission fee for transactions on the Stock Exchange	**1.013.780**	993.712
Listing fees	**727.052**	718.150
Stock Exchange membership fees	**259.066**	340.488
Income from information services	**202.913**	203.844
Clearing fees	**239.557**	73.360
Incomes from remote access services	**32.535**	31.240
Total incomes from services and commission incomes	**2.474.903**	2.360.794

(thousand Kazakhstan tenge, unless otherwise stated)

5. INTEREST INCOMES AND EXPENDITURE

	2019	2018
Interest incomes include:		
interest incomes on non-impaired financial assets	**1.576.219**	507.109
interest incomes on impaired financial assets	**130.640**	164.489
Total interest income	**1.706.859**	671.598

	2019	2018
Interest income on financial assets stated at amortized cost includes:		
interest incomes on cash with banks	**120.285**	155.584
interest incomes on investments accounted for at amortized cost	**1.334.879**	425.550
interest incomes from receipt of consideration in reverse REPO transactions with securities	**212.126**	83.600
interest incomes from receipt of consideration in reverse repo transactions with securities (CC transactions)	**31.255**	-
interest incomes on cash and cash equivalents	**8.314**	6.864
Total interest income on financial assets	**1.706.859**	671.598
Interest expense related to the payment of interest on repo transactions (CC transactions)	**(31.255)**	-
Total interest expense	**(31.255)**	-

In 2019, the increase in interest incomes on investments accounted for at amortised cost is associated with a significant increase in transactions with that category of investments.

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

The information on changes in provisions for impairment of interest-bearing assets and other provisions is presented as follows:

	Cash and cash equivalents	*Cash with banks*	*Investments held to maturity /Financial assets at amortized cost*	*Other assets*	*Total*
At the close of business on 31 December 2017	–	–	3.892	6.598	10.490
Formation of reserve (provision) to cover expected credit losses	**5.420**	**5.946**	**(3.361)**	**(444)**	**7.561**
Asset write-off	–	–	–	–	–
At the close of business on 31 December 2018	**5.420**	**5.946**	**531**	**6.154**	**18.051**
Formation of reserve (provision) to cover expected credit losses	**3.686**	**(2.173)**	**(214)**	**4.812**	**6.111**
Asset write-off					
At the close of business on 31 December 2019	**9.106**	**3.773**	**317**	**10.966**	**24.162**

(thousand Kazakhstan tenge, unless otherwise stated)

7. NET PROFIT (LOSS) ON FOREIGN EXCHANGE TRANSACTIONS

The net profit on foreign exchange transactions for the year ended 31 December 2019 amounted to 58 thousand tenges; for 2018, the net profit on foreign exchange transactions amounted to 10.135 thousand tenges.

8. OTHER INCOME

	2019	*2018*
Income on accrued overnight interest	**97.959**	55.804
Incomes from asset disposal	**9.245**	-
Obtained penalties, forfeits	**1.291**	4.892
Reimbursement of expenses for training	**236**	-
Reimbursement of travelling expenses	**40**	-
Reimbursement of expenses for bank charge	**28**	-
Income on recognition of security deposit for purchases	**-**	705
Incomes from operating lease	**-**	426
Incomes from reporting inventory results	**6**	118
Payables write-off	**-**	75
Reimbursement of expenses (for loss of electronic access card)	**1**	1
Total other income	**108.806**	62.021

Income and expenses from the sale of securities (CC transactions) in 2019 amounted to 82.588 thousand tenge. In these financial statements, these items are presented on a net basis.

9. OPERATING EXPENSES

	2019	*2018*
Expenses for personnel	**1.182.337**	1.224.875
Depreciation and amortization	**124.519**	132.515
Social tax	**110.100**	114.455
Expenses for business development	**24.058**	67.272
Technical maintenance of property, plant and equipment and IA	**54.372**	49.390
Bank services	**44.241**	42.540
Taxes, except income tax	**53.527**	38.909
Impairment loss (investments accounted for in equity method)	**-**	37.473
Travelling expenses	**51.336**	35.241
Professional services	**17.491**	33.317
Communications and SWIFT maintenance	**32.735**	32.926
Expenses for maintenance and operating lease	**17.055**	17.589
Information services	**19.151**	14.379
Membership fees	**15.097**	13.833
Personnel training	**14.497**	4.344
Impairment of asset held for sale	**5.032**	-
Expenses for mail and courier services	**2.143**	2.034
Insurance expenses	**1.296**	1.366
Other expenses	**69.802**	76.220
Total operating expenses	**1.838.789**	1.938.678

The personnel expenses do not take into account the benefits of employees directly involved in completion of development of software products capitalized as intangible assets of the Group. The information on the above-mentioned benefits is disclosed in Note 18 to these statements.

(thousand Kazakhstan tenge, unless otherwise stated)

10. CORPORATE INCOME TAX

Expense on corporate income tax comprises the following items:

	2019	*2018*
Expenses on current corporate income tax	**172.345**	176.164
Expenses on deferred corporate income tax	**49.437**	737
Expenses on corporate income tax	**221.782**	176.901

The Group calculates income tax for the current period based on a tax base under the requirements of the tax laws of the Republic of Kazakhstan, which can differ from IFRSs.

Considering that some types of expenses are not accounted for tax purposes, as well as due to the existence of non-taxable income, the Group has certain permanent tax differences.

Deferred tax presents a net tax effect from temporary differences between the carrying amount of assets and liabilities for the financial reporting purposes and an amount determined for tax purposes. Temporary differences existing at the close of business on 31 December 2019 and 31 December 2018 are mainly associated with different methods/periods of accounting for incomes and expenses, as well as temporary differences occurring due to different approaches to accounting and tax value of some assets.

The tax effect of temporary differences as at the close of business on 31 December 2019 and 31 December 2018 is presented as follows:

	31 December 2019	*As part of other comprehensive income*	*In the statement or profit and loss*	*31 December 2018*
Tax effect of deductible temporary differences				
Provision for unused leaves	**13.292**	-	**4.223**	**9.069**
Property, plant and equipment	**312**	-	**298**	**14**
Provision for asset impairment	**1.548**	-	**(102)**	**1.650**
Reserve for doubtful claims	**1.741**	-	**807**	**934**
Deferred income tax assets	**16.893**	-	**5.226**	**11.667**
Tax effect of taxable temporary differences				
Property, plant and equipment	**(89.980)**	-	**(54.663)**	**(35.317)**
Deferred tax liabilities	**(89.980)**	-	**(54.663)**	**(35.317)**
Total deferred income tax liabilities	**(73.087)**	-	**(49.437)**	**(23.650)**

	2019	*2018*
Deferred tax liability at the beginning of the period	**23.650**	22.913
Presented in the statement of profit and loss	**49.437**	737
Deferred tax liability at the end of the period	**73.087**	23.650

As of 31 December 2019, the deferred tax asset is recognized for the subsidiary - eTrade.kz LLP – for 1.000 thousand tenges (31 December 2018: 710 thousand tenges).

The tax rate used for the reconciliations below is a 20% rate of corporate tax on taxable profit under the tax laws of the Republic of Kazakhstan.

Reconciliation between expenses on corporate income tax stated in these consolidated financial statements and profit before expenses on corporate income tax multiplied by the standard tax rate for the years ended 31 December is as follows:

(thousand Kazakhstan tenge, unless otherwise stated)

10. CORPORATE INCOME TAX (CONTINUED)

	Year ended 31 December 2019	*Year ended 31 December 2018*
Profit before tax	**2.414.471**	1.142.213
Standard rate of corporate income tax	**20%**	20%
Tax at a fixed rate	**482.894**	228.443
Non-taxable interest income and other income on government securities and other securities	**(266.967)**	(85.109)
Expenses not reducing tax base		
General and administrative expenses	**4.381**	7.320
Membership fees	**2.864**	2.623
Provision for impairment of other assets	**1.234**	10.415
Share in profit of an associate		-
Other	**(2.624)**	13.209
Total permanent differences on corporate income tax	**(261.112)**	(51.542)
Expenses on corporate income tax	**221.782**	176.901

11. EARNINGS PER SHARE

The indications of profit and weighted average quantity of ordinary shares used to calculate basic and diluted earnings per share are stated below.

	Year ended 31 December 2019	*Year ended 31 December 2018*
Net profit for the year attributed to Company's shareholders	**2.192.689**	965.312
The weighted average quantity of ordinary shares to determine basic earnings per share	**974.373**	942.013
Basic and diluted earnings per share (tenge)	**2.250,36**	1.024,73

12. FINANCIAL ASSETS / (LIABILITIES) OF THE CENTRAL COUNTERPARTY

	31 December 2019	*31 December 2018*
Financial assets of the CC in the foreign exchange market	**961.946**	3.341.113
Financial liabilities of the CC in the foreign exchange market	**961.946**	3.341.113

The financial assets and liabilities of the CC on the foreign exchange transactions are a fair value of foreign exchange transactions. Counterclaims and liabilities of individual counterparties are set off under IAS 32.

13. CASH AND CASH EQUIVALENTS

In 2019, the Group stated in cash and cash equivalents the cash classified as own funds, under the accounting policy and clearing rules.

	31 December 2019	*31 December 2018*
Cash on hand	**551**	528
Correspondent account with RK NB	**9.700.056**	19.845.570
Correspondent and current accounts with other banks	**10.570.419**	6.879.784
Less reserve (provision) for covering expected credit losses under IFRS 9	**(9.106)**	(5.420)
Total cash and cash equivalents	**20.261.920**	26.720.462

(thousand Kazakhstan tenge, unless otherwise stated)

14. CASH WITH BANKS

	31 December 2019			*31 December 2018*		
	%	***Maturity date***	***Amount***	*%*	*Maturity date*	*Amount*
Term deposits	**9**	**2020**	**1.381.567**	2.5-10.0	2019	1.151.249
Less reserve (provision) for covering expected credit losses under IFRS 9			**(3.773)**			(5.946)
Total cash with banks			**1.377.794**			1.145.303

As at the close of business on 31 December 2019 and 31 December 2018, the cash with banks included interest accrued on the amounts of 642 thousand tenges and 1.249 thousand tenges, accordingly.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2019		*31 December 2018*	
	Ownership ratio, %	***Amount***	*Ownership ratio, %*	*Amount*
Equity securities				
Central Securities Depository JSC	29.28	**18.800**	29.28	18.800
Kyrgyz Stock Exchange CJSC	7.05	**2.253**	7.05	2.253
Total equity securities		**21.053**	–	21.053
Total investments available for sale		**21.053**	–	21.053

The Group does not have a significant influence on activities of Central Securities Depository JSC under IAS 28 *Investments in Associates and Joint Ventures*.

The financial assets accounted for at fair value through other comprehensive income are not subject to test for impairment.

Due to the absence of the active market and similar financial instruments and insufficiency of available new information to measure fair value, the Group concluded that the original cost is the best measurement of fair value.

16. FINANCIAL ASSETS AT AMORTIZED COST AND REVERSE REPO

	31 December 2019	*31 December 2018*
Corporate bonds	**25.944**	25.944
Short-term government securities		
Notes of the RK National Bank	**18.744.845**	18.567.827
Total financial assets at amortized cost	**18.770.789**	18.593.771
Less reserve (provision) for covering expected credit losses under IFRS 9	**(317)**	(531)
Total financial assets at amortized cost	**18.770.472**	18.593.240

The information on movements in the provision for impairment for the years ended 31 December 2019 and 31 December 2018 is given in Note 6 to these statements.

As at the close of business on 31 December 2019 and 31 December 2018, the investments at amortized cost included accrued return for 436 thousand tenges and 436 thousand tenges, accordingly.

Reverse repo transactions are stated as follows:

	31 December 2019	*31 December 2018*
Reverse repo transactions with securities	**1.953.000**	-
Reverse repo transactions with securities (CC transactions)	**25.299.297**	-
Incomes accrued in a form of return on reverse repo transactions with securities	**22.430**	-
Total	**27.274.727**	-

(thousand Kazakhstan tenge, unless otherwise stated)

17. PROPERTY, PLANT AND EQUIPMENT

	Building	*Land*	*Machinery and equipment*	*Transport vehicles*	*Other*	*Total*
At original cost						
31 December 2017	**1.018.154**	**179.675**	**344.819**	**50.674**	**116.106**	**1.709.428**
Receipts	**-**	**-**	**23.685**	**-**	**12.669**	**36.354**
Other receipts (IRBIS dividends)	**-**	**-**	**226**	**2.798**	**149**	**3.173**
Reclassified from inventories to PPE	**-**	**-**	**-**	**-**	**118**	**118**
Netting of accumulated depreciation and the original cost of transferred assets	**-**	**-**	**(16.275)**	**(638)**	**(1.567)**	**(18.480)**
Disposal	-	-	(776)	(6.087)	(347)	(7.210)
31 December 2018	**1.018.154**	**179.675**	351.679	46.747	127.128	1.723.383
Receipts	**-**	**-**	**129.783**	**14.768**	**9.042**	**153.593**
Netting of accumulated depreciation and original cost of transferred assets	**-**	**-**	**-**	**(1.602)**	**-**	**(1.602)**
Accumulated loss set-off	**-**	**-**	**-**	**(1.453)**	**-**	**(1.453)**
Disposal	**-**	**-**	**-**	**(3.524)**	**-**	**(3.524)**
31 December 2019	**1.018.154**	**179.675**	**481.462**	**54.936**	**136.170**	**1.870.397**

(thousand Kazakhstan tenge, unless otherwise stated)

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Building	*Land*	*Machinery and equipment*	*Transport vehicles*	*Other*	*Total*
Accumulated depreciation						
31 December 2017	**(6.499)**	**-**	**(225.822)**	**(5.484)**	**(89.777)**	**(327.582)**
Accumulated depreciation	**(25.995)**	**-**	**(38.667)**	**(7.012)**	**(8.891)**	**(80.565)**
Netting of accumulated depreciation and the original cost of transferred assets	**-**	**-**	**16.275**	**638**	**1.567**	**18.480**
31 December 2018	**(32.494)**	**-**	**(248.214)**	**(11.858)**	**(97.101)**	**(389.667)**
Accumulated depreciation	**(25.995)**	**-**	**(42.583)**	**(8.274)**	**(9.244)**	**(86.096)**
Netting of accumulated depreciation and original cost of transferred assets	**-**	**-**	**-**	**1.602**	**-**	**1.602**
Accumulated loss set-off	**-**	**-**	**-**	**1.453**	**-**	**1.453**
31 December 2019	**(58.489)**	**-**	**(290.797)**	**(17.077)**	**(106.345)**	**(472.708)**
Residual value						
At the close of business on 31 December 2019	**959.665**	**179.675**	**190.665**	**37.859**	**29.825**	**1.397.689**
At the close of business on 31 December 2018	985.660	179.675	103.465	34.889	30.027	1.333.716
At the close of business on 31 December 2017	1.011.655	179.675	118.997	45.190	26.329	1.381.846

As of 31 December 2019, the original cost of fully depreciated property, plant and equipment amounted to 268.103 thousand tenge (31 December 2018: 233 501 thousand tenge).

Interpretation of property, plant and equipment accounted for at revalued amount:

	Year ended 31 December 2019			**Year ended 31 December 2018**		
Group of property, plant and equipment at revalued amount	**Carrying amount without revaluation**	**Carrying amount subject to revaluation**	**Difference**	**Carrying amount without revaluation**	**Carrying amount subject to revaluation**	**Difference**
Building	**1.006.639**	**959.665**	**(46.974)**	1.035.441	985.660	(49.781)
Land	**1.628**	**179.675**	**178.047**	1.628	179.675	178.047
Transport vehicles	**33.270**	**37.859**	**4.589**	34.456	34.889	433
Total:	**1.041.537**	**1.177.199**	**135.662**	1.071.525	1.200.224	128.699

(thousand Kazakhstan tenge, unless otherwise stated)

18. INTANGIBLE ASSETS

	In-house software	*Other software and licenses*	*Other IA*	*Construction in progress*	*Total*
At original cost					
31 December 2017	167.900	103.451	5.573	-	276.924
Receipts	-	12.436	-	-	12.436
Other receipts (IRBIS dividends)	-	183	-	-	183
Salary and other costs capitalized as intangible assets	16.776	-	-	-	16.776
In-company transfer	1	(1)	-	-	-
Netting accumulated amortization and the original cost of transferred assets	-	(471)	-	-	(471)
Disposal	-	(364)	-	-	(364)
31 December 2018	**184.677**	**115.234**	**5.573**	**-**	**305.484**
Receipts	**-**	**594.221**	**258**	**2.293**	**596.772**
Salary and other costs capitalized as intangible assets	**20.315**	**-**	**-**	**-**	**20.315**
Netting accumulated amortization and original cost of transferred assets	**-**	**(217)**	**-**	**-**	**(217)**
31 December 2019	**204.992**	**709.238**	**5.831**	**2.293**	**922.354**
ACCUMULATED AMORTIZATION					
31 December 2017	(33.129)	(60.017)	(4.644)		(97.790)
Charged amortization	(31.936)	(19.085)	(929)		(51.950)
Netting accumulated amortization and the original cost of transferred assets	-	471	-		471
31 December 2018	**(65.065)**	**(78.631)**	**(5.573)**		**(149.269)**
Charged amortization	**(23.762)**	**(14.661)**	**-**	**-**	**(38.423)**
Netting accumulated amortization and the original cost of transferred assets	**-**	**217**	**-**	**-**	**217**
31 December 2019	**(88.827)**	**(93.075)**	**(5.573)**	**-**	**(187.475)**
Residual value					
At the close of business on 31 December 2019	**116.165**	**616.163**	**258**	**2.293**	**734.879**
At the close of business on 31 December 2018	119.612	36.603	-	-	156.215
At the close of business on 31 December 2017	134.771	43.434	929	-	179.134

19. OTHER ASSETS

	31 December 2019	*31 December 2018*
Other financial assets		
Commission fee receivable	**40.759**	76.278
Income from information services receivable	**37.023**	37.664
Listing fees receivable	**10.480**	10.237
Membership fees receivable	**-**	120
Incomes from remote access services receivable	**38**	144
Penalties and fines receivable	**38**	-
Incomes from services relating to clearing transactions	**14.887**	21.733
Total other financial assets	**103.225**	146.176
Provision for receivables	**(10.966)**	(6.154)
	92.259	140.022
Other non-financial assets		
Taxes, except corporate income tax	**3.856**	10.897
Deferrals	**15.799**	6.916
Inventories	**7.730**	6.840
Advances for leaves	**2.585**	2.003
Other	**39**	39
Total other non-financial assets	**30.009**	26.695
Total other assets	**122.268**	166.717

The information on movements in provision for impairment of other assets for the years ended 31 December 2019 and 31 December 2018 is given in Note 6 to these statements.

(thousand Kazakhstan tenge, unless otherwise stated)

20. CLEARING PARTICIPANTS' FUNDS

As at the close of business on 31 December 2019 and 31 December 2018, the funds of clearing participants are presented as security deposits and securities provided by clearing participants that are placed to make foreign exchange transactions. The funds were placed by the following clearing participants.

	31 December 2019	*31 December 2018*
Kazakhstan second-tier banks	**29.093.748**	37.073.663
Other financial organizations	**2.183.111**	67.763
International bank settlement and credit institution	**1.580.180**	1.999.960
Total clearing participants' funds	**32.857.039**	39.141.386

	31 December 2019	*31 December 2018*
Security deposits for foreign exchange UIF sector (future)	**30.000**	28.000
Security deposits for stock UIF sector (future)	**2.000**	2.000
Security deposits for the foreign exchange market	**675.000**	675.000
Security deposits for the stock market	**69.000**	28.000
Margin calls for the foreign exchange market	**32.023.379**	38.408.386
Margin account for futures	**57.660**	-
Total clearing participants' funds	**32.857.039**	39.141.386

21. REPO TRANSACTION

	31 December 2019	*31 December 2018*
Repo transactions with securities (CC transactions)	**25.299.297**	-
Expenses charged in a form of a fee on repo transactions with securities (CC transactions)	**22.430**	-
Total	**25.321.727**	-

22. OTHER LIABILITIES

	31 December 2019	*31 December 2018*
Other financial liabilities		
Trade payables	**279.966**	17.706
Payable dividends	**2.203**	2.203
	282.169	19.909
Other non-financial liabilities		
Provision for unused leaves	**66.460**	45.350
Taxes, except corporate income tax	**22.045**	1.107
Other	**5.362**	11.590
Total other liabilities	**376.036**	77.956

23. ISSUED CAPITAL

The Group's issued capital is presented by the following quantity of ordinary shares:

	Stated issued capital, shares	*Authorized, but not issued capital, shares*	*Issued capital, shares*
Ordinary shares			
At the close of business on 31 December 2017	5.000.000	4.057.987	942.013
Issue of ordinary shares	–	–	–
At the close of business on 31 December 2018	5.000.000	4.057.987	942.013
Issue of ordinary shares	-	(32.360)	32.360
At the close of business on 31 December 2019	**5.000.000**	**4.025.627**	**974.373**

23. ISSUED CAPITAL (continued)

On 29 January 2019, the Stock Exchange and Moscow Stock Exchange PJSC (MOEX) concluded a transaction to sell 32,360 shares of the Stock Exchange within the framework of the performance of the Strategic Cooperation Agreement previously signed by the parties. Based on the results of the transaction to sell shares of the Stock Exchange, the interest of MOEX in the capital of the Stock Exchange was equal to 3.32% of allocated shares. The Strategic Cooperation Agreement was signed between the Stock Exchange and MOEX on 10 October 2019. As at the close of business on 31 December 2019 and 2018, the issued and fully paid capital comprising ordinary shares amounted to 2.661.775 and 2.366.256 thousand tenges, accordingly. In 2018, the Stock Exchange repurchased own shares to the total amount of 62.076 thousand tenges.

Date of crediting shares onto an account	*Quantity of repurchased shares*	*Repurchase price (tenge)*	*Amount (thousand tenges)*	*Counterparty*
Extract from minutes of the meeting of the BoD No.26 dated 07 September 2018, Shares Sale and Purchase Agreement dated 26 September	6.063	4.657,18	28.237	SAPF JSC
Extract from minutes of the meeting of the BoD No.34 dated 20 November 2018, Shares Sale and Purchase Agreement No.75 dated 19 December 2018	7.266	4.657,18	33.839	Kauzhar LLP
	13.329		**62.076**	

24. COMMITMENTS AND CONTINGENCIES

Legal proceedings

In the course of activities, the customers and counterparties can make claims against the Group. The management believes that as a result of possible material proceedings under such claims the Group will not incur significant losses; in this regard, respective provisions have not been formed in the consolidated financial statements.

Taxation

Due to provisions in the Kazakhstan commercial and, in particular, tax laws that can be interpreted in more than one manner, as well as due to practice of the taxation authorities to make an arbitrary judgement on activities of the taxpayers, if any certain actions based on the Management's interpretation of the legislation relating to activities of the Group are disputed by the taxation authorities, this can result in charging additional taxes, penalties, and fines. In particular, such uncertainty can relate to the measurement of financial instruments, the formation of provisions for impairment and determination of the market level of price indices for transactions. The Group's management is sure that all necessary taxes are assessed and, accordingly, any provisions are not accrued in the consolidated financial statements. The taxation authorities can audit the accuracy of tax assessments for five years after a tax period is closed.

Operating environment

The markets of the developing countries, including Kazakhstan, are exposed to economic, political, social, judicial and legislative risks other than risks of more developed markets. The laws and regulatory legal acts regulating business in Kazakhstan are still exposed to fast changes; their arbitrary construction and varying interpretations are probable. The future direction of Kazakhstan development largely depends on economic, tax and credit policies of the State, enacted laws and regulatory legal acts, as well as changes in political, regulatory situations in the country. Considering that Kazakhstan produces and exports large volumes of oil and gas, the economy of Kazakhstan is very sensitive to changes in the world prices for oil and gas.

Commitments

As of 31 December 2018, the Group does not have long-term operating lease contracts without the early termination right. On 10 October 2018, the Kazakhstan Stock Exchange (KASE) and the Moscow Stock Exchange (MOEX) signed the Strategic Cooperation Agreement. The Agreement provided purchase by the Moscow Stock Exchange of not more than 20% of the issued capital of the KASE, acquisition by the KASE of the right to use the MOEX software (to service transactions on the stock exchange markets of the KASE and other financial markets of the Republic of Kazakhstan), provision by the MOEX of the strategic consulting services for the KASE.

(thousand Kazakhstan tenge, unless otherwise stated)

25. RELATED PARTY TRANSACTIONS

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

	31 December 2019	*31 December 2018*
Cash and cash equivalents		
Other related parties	**2.095.549**	777
Parent company	**9.700.056**	19.845.570
Financial assets at fair value through other comprehensive income/ Investments available for sale/		
Other related parties	**21.053**	21.053
Financial assets at amortized cost/ Investments held to maturity/		
Parent company	**18.744.845**	18.567.828
Other short-term financial investments (reverse REPO)		
Parent company	**1.953.000**	-
Other related parties	**6.350.268**	-
Non-current assets held for sale		
Other related parties	**92.495**	97.527
Central counterparty financial assets		
Parent company	**178.935**	162.296
Other related parties	**-**	153.042
Other assets		
Parent company	**5.046**	8.830
Key management personnel of the Group	**65**	146
Other related parties	**7.864**	29.154
Clearing participants' funds		
Other related parties	**442.863**	1.588.600
Advances obtained		
Other related parties	**5.024**	1.124
Other liabilities		
Key management personnel of the Group	**11.776**	9.461
Other related parties	**263.475**	3.713

The consolidated statement of comprehensive income for the years ended 31 December 2019 and 31 December 2018 presented the following amounts from related party transactions.

	Year ended 31 December 2019	*Year ended 31 December 2018*
Incomes from services and commission incomes		
Parent company	**180.919**	114.516
Other related parties	**196.534**	360.585
Interest incomes		
Parent company	**1.332.794**	423.465
Forming provision for impairment of interest-bearing assets and other transactions		
Parent company	**2**	1
Other related parties	**10**	12
Operating expenses		
Parent company	**(15)**	-
Other related parties	**(58.670)**	(61.589)
Other income		
Subsidiaries	**161**	-
Other related parties	**-**	241

Remuneration of 13 members of the key management personnel (2018: 13 members of the key management personnel) is stated as follows:

	Year ended 31 December 2019	*Year ended 31 December 2018*
Short-term remunerations of the key management personnel of the Group		
Remunerations of the governing body	**50.520**	50.657
Remunerations of the members of the executive body	**117.710**	198.748
Other officials	**11.716**	16.183
Total	**179.946**	265.588

(thousand Kazakhstan tenge, unless otherwise stated)

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value is disclosed under IFRS 13 *Fair Value Measurement*, IFRS 7 *Financial Instruments: Disclosure* and IFRS 9 *Financial Instruments* concerning the determination of the fair or approximate fair value of such instruments.

The carrying amount of cash and cash equivalents, cash with banks, receivables, cash of customers and payables approximates to their fair value due to short term of those financial instruments.

Except for the items below, in the opinion of the Group management, the fair value of other financial assets and liabilities approximates their carrying amount.

	31 December 2019		*31 December 2018*	
	Carrying amount	***Fair value***	***Carrying amount***	*Fair value*
Financial assets at amortized cost (level 1)	**18.770.472**	**18.596.781**	**18.593.241**	**18.574.485**
Unrecognized income/(expense)		**(173.691)**		**(18.756)**

Measurement of fair value is aimed at more precise determination of value at which the financial instruments can be currently exchanged when settling a transaction between knowledgeable parties willing in fact to settle such a transaction, which are independent of each other. Nevertheless, due to existing uncertainties and subjectivity of measurements, fair value must not be considered as value at which assets can be immediately sold or liabilities can be discharged. Fair value is determined as value at which a financial instrument can be exchanged between knowledgeable parties on an arm’s length basis, except for situations with involuntary sale or disposal in case of liquidation.

Financial instruments stated at fair value are divided hierarchically into three levels depending on the availability of market data:

Quoted in an active market (level 1) – valuation is made at quotations obtained in an active market for identical assets and liabilities. Additional adjustments or general discounting is not applied to such financial instruments. Since revaluation is based on market quotations that are easily available in the active market on an ongoing basis, those indices do not come laden with significant judgements;

Valuation methods using the market data (level 2) – valuations based in a greater degree directly or indirectly on market data and valuations based on one or more observable market prices in ordinary transactions in the markets that are deemed inactive;

Valuation methods based on information not containing market data (level 3) – valuations are based on data not being market data and being significant in the determination of fair value.

In 2019, there were no transfers between Level 1 and Level 2 in the fair value hierarchy.

27. RISK MANAGEMENT POLICY

The risk management is an integral part of the Group's activities. The basic risks inherent in the Group's activities are:

- credit risk;
- operating risk;
- market and system risks;
- liquidity risk;
- legal risk;
- reputation risk.

The Group recognizes the significance of the existence of the effective and efficient risk management process. To ensure efficient and effective risk management policy, the Group determined the basic risk management principles with the basic goal to protect the Group against existing risks and to enable it to achieve targeted indications. The basic tasks of the risk management system are detection of risk sources, determination of risk levels, development of policies and rules in the field of risk management and implementation of control mechanisms, including fixing limits and subsequent adherence thereto. The risk management policy, procedure for identification, evaluation, monitoring and response to risk events, as well as the procedure for managing financial and operating risks of the Group are regulated by respective internal documents of the Group.

27. RISK MANAGEMENT POLICY (continued)

Description of basic risks of the Group is given hereafter.

Risk management structure

Board of Directors

The Board of Directors is liable for the development of the risk management strategy, approval of the principles of a concept of policy and limits broken down by types of risks. Besides, the Board of Directors is liable for material matters of risk management and controls the execution of respective decisions adopted concerning risks and controls them.

Management Board

The Management Board is liable for ensuring arrangements for an effective risk management system of the Group.

Committee for market risks

The collegial consulting body of the Stock Exchange the structure of which is determined by the Regulations of the Committee for market risks as approved by the Management Board of the Stock Exchange. The basic functions of the Committee for market risks include analysis, monitoring and detection of risks incidental to a situation in financial markets, activities of the Stock Exchange, its counterparties being members of the Stock Exchange, issuers and investors.

Investment Committee

The collegial body of the Stock Exchange the structure of which is approved by the Management Board of the Stock Exchange. The basic functions of the Investment Committee include the adoption of investment decisions on settlement of transactions with financial instruments at the expense of assets from the investment portfolio of the Stock Exchange and ensuring minimization of the level of financial risks incidental to investment.

Credit risk

The Group is exposed to credit risk, i.e. a risk of default of correspondent banks, debtors or other counter-partners to fulfil obligations to the Group and, consequently, a risk of the Group's financial losses.

Under the Asset Investment Policy (the Investment Policy) approved by the decision of the Board of Directors, the portfolios of financial instruments diversified by types of assets, degree of liquidity, rate of return, and term are formed with balancing return and risk.

Maximal credit risk exposure

Investment portfolios of the Stock Exchange under the Investment Policy are divided into the following categories:

1) own portfolio of the Stock Exchange, except reserve funds;
2) portfolio of clearing funds (guarantee and reserve funds);
3) portfolio of securities of clearing participants.

The Investment Policy determines the investment objects and the structure of investment portfolios of the Stock Exchange.

Restrictions prescribed by the Investment Policy about investment objects and the structures of portfolios of the Stock Exchange do not extend to corporate securities purchased before the implementation of the Investment Policy and the decision of the Investment Committee can be executed. If a sale of the mentioned corporate securities results in losses, then the Investment Committee will adopt such decision by approval of the Board of Directors of the Stock Exchange.

Under the Investment Policy, the Group monthly analyses investment portfolios of the Stock Exchange, and the Risk Management Division analyses quarterly the state of investment portfolios and their exposure to risks, including determination of the probability of default of financial instruments, as well as stress and backtest of investment portfolios of the Stock Exchange.

(thousand Kazakhstan tenge, unless otherwise stated)

27. RISK MANAGEMENT POLICY (continued)

Credit risk (continued)

Credit risk of the Stock Exchange is minimized by a trading participant by payments made by the Stock Exchange in trades based on a "supply against payment" principle.

Maximal credit risk of the Group can significantly vary depending on individual risks inherent in particular assets and general market risks.

Maximal credit risk exposure (continued)

The following table presents the maximal credit risk on-balance-sheet and off-balance-sheet financial assets. For the financial assets stated on-balance-sheet accounts, the maximal credit risk is equal to carrying amount of those assets without regard to set-off of assets and liabilities and securities.

	31 December 2019	*31 December 2018*
Cash and cash equivalents, except cash on hand	**20.261.369**	26.719.934
Cash restricted in use		-
Cash with banks	**1.377.794**	1.145.303
Reverse REPO	**27.274.727**	-
Financial assets at amortized cost	**18.770.472**	18.593.240
Other financial assets	**92.259**	140.022
Total	**67.776.621**	46.598.499

The Group's financial assets are classified subject to several such criteria as credit rating, financial condition, delay in payments and other criteria. The information on current credit ratings of financial assets of the Group affirmed by the international rating agencies is given below. The highest possible rating is AAA, the investment level conforms to the ratings from AAA to BBB-, the rating below BBB- relates to speculative index.

As at the close of business on 31 December 2019 and 2018, under presented criteria, the financial assets are classified as standard, except impaired assets.

The classification of the Group's financial assets by credit ratings is presented below.

	AA+	*A+*	*BBB*	*BBB-*	*<BBB-*	*No rating*	*Total*
31 December 2019							
Cash and cash equivalents, except cash on hand	7.261.434	808.207	22	10.078.026	18.131	2.095.549	**20.261.369**
Cash with banks	-	-	-	1.377.794	-	-	**1.377.794**
Reverse REPO	-	-	-	-	-	27.274.727	**27.274.727**
Financial assets at amortized cost	-	-	-	18.744.851	25.621	-	**18.770.472**
Other financial assets	-	-	-	-	-	92.259	**92.259**
Total	**7.261.434**	**808.207**	**22**	**30.200.671**	**43.752**	**29.462.535**	**67.776.621**

	AA+	*A+*	*BBB*	*BBB-*	*<BBB-*	*No rating*	*Total*
31 December 2018							
Cash and cash equivalents, except cash on hand	4.893.091	1.861.789	19.845.570	93.680	25.804	–	**26.719.934**
Cash with banks	-	–	–		1.145.303	–	**1.145.303**
Financial assets at amortized cost	-	–	18.567.826		25.414	–	**18.593.240**
Other financial assets	-	–	–			140.022	**140.022**
Total	**4.893.091**	**1.861.789**	**38.413.396**	**93.680**	**1.196.521**	**140.022**	**46.598.499**

As at the close of business on 31 December 2019 and 31 December 2018, there were no overdue, but not impaired financial assets.

(thousand Kazakhstan tenge, unless otherwise stated)

27. RISK MANAGEMENT POLICY (continued)

Liquidity risk

Liquidity risk management

Liquidity risk can occur in case the terms of claims for active transactions mismatch the maturity dates of liabilities of the Group. The Group also is exposed to liquidity risk in case of the credit risk of a trading participant.

Temporarily free own assets of the Group, as well as funds of the trading participants, were allocated in instruments under the Investment Policy.

Besides, the investment objects comprising the investment portfolios of the Stock Exchange are diversified to exclude risks of losses resulting from the concentration of financial assets with similar maturity dates in investment portfolios of the Stock Exchange.

Liquidity risk occurring in the course of stock trading is minimized by payments made by the Stock Exchange to pay net claims of trading participants on a "supply against payment" principle where cash is not transferred to a trading participant violating the rules for making settlements, but it remains on correspondent accounts of the Stock Exchange. Moreover, to minimize the risk of default in obligations under term transactions, the participants of the futures and options market have formed guarantee funds, and the Stock Exchange has formed the reserve fund the amounts of which are calculated under the internal methods.

The following table presents the analysis of financial assets and liabilities calculated based on the remaining maturity date under contracts.

	Up to 1 month	*1-3 months*	*3 months - 1 year*	*1-5 years*	*Exceeding 5 years*	*Not fixed maturity date*	*31 December 2019, total*
Financial assets							
Cash and cash equivalents	**20.261.369**	–	–		–	–	**20.261.369**
Cash with banks	**1.377.794**	–	–		–	–	**1.377.794**
Financial assets at fair value through other comprehensive income	–	–	–		–	**21.053**	**21.053**
Reverse REPO	**27.274.727**	-	-		-	-	**27.274.727**
Financial assets at amortized cost	**9.378.721**	**4.967.979**	**4.423.772**	-	–	–	**18.770.472**
Other financial assets	**92.259**	–	–		–	–	**92.259**
Total of financial assets	**58.384.870**	**4.967.979**	**4.423.772**	-	–	**21.053**	**67.797.674**

	Up to 1 month	*1-3 months*	*3 months - 1 year*	*1-5 years*	*Exceeding 5 years*	*Not fixed maturity date*	*31 December 2019, total*
Financial liabilities							
Clearing participants' funds	**32.857.039**	–	–	–	–	–	**32.857.039**
Other financial liabilities	**282.169**	–	–	–	–	–	**282.169**
Total financial liabilities	**33.139.208**	–	–	–	–	–	**33.139.208**
Net position	**25.245.662**	**4.967.979**	**4.423.772**	-	–	**21.053**	**34.658.466**
Cumulative liquidity gap at the close of business on 31 December 2019	**25.245.662**	**30.213.641**	**34.637.413**	**34.637.413**	**34.637.413**	**34.658.466**	-

(thousand Kazakhstan tenge, unless otherwise stated)

27. RISK MANAGEMENT POLICY (continued)

Liquidity risk (continued)

Liquidity risk management (continued)

The table is presented based on the information provided to the Group's management:

	Up to 1 month	*1-3 months*	*3 months - 1 year*	*1-5 years*	*Exceeding 5 years*	*Not fixed maturity date*	*31 December 2018, total*
Financial assets							
Cash and cash equivalents	26.719.934	–	–	–	–	–	26.719.934
Cash with banks	1.145.303	–	–	–	–	–	1.145.303
Financial assets at fair value through other comprehensive income	–	–	–	–	–	21.053	21.053
Financial assets at amortized cost	14.458.175	1.217.642	2.892.009	25.414	–	–	18.593.240
Other financial assets	140.022	–	–	–	–	–	140.022
Total financial assets	42.463.434	1.217.642	2.892.009	25.414	–	21.053	46.619.552

	Up to 1 month	*1-3 months*	*3 months - 1 year*	*1-5 years*	*Exceeding 5 years*	*Not fixed maturity date*	*31 December 2018, total*
Financial liabilities							
Clearing participants' funds	39.141.386	–	–	–	–	–	39.141.386
Other financial liabilities	19.909	–	–	–	–	–	19.909
Total financial liabilities	39.161.295	–	–	–	–	–	39.161.295
Net position	3.302.139	1.217.642	2.892.009	25.414	–	21.053	7.458.257
Cumulative liquidity gap at the close of business on 31 December 2018	3.302.139	4.519.781	7.411.790	7.437.204	7.437.204	7.458.257	-

A difference between undiscounted and discounted financial liabilities is insignificant due to their short terms.

Market risk

Market risk means risks of losses incurred due to changes in market parameters, including change of interest rates, foreign exchange rates, prices for financial instruments that the Group is exposed to.

Interest risk

Interest risk is a risk of change of interest income or price of financial instruments due to change of interest rates.

To determine the effect of interest risk on the fair market value of financial instruments the Group assesses from time to time potential losses that can be caused by negative changes in market conditions. The Risk Management Division controls from time to time the current financial performances of the investment portfolio.

In terms of exposure to interest risk, the investment portfolio of the Stock Exchange is exposed to the risk of change of coupon income on the notes with the floating rate indexed to a rate of inflation, as well as the interest risk affects the market value of sub-portfolio of the notes of the Stock Exchange classified as investments at fair value through other comprehensive income.

(thousand Kazakhstan tenge, unless otherwise stated)

27. RISK MANAGEMENT POLICY (continued)

Market risk (continued)

The table below presents an analysis of sensitivity to interest risk made based on reasonably possible changes in interest rates.

The effect on pre-tax profit is an effect of the influence of allowable changes in the interest rate on a net interest income for a year based on the change of floating rate on financial assets and liabilities with the floating rate at the close of business on 31 December 2019 and 31 December 2018, as well as an effect of revaluation of the instruments with fixed interest rates accounted for at fair value.

The effect on equity is an effect of allowable changes in interest rate resulted from changes in retained earnings and an effect of revaluation of fixed-rate investment securities available for sale.

The effect of pre-tax profit on the value of assets as at the close of business on 31 December 2019 and 31 December 2018 is stated as follows:

	31 December 2019		*31 December 2018*	
	Interest rate +2%	*Interest rate -2%*	*Interest rate +2%*	*Interest rate -2%*
Profit before tax and equity	**102**	**(114)**	**109**	**(109)**
Effect on equity	**1**	**(1)**	**2**	**(2)**

Foreign exchange risk

Foreign exchange risk is a risk of change in the value of a financial instrument due to changes in foreign exchange rates. Financial position and cash flows of the Group are exposed to the effect of fluctuations of the foreign exchange rates.

The assets in investment portfolios of the Stock Exchange can be invested in instruments under the Investment Policy of the Stock Exchange. Besides, the investment objects comprising the investment portfolios of the Stock Exchange can be denominated in tenge, US dollar, and Euro.

	Tenge	*US dollar*	*Euro*	*Other*	*31 December 2019, total*
Financial assets					
Cash and cash equivalents	**9.458.866**	**10.641.853**	**126**	**160.524**	**20.261.369**
Cash with banks	**1.377.794**	**-**	**-**	**-**	**1.377.794**
Reverse REPO	**27.274.727**	**-**	**-**	**-**	**27.274.727**
Financial assets at amortized cost	**18.770.472**	**-**	**-**	**-**	**18.770.472**
Other financial assets	**55.405**	**36.854**	**-**	**-**	**92.259**
Total financial assets	**56.937.264**	**10.678.707**	**126**	**160.524**	**67.776.621**

	Tenge	*US dollar*	*Euro*	*Other*	*31 December 2018, total*
Financial assets					
Cash and cash equivalents	**19.936.596**	**6.783.059**	**227**	**52**	**26.719.934**
Cash with banks	**1.145.303**	–	–	–	**1.145.303**
Financial assets at amortized cost	**18.593.240**	–	–	–	**18.593.240**
Other financial assets	**103.864**	36.158	**–**	**–**	**140.022**
Total financial assets	**39.779.003**	**6.819.217**	**227**	**52**	**46.598.499**

As at the close of business on 31 December 2019 and 2018, a significant part of financial assets (2019 – 92%, 2018 – 85%) was denominated in the Kazakhstan tenge. The financial assets in foreign currency are provided for the liabilities in foreign currency that reduces the level of foreign exchange risk.

Limitations of sensitivity analysis

The tables above present an effect of change of basic assumption, while the other assumptions remain unchanged. The assumptions and other factors are connected. Besides, it should be noted that sensitivity is non-linear, for this reason, findings must not be interpolated or extrapolated.

27. RISK MANAGEMENT POLICY (continued)

Limitations of sensitivity analysis (continued)

Sensitivity analysis does not take into consideration that the Group actively manages the assets and liabilities. In addition to this, the financial position of the Group can be exposed to the effect of changes in the market. For instance, the Group's strategy in the field of financial risk management is aimed at managing the risk of fluctuation of the prices in the securities market. In case of sharp adverse fluctuations of prices in the securities market, the Management can resort such methods as a sale of investments, change of the structure of investment portfolio, as well as the other protection methods.

The other limitations in the sensitivity analysis above include use of hypothetic movements in the market to disclose potential risk representing only the Group's forecast of forthcoming changes in the market, which cannot be predicted with any degree of assurance. Besides, a limitation is a supposition that all interest rates change identically.

Price risk

Risk of change of price of the equity instruments is a risk of changes in the value of a financial instrument as a result of changes in the market prices irrespective of whether these changes are caused by the factors specific for a particular security or its issuer, or the factors affecting all securities traded in the market.

Operating risk

Operating risk is a risk of direct or indirect losses resulted from a wide range of risk events incidental to or resulting from systemic failure, personnel errors, technologies and infrastructure, fraud or external events. In case a control system stops to function, the operating risks can damage the reputation, have legal consequences or result in financial losses.

It is assumed that the Group is not able to exclude all operating risks, but it tries to manage such risks by using the control system, systematic revisions by the internal audit services, as well as monitoring of possible risks and response thereto.

The control system provides effective segregation of duties, access right, the procedure for approval and reconciliation, personnel training, as well as evaluation procedure. The risks monitored by the Risk Management Division. To enable the Stock Exchange to continue as a going concern the composition of a geographically-allotted scheme of location of own computing equipment is implemented.

Legal risk

The procedures to manage legal risks include:

- regular monitoring of the legislation and internal procedures for conformance to requirements;
- continuing control of proper compliance by the Group's employees with the rules of the applicable legislation, articles of association and internal documents of the Group;
- continuous monitoring of supposed changes in the applicable legislation, and development and implementation of actions, including preventive ones, resulting from proposed and (or) enacted amendments to the applicable legislation;
- overall review of all draft internal documents of the Group and decisions of the bodies and officials of the Group for their conformance to the applicable legislation, articles of association and internal documents of the Group;
- maximal standardization of all procedures, technologies and forms of documentation used in activities of the Group to exclude their arbitrary (uncontrolled, non-provided) application of the Group's employees;
- obligatory preliminary legal due diligence of the new business processes and services of the Group.

28. EVENTS AFTER THE REPORTING PERIOD

In the context of the performance of the Strategic Cooperation Agreement previously signed between the Stock Exchange and Moscow Stock Exchange PJSC (MOEX), which provides for purchase by the Moscow Stock Exchange of 20% issued capital of the Stock Exchange, in 2020, the Stock Exchange is going to settle

28. EVENTS AFTER THE REPORTING PERIOD (continued)

the transaction to sell remaining holding of shares.

In March 2020, the World Health Organization (WHO) announced that the spread of the new coronavirus gained the stage of a pandemic as most countries and all continents are affected. The breakout of the new coronavirus infection or COVID-19 constitutes a serious threat to the health of society. The proclaimed quarantine suspended movements of people and commodities all over the world, and nay government institutions impose restrictions on work for individual persons and entities. In this regard, the Management of the Group has evaluated the possible influence of that circumstance on activities of the Group and determined that significant changes in strategic and operating plan are not expected, the periods for implementation of some tasks and projects can change due to the quarantine.

29. DATE OF APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2019 have been approved for issue by the Group's management on 17 April 2020.