BAITEREK

Baiterek National Managing Holding Joint Stock Company

International Financial Reporting Standards
Separate Financial Statements and
Independent Auditors’ Report

31 December 2015

CONTENTS

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Independent Auditors' Report

To the Shareholder and Board of Directors of Baiterek National Managing Holding Joint Stock Company

We have audited the accompanying separate financial statements of Baiterek National Managing Holding Joint Stock Company (the "Holding Company"), which comprise the separate statement of financial position as at 31 December 2015, and the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Holding Company as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ravshan Irmatov
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No. МФ-0000053 of 6 January 2012

KPMG Audit LLC

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Assel Khairova
General Director of KPMG Audit LLC
acting on the basis of the Charter

31 March 2016

(In thousands of Kazakhstani Tenge)	**Note**	**31 December 2015**	**31 December 2014**
ASSETS			
Cash and cash equivalents	6	116,783	3,235,141
Deposits	7	11,586,577	2,364,108
Loans to subsidiaries	8	196,721,919	93,163,685
Investment in subsidiaries	9	773,782,161	718,382,161
Property, plant and equipment		139,268	137,316
Intangible assets		215,382	204,917
Current income tax prepayment		250,751	69,312
Other assets		686,690	244,776
TOTAL ASSETS		**983,499,531**	**817,801,416**
LIABILITIES			
Debt securities issued	10	193,751,760	91,667,385
Deferred income tax liability	16	513,526	284,952
Other liabilities		609,673	646,809
TOTAL LIABILITIES		**194,874,959**	**92,599,146**
EQUITY			
Share capital	11	758,318,712	718,318,712
Retained earnings		30,305,860	6,883,558
TOTAL EQUITY		**788,624,572**	**725,202,270**
TOTAL LIABILITIES AND EQUITY		**983,499,531**	**817,801,416**

Approved by Management Board on 31 March 2016 and were signed on its behalf by:

Kuandyk Valikhanovich Bishimbayev
Chairman of the Board

Dinara Nurlanovna Seidzhaparova
Managing Director -
Member of Management Board

Kuralay Damirovna Yessengarayeva
Chief Accountant

(In thousands of Kazakhstani Tenge)	Note	2015	2014
Interest income	12	11,183,750	2,404,306
Interest expense	10	(10,483,702)	(2,039,609)
Net interest income		**700,048**	**364,697**
Dividends received	13	24,367,476	4,173,036
Other operating income	14	1,628,917	1,488,176
Administrative and other operating expenses	15	(3,045,565)	(2,663,274)
Profit before income tax		**23,650,876**	**3,362,635**
Income tax expense	16	(228,574)	(284,952)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**23,422,302**	**3,077,683**

(In thousands of Kazakhstani Tenge)	Note	Share capital	Retained earnings	Total
Balance at 1 January 2014		**663,102,010**	**3,805,875**	**666,907,885**
Profit for the year		-	3,077,683	3,077,683
Total comprehensive income for the year		**-**	**3,077,683**	**3,077,683**
Share issue	11	55,216,702	-	55,216,702
Balance at 31 December 2014		**718,318,712**	**6,883,558**	**725,202,270**
Profit for the year		-	23,422,302	23,422,302
Total comprehensive income for the year		**-**	**23,422,302**	**23,422,302**
Share issue	11	40,000,000	-	40,000,000
Balance at 31 December 2015		**758,318,712**	**30,305,860**	**788,624,572**

(In thousands of Kazakhstani Tenge)	Note	2015	2014
Cash flows from operating activities			
Interest received		1,200,496	387,543
Interest paid		(404,251)	(50,000)
Dividends received	13	24,367,476	4,173,036
Staff costs paid		(1,391,067)	(1,327,743)
Administrative and other operating expenses paid		(2,026,056)	(1,329,780)
Income tax paid		(181,439)	(15,000)
Net cash flows from operating activities		**21,565,159**	**1,838,056**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(65,404)	(93,256)
Contribution to the capital of the subsidiaries	9	(55,400,000)	(45,150,000)
Acquisition of intangible assets		(58,113)	(93,969)
Deposits placement		(18,990,000)	(650,000)
Deposits repayment		9,830,000	-
Loans to subsidiaries	8	(315,595,125)	(273,000,000)
Net cash flows used in investing activities		**(380,278,642)**	**(318,987,225)**
Cash flows from financing activities			
Proceeds from debt securities issued	10	315,595,125	273,000,000
Issue of ordinary shares	11	40,000,000	45,000,000
Net cash flows from financing activities		**355,595,125**	**318,000,000**
Effect of movements in exchange rates on cash and cash equivalents		-	(861)
Net (decrease)/increase in cash and cash equivalents		**(3,118,358)**	**849,970**
Cash and cash equivalents at the beginning of the year		3,235,141	2,385,171
Cash and cash equivalents at the end of the year	6	**116,783**	**3,235,141**

1 Introduction

"Baiterek" National Managing Holding Joint Stock Company (the "Holding Company") was incorporated in accordance with the Decree of the President of the Republic of Kazakhstan dated 22 May 2013 No. 571 "On some measures for optimisation of the management system of development institutes and financial organisations, and development of the national economy" and the Decree of the Government of the Republic of Kazakhstan dated 25 May 2013 No 516 "About measures for implementation of the Decree of the President of the Republic of Kazakhstan dated 22 May 2013 No 571". As at 31 December 2015 and 2014, the ultimate controlling party of the Holding Company is the Government of the Republic of Kazakhstan.

The Holding Company is a direct shareholder of eleven subsidiaries (31 December 2014: eleven).

On 29 May 2013 the Holding Company and "Samruk-Kazyna" National Welfare Fund Joint Stock Company ("Samruk-Kazyna NWF") signed an agreement for the transfer of shares of the Development Bank of Kazakhstan JSC (the "DBK JSC"), the Investment Fund of Kazakhstan JSC (the "IFK JSC"), KazExportGrant Export Insurance Corporation JSC ("KEG JSC"), Damu Entrepreneurship Development Fund JSC ("Damu EDF JSC"), and Kazyna Capital Management JSC ("KCM JSC") in trust management without a right of subsequent repurchase, pursuant to which the Holding Company acted as a trust manager. During August and October 2013, Samruk-Kazyna NWF transferred shares of the above mentioned entities to the Committee for State Property and Privatisations in exchange for block of shares of other joint stock companies and property.

On 17 June 2013 the Holding Company and Committee for State Property and Privatisations of the Ministry of Finance of the Republic of Kazakhstan (the "Committee for State Property and Privatisations") signed an agreement on transfer of government shares of National Agency for Technological Development JSC ("NATD JSC"), Housing Construction Savings Bank of Kazakhstan JSC ("ZHSSBK JSC"), Kazakhstan Mortgage Company Mortgage Organisation JSC ("KMC JSC"), Kazakhstan Fund for Guaranteeing Mortgage Loans JSC ("KFGML JSC") and Baiterek Development JSC ("BD JSC"), formerly known as the Distressed Assets Fund JSC, into trust management without a right of subsequent repurchase, pursuant to which the Holding Company acted as a trust manager.

During August and October 2013, the Committee for State Property and Privatisations made contributions to the Holding Company's share capital in the form of blocks of shares of ten above mentioned entities in exchange for the Holding Company's ordinary shares for the total amount of Tenge 632,615,460 thousand and made cash contribution of Tenge 30,486,550 thousand that the Holding Company contributed further to the share capital of DBK JSC and KCM JSC.

On 19 March 2014, the Holding Company jointly with "Kazakhstan Centre of Government-Private Partnership" JSC established "Centre of the Government-Private Partnership Projects Support" LLP ("CGPPPS LLP"). The Holding Company made a cash contribution of Tenge 150,000 thousand to the charter capital of CGPPPS LLP amounting to 75% interest in CGPPPS LLP.

In accordance with Order No. 964 of the Committee for State Property and Privatisations of 2 October 2014, the Committee for Investments of the Ministry of Industry and New Technologies of the Republic of Kazakhstan transferred 26% of shares of KMC JSC to the Holding Company as a contribution to the share capital. The value of transaction amounted to Tenge 10,216,702 thousand, where the total number of shares of 10,216,701 having nominal value Tenge 1,000 per one share, and 1 share of nominal value Tenge 608 per one share were transferred.

During the year ended 31 December 2014, the Holding Company received a cash contribution of Tenge 45,000,000 thousand and made additional contributions to the share capital of KCM JSC and DBK JSC and charter capital of CGPPPS LLP.

During the year ended 31 December 2015, the Holding Company received a cash contribution of Tenge 40,000,000 thousand and made additional contributions to the share capital of DBK JSC and IFK JSC.

Principal activity

The Holding Company's mission is provision of financial and investment support to non-energy sector, securing sustainable development and diversification of national economy, attraction of investments, clusters development and improvement of corporate governance system of its subsidiaries.

The Holding Company is actively involved in completing national strategic and social tasks through development institutions through the implementation of Nurly-Zhol State Program for Infrastructure Development in 2015-2019, State Program of the Industrial and Innovative Development of the Republic of Kazakhstan in 2015-2019, Unified Program for Business Support and Development "Business Road Map – 2020", State Program "Performance - 2020", State Program for Development of Regions until 2020, State Program for Support of Domestic Producers, State Program for Financing of Small and Medium Businesses in Manufacturing Industry, State Program "Leaders of Competitiveness - National Champions", and National Plan "100 Specific Steps".

1 Introduction (continued)

Principal activity (continued)

The Holding Company follows the key Government policies in the area of industrial and innovation development, promotion of national products export, development of small and medium sized entrepreneurship, implementation of tasks in developing housing sector and enhancing the people's welfare, as well as other goals set by the President and Government of the Republic of Kazakhstan.

Below are the material subsidiaries of the Holding Company:

Name of subsidiary	Abbreviated name	Country of incorporation	Ownership, % 31 December 2015	Ownership, % 31 December 2014
Development Bank of Kazakhstan JSC	DBK JSC	Republic of Kazakhstan	100.00	100.00
Investment Fund of Kazakhstan JSC	IFK JSC	Republic of Kazakhstan	100.00	100.00
KazExportGarant Export Insurance Corporation JSC	KEG JSC	Republic of Kazakhstan	100.00	100.00
Damu Entrepreneurship Development Fund JSC	Damu EDF JSC	Republic of Kazakhstan	100.00	100.00
National Agency for Technological Development JSC	NATD JSC	Republic of Kazakhstan	100.00	100.00
Kazyna Capital Management JSC	KCM JSC	Republic of Kazakhstan	100.00	100.00
Housing Construction Savings Bank of Kazakhstan JSC	ZHSSBK JSC	Republic of Kazakhstan	100.00	100.00
Kazakhstan Mortgage Company Mortgage Organisation JSC	KMC JSC	Republic of Kazakhstan	100.00	100.00
Mortgage Guarantee Fund of Kazakhstan JSC	KFMGL JSC	Republic of Kazakhstan	100.00	100.00
Baiterek Development JSC	BD JSC	Republic of Kazakhstan	100.00	100.00
Centre of the Government-Private Partnership Projects Support LLP	CGPPPS LLP	Republic of Kazakhstan	75.00	75.00

Registered address and place of business. The Holding Company's registered address and place of business is: 8 Kunayev St., Block B, Astana, Republic of Kazakhstan.

Presentation currency. These separate financial statements are presented in thousands Kazakhstani Tenge ("Tenge"), unless otherwise stated.

2 Operating environment of the Holding Company

The Holding Company's operations are primarily located in Kazakhstan. Consequently, the Holding Company is exposed to the economic and financial markets of the Republic of Kazakhstan, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue its development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Republic of Kazakhstan. In addition, the recent significant depreciation of the Kazakhstan tenge, and the reduction in the global price of oil, have increased the level of uncertainty in the business environment.

The separate financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Holding Company. Actual business environment may differ from the management's assessment.

3 Summary of significant accounting policies

Basis of preparation. These separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these separate financial statements are set out below.

In addition, the Holding Company has prepared the consolidated financial statements in accordance with IFRS of the Holding Company and its subsidiaries. The consolidated financial statements of the Holding Company is available from the Holding Company's office at the address: 8 Kunayev St., Block B, Astana, 010000, Republic of Kazakhstan.

Going concern. Management has prepared these separate financial statements on a going concern basis.

Financial instruments – key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost. Description of those methods is presented below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

3 Summary of significant accounting policies (continued)

Initial recognition of financial instruments. Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Holding commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

The Holding Company uses discounted cash flow valuation techniques to determine the fair value of loans to related parties. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using the valuation technique. Any such differences are initially recognised within other assets or other liabilities and are subsequently amortised on a straight line basis over the term of the loans to related parties.

Derecognition of financial assets. The Holding Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Holding Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. All interbank placements and deposits with other banks are with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Loans to subsidiaries. Loans issued to subsidiaries are recorded when the Holding Company advances money to purchase or originate an unquoted non-derivative receivable due on fixed or determinable dates, and has no intention of trading the receivable. Loans issued to subsidiaries are carried at amortised cost.

Investments in subsidiaries. Subsidiaries are investees controlled by the Holding Company. The Holding Company controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In the separate financial statements prepared by the Holding Company investments in subsidiaries are stated at cost, less impairment. Cost of investments in subsidiaries is disclosed in Note 9.

Property, plant and equipment. Property, plant and equipment are stated at cost less accumulated depreciation of premises and equipment and accumulated impairment losses, where required.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of property, plant and equipment items are capitalised, and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the period. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the period (within other operating income or expenses).

3 Summary of significant accounting policies (continued)

Depreciation. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives (in years)
Motor vehicles	5 - 7
Office and computer equipment	2 - 10
Other	3 - 20

The residual value of an asset is the estimated amount that the Holding Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets. The Holding Company's intangible assets have definite useful life and primarily include capitalised computer software and other licenses acquired. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Holding Company are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Intangible assets are amortised on a straight-line basis over the following expected useful lives assets:

	Useful life in years
Software licenses and patents	3–20
Internally developed software	1–14
Other	2–15

Operating lease. Where the Holding Company is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Holding Company, the total lease payments are charged to profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

Leases embedded in other agreements are separated if (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets and (b) the arrangement conveys a right to use the asset.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Income tax. Income taxes have been provided for in the separate financial statements in accordance with legislation enacted using tax rates and provision of law or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable income or losses are based on estimates where the separate financial statements are authorised prior to the filing of the relevant tax return. Taxes other than on income are recorded within administrative and other operating expenses in profit or loss.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax assets and liabilities are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

3 Summary of significant accounting policies (continued)

Uncertain tax positions. The Holding Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions of the Holding Company were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Debt securities issued. Debt securities in issue include bonds issued by the Holding Company in Kazakhstani Tenge. Debt securities are stated at amortised cost.

Government grants. Government grants are assistance by the Government, Government agencies and state-owned entities in the form of transfers of resources to the Holding Company in return for past or future compliance with certain conditions relating to the operating activities of the Holding Company. Government grants are not recognised until there is reasonable assurance that the Holding Company will comply with the conditions attached to them and the grants will be received. If there are conditions that may require repayment, the grant is recognised in other liabilities.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan and the proceeds received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Holding Company recognises as expenses the related costs for which the grants are intended to compensate.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Holding Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital. Ordinary shares, not subject to mandatory redemption, with discretionary dividends are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Holding Company to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Holding Company will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Holding Company does not designate loan commitments as financial liabilities at fair value through profit or loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Holding Company retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Foreign currency translation. The functional currency and presentation currency of the Holding Company is the national currency of the Republic of Kazakhstan, Kazakhstani Tenge.

Staff costs and related contributions. Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Holding Company. The Holding Company has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

3 Summary of significant accounting policies (continued)

Presentation of the separate statement of financial position in order of liquidity. The Holding Company does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the separate statement of financial position. Instead, analysis of assets and liabilities by their expected and contractual maturities are presented in Note 17.

Amendments of the separate financial statements after issue. The Holding Company's Board of Directors has the power to amend the separate financial statements after issue.

4 Critical accounting estimates and judgments in applying accounting policies

The Holding Company makes estimates and assumptions that affect the reported amounts and carrying amount of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the separate financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Tax Legislation. Kazakhstan tax, currency and customs legislation is subject to varying interpretations (Note 18).

Initial recognition of the borrowings and investments at the rates below market rates under the state development programs. Approach to accounting and evaluation of borrowings and loans to subsidiaries made under state programs of the economic development in 2015 is disclosed in Notes 8 and 10.

Initial recognition of related party transactions. In the normal course of business the Holding Company enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

5 New accounting pronouncements

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2015, and are not applied in preparing these separate financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance of the Holding Company. The Holding Company plans to adopt these pronouncements when they become effective.

- IFRS 9 *Financial Instruments* is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments*: *Recognition and Measurement.* The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The third phase of IFRS 9 was issued in November 2013 and relates to general hedge accounting. The standard was finalized and published in July 2014. The final phase relates to a new expected credit loss model for calculating impairment. The Holding Company recognises that the new standard introduces many changes to accounting for financial instruments and is likely to have a significant impact on the separate financial statements. The Holding Company has not analysed the impact of these changes yet. The Holding Company does not intend to adopt this standard early. The standard will be effective for annual periods beginning on or after 1 January 2018 and will be applied retrospectively with some exemptions.
- Various Improvements to IFRS are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2016. The Holding Company has not yet analysed the likely impact of the improvements on its financial position or performance.

6 Cash and cash equivalents

(In thousands of Kazakhstani Tenge)	31 December 2015	31 December 2014
Current accounts	116,783	126,049
Call deposits	-	3,109,092
Total cash and cash equivalents	**116,783**	**3,235,141**

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's ratings or Moody's or Fitch ratings as follows at 31 December 2015:

(In thousands of Kazakhstani Tenge)	Current accounts
Neither past due nor impaired	
-National Bank of the Republic of Kazakhstan ("NBRK")	20,625
- BB- to BB+ rated	96,158
Total cash and cash equivalents	**116,783**

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's ratings or Moody's or Fitch ratings as follows at 31 December 2014:

(In thousands of Kazakhstani Tenge)	Call deposits	Current accounts	Total
Neither past due nor impaired			
- BB- to BB+ rated	1,902,592	126,049	2,028,641
- B- to B+ rated	1,206,500	-	1,206,500
Total cash and cash equivalents	**3,109,092**	**126,049**	**3,235,141**

Interest rate analysis of cash and cash equivalents is disclosed in Note 17.

7 Deposits

(In thousands of Kazakhstani Tenge)	31 December 2015	31 December 2014
Deposits with banks with original maturities of more than three months	11,586,577	2,364,108
Total deposits	**11,586,577**	**2,364,108**

Deposits are not collateralised. Analysis by credit quality of deposits at 31 December 2015 and 2014 is as follows:

(In thousands of Kazakhstani Tenge)	31 December 2015	31 December 2014
Neither past due nor impaired		
- BB- to BB+ rated	4,462,573	-
- B- to B+ rated	7,124,004	2,364,108
Total deposits	**11,586,577**	**2,364,108**

8 Loans to subsidiaries

	Nominal value		Carrying amount	
(In thousands of Kazakhstani Tenge)	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
- DBK JSC	235,000,000	100,000,000	72,877,160	29,521,257
- Damu EDF JSC	200,000,000	150,000,000	63,859,047	45,842,265
- BD JSC	61,095,125	23,000,000	45,298,688	17,800,163
- KMC JSC	92,500,000	-	14,687,024	-
Total loans to subsidiaries	**588,595,125**	**273,000,000**	**196,721,919**	**93,163,685**

In 2015, the Holding Company provided loans to subsidiaries in the total amount of Tenge 315,595,125 thousand (in 2014: Tenge 273,000,000 thousand). The loans bear an interest rate of 0.15% p.a. and mature in 2035 and 2045.

In accordance with approved government programs, in 2015 the loans were provided on the following terms and conditions:

- Tenge 92,500,000 thousand loan to KMC JSC to finance construction of housing real estate for its further rent;

- Tenge 85,000,000 thousand loan to DBK JSC to finance lending programs provided for acquisition of domestic car, passenger wagon manufacturers as well as export and pre-export lending using leasing and/or lending instruments;

- Tenge 50,000,000 thousand loan to DBK JSC to place funds in commercial banks of the Republic of Kazakhstan at the rate of no more than 2% p.a. to finance large businesses in the processing industry. No more than 50% of funds are to be used to refinance loans previously issued by commercial banks, no more than 25% - to finance working capital loans issued by commercial banks, and noe less than 25% - to finance new projects of the large businesses;

- Tenge 50,000,000 thousand loan to Damu EDF JSC to finance small and medium businesses in the processing industry, including not more than 25% to refinance the second-tier bank loans granted to medium and small businesses operating in the processing industry; not more than 25% to finance the working assets related to the second-tier bank loans granted to the medium and small businesses operating in the processing industry; at least 50% to finance new projects in the processing industry, including no less than 25% to finance and refinance projects in the food industry;

- Tenge 38,095,125 thousand loan to BD JSC to finance Lux Nedvizhimost Group LLP and BI Group Corporation LLP to construct the real estate facilities and Mega Plaza LLP to finance construction of a shopping and leisure center on the territory of the International Specialised Exhibition EXPO-2017 in Astana.

In accordance with approved government programs, the loans were provided in 2014 on the following terms and conditions:

- Tenge 150,000,000 thousand loan to Damu EDF JSC under the Program of Conditional Investment of Funds in the second-tier banks for further lending to small and medium businesses operating in the processing industry;

- Tenge 50,000,000 thousand for provision of a loan to DBK JSC under the Program of Conditional Investment of Funds in the second-tier banks for further lending of large businesses operating in the processing industry;

- Tenge 50,000,000 thousand for provision of a loan to DBK JSC to finance projects under the State Forced Industrial and Innovation Development Program of the Republic of Kazakhstan for 2015-2019;

- Tenge 23,000,000 thousand for provision of a loan to BD JSC to finance Lux Nedvizhimost Group LLC and BI Group Corporation LLC for the purpose of construction of the real estate, and to Mega Plaza LLC – for the purpose of construction of a shopping and leisure center for the International Specialised Exhibition EXPO 2017.

At initial recognition the loans were recognised at fair value measured by applying relevant market interest rates varying from 5.93% to 7.12% p.a. (in 2014: from 5.41% to 6.58% p.a.) to discount their future cash flows. The Holding Company recognised a difference of Tenge 221,957,694 thousand (in 2014: Tenge 181,834,334 thousand) between a fair value and a nominal value as a loss, at initial recognition of loans provided to subsidiaries at a below-market interest rates and reported the difference in profit or loss. These loans were financed through bonds issue denominated in Tenge at interest rate of 0.10% p.a. (in 2014: 0.10% p.a.) maturing in 2034 and 2045 (Note 10). All of the issues of bonds were acquired by the National bank of the Republic of Kazakhstan on behalf of the National Fund of the Republic of Kazakhstan. The difference of Tenge 223,590,219 thousand (in 2014: Tenge 183,322,224 thousand) between a fair value of bonds at initial recognition and nominal value was recognised in profit or loss as a government grant to correspond with the Holding Company's loss on initial recognition of loans to subsidiaries (Note 14).

9 Investment in subsidiaries

The table below summarises the movements in the carrying amount of the Holding Company's investment in subsidiaries in 2015:

(In thousands of Kazakhstani Tenge)	31 December 2014	Contribution	31 December 2015
Carrying amount			
- DBK JSC	293,515,793	40,000,000	333,515,793
- KCM JSC	104,696,686	-	104,696,686
- ZHSSBK JSC	95,159,603	-	95,159,603
- Damu EDF JSC	78,925,794	-	78,925,794
- BD JSC	47,732,078	-	47,732,078
- KMC JSC	38,482,233	-	38,482,233
- IFK JSC	18,939,971	15,400,000	34,339,971
- NATD JSC	25,533,132	-	25,533,132
- KEG JSC	13,018,407	-	13,018,407
- KFMGL JSC	2,228,464	-	2,228,464
-CGPPPS LLP	150,000	-	150,000
Total investments in subsidiaries	**718,382,161**	**55,400,000**	**773,782,161**

The table below summarises the movements in the carrying amount of the Holding Company's investment in subsidiaries in 2014:

(In thousands of Kazakhstani Tenge)	31 December 2013	Contribution	31 December 2014
Carrying amount			
- DBK JSC	268,515,793	25,000,000	293,515,793
- KCM JSC	84,696,686	20,000,000	104,696,686
- ZHSSBK JSC	95,159,603	-	95,159,603
- Damu EDF JSC	78,925,794	-	78,925,794
- BD JSC	47,732,078	-	47,732,078
- KMC JSC	28,265,532	10,216,701	38,482,233
- NATD JSC	25,533,132	-	25,533,132
- IFK JSC	18,939,971	-	18,939,971
- KEG JSC	13,018,407	-	13,018,407
- KFMGL JSC	2,228,464	-	2,228,464
- CGPPPS LLP	-	150,000	150,000
Total investments in subsidiaries	**663,015,460**	**55,366,701**	**718,382,161**

10 Debt securities issued

(In thousands of Kazakhstani Tenge)			Nominal value		Carrying amount	
	Placement date	Maturity date	31 December 2015	31 December 2014	31 December 2015	31 December 2014
KZP01Y20E920	13.03.2015, 31.03.2015	13.03.2035	170,000,000	-	51,189,243	-
KZ2C0Y20E676	14.04.2014	14.04.2034	100,000,000	100,000,000	32,242,695	30,346,124
KZ2C0Y20E775	10.12.2014	10.12.2034	100,000,000	100,000,000	31,043,928	29,223,001
KZP01Y30E879	21.01.2015, 16.02.2015	21.01.2045	92,500,000	-	14,600,543	-
KZ2C0Y20E742	30.10.2014	30.10.2034	50,000,000	50,000,000	15,263,674	14,352,834
KZP02Y20E738	26.03.2015	26.03.2035	38,095,125	-	26,432,207	-
KZP01Y20E730	15.07.2014	15.07.2034	23,000,000	23,000,000	18,681,421	17,745,426
KZP02Y20E928	29.09.2015	29.09.2035	15,000,000	-	4,298,049	-
			588,595,125	**273,000,000**	**193,751,760**	**91,667,385**

As at 31 December 2015 and 2014, the Holding Company's debt securities issued are not listed.

10 Debt securities issued (continued)

In 2015, the Holding Company issued the bonds for the total amount of Tenge 315,595,125 thousand (in 2014: Tenge 273,000,000 thousand):

- unsecured coupon bonds with nominal value of Tenge 170,000,000 thousand, issued in two tranches of Tenge 100,000,000 thousand and Tenge 70,000,000 thousand on 13 and 31 March 2015, respectively, with a coupon rate of 0.10% per annum which mature in March 2035. Out of the total issue proceeds, Tenge 70,000,000 thousand will be used to finance local car manufacturers and manufacturers of passenger wagons through mechanism of leasing and/or lending, and export and pre-export lending; Tenge 50,000,000 thousand will be used to finance small and medium size businesses in the processing industry, and another Tenge 50,000,000 thousand will be used to finance new projects of large businesses;

- unsecured coupon bonds with nominal value of Tenge 92,500,000 thousand, issued in two tranches of Tenge 50,600,000 thousand and Tenge 41,900,000 thousand on 21 January 2015 and 16 February 2015, respectively, with a coupon rate of 0.10% per annum which mature in January 2045. The funds have been raised to finance construction and housing real estate for further rent.

- unsecured coupon bonds with nominal value of Tenge 38,095,125 thousand, issued on 26 March 2015 with a coupon rate of 0.10% per annum which mature in March 2035. The Holding Company expects to pay off the bonds in June 2022 by exercising a call option. Raised funds will be used to finance construction of housing real estate and a shopping and leisure centre for the International Specialised Exhibition EXPO-2017 in Astana.

- unsecured coupon bonds with nominal value of Tenge 15,000,000 thousand, issued on 29 September 2015 with a coupon rate of 0.10% per annum which mature in September 2035. The issue proceeds will be used to finance acquisition of domestic car, passenger wagon manufacturers as well as export and pre-export lending using leasing and/or lending instruments.

- unsecured coupon bonds with a nominal value of Tenge 100,000,000 thousand issued on 11 April 2014 with a coupon rate of 0.1% p.a. and a maturity of April 2034. Out of the total issue proceeds, Tenge 50,000,000 thousand will be used to finance small and medium size businesses in the manufacturing industry, while another Tenge 50,000,000 thousand will be used to refinance existing loans of borrowers not participating in the program of state support to small and medium size business adopted before.

- unsecured coupon bonds with a nominal value of Tenge 100,000,000 thousand issued on 9 December 2014 with a coupon rate of 0.1% p.a. and a maturity of December 2034. Out of the total issue proceeds, Tenge 50,000,000 thousand will be used to finance small and medium size businesses in the manufacturing industry, while another Tenge 50,000,000 thousand will be used to finance large businesses in the manufacturing industry.

- unsecured coupon bonds with a nominal value of Tenge 50,000,000 thousand issued on 29 October 2014 with a coupon rate of 0.1% p.a. and a maturity of October 2034. The issue proceeds will be used to finance projects under the State Program of Industrial and Innovation Development of the Republic of Kazakhstan for 2015-2019 (“SPIID-2”).

- unsecured coupon bonds with a nominal value of Tenge 23,000,000 thousand issued on 14 July 2014 with a coupon rate of 0.1% p.a. and a maturity of July 2034. The Holding Company expects to pay off the bonds in January 2020. The issue proceeds will be used to finance construction of real estate facilities and a shopping and leisure center for the International Specialised Exhibition EXPO-2017.

All of the bond issues in 2015 and 2014 were acquired in full by the National bank of the Republic of Kazakhstan on behalf of the National Fund of the Republic of Kazakhstan.

10 Debt securities issued (continued)

As a part of implementation of the above-mentioned programs of state support and development, the Management Council of the National Fund of the Republic of Kazakhstan sets conditions of financing in the form of interest rates, financing schedule and related requirements for both the Holding Company, its subsidiaries, commercial banks as the agents of the programs as well as for the ultimate recipients of the funds. In addition, the Government has approved special conditions, under which the Holding Company's subsidiaries may provide further financing to commercial banks and companies. For this reason, the difference that had arisen upon valuation of bonds repurchased by the NBRK on behalf of the National Fund of the Republic of Kazakhstan in 2015 at fair value at the issue date, was recognised as a government subsidy, also taking into account that the NBRK acted as the state agent and not in the interests of the Holding Company's ultimate shareholder, since all terms of the loans had been agreed on at the Government level in the decree concerning the financing of the above-mentioned programs, and the Government does not expect that direct economic benefits will be available to it in a form of shareholder's distributions, as the ultimate beneficiaries of the benefits are the recipient entities under the programs. Thus, in 2015 the Holding Company accounted for the income of Tenge 223,590,219 thousand (2014: Tenge 183,322,224 thousand), as the government subsidies, which were recognised in other operating income in the separate statement of profit or loss and other comprehensive income (Note 14). The Holding Company applied the market interest rates from 5.93% to 7.01% per annum (2014: from 5.41% to 6.58% per annum) to determine the fair value of issued bonds upon initial recognition.

The entire interest expense of Tenge 10,483,702 thousand incurred during 2015 (2014: Tenge 2,039,609 thousand) relates to the debt securities issued.

11 Share capital

(In thousands of Kazakhstani Tenge, except for number of shares)	**31 December 2015**	**31 December 2014**
Authorised ordinary shares	5,000,086,550	5,000,086,550
Issued but not paid ordinary shares	(4,241,767,838)	(4,281,767,838)
Total issued shares paid	**758,318,712**	**718,318,712**
Par value per share, in Tenge	1,000	1,000
Issued share capital paid	**758,318,712**	**718,318,712**

Each ordinary share carries one vote.

During 2015 the Holding Company received a cash contribution of Tenge 40,000,000 thousand to share capital (2014: Tenge 45,000,000 thousand).

In accordance with Order of the Committee of State Property and Privatisation dated 2 October 2014 No. 964 the Committee on Investments of the Ministry of Industry and New Technologies of the Republic of Kazakhstan transferred 26 percent of shares of KMC JSC to the Holding Company as a contribution to the share capital. The transaction amount totalled to Tenge 10,216,702 thousand with a total number of shares transferred 10,216,701 with the nominal value of Tenge 1,000 per share and 1 share with the nominal value of Tenge 608 per share.

12 Interest income

(In thousands of Kazakhstani Tenge)	**2015**	**2014**
Loans to subsidiaries	10,496,357	2,068,433
Deposits	687,393	335,873
Total interest income	**11,183,750**	**2,404,306**

Interest income for the year ended 31 December 2015 includes Tenge 9,727,648 thousand (31 December 2014: Tenge 1,925,330 thousand), resulting from unwinding of discount which has arisen upon initial recognition of loans to subsidiaries (Note 8).

13 Dividends received

(In thousands of Kazakhstani Tenge)	2015	2014
ZhSSBK JSC	7,166,095	1,799,177
BD JSC	6,077,385	297,671
Damu EDF JSC	3,742,830	1,046,586
DBK JSC	3,378,450	-
KCM JSC	3,400,425	731,276
KMC JSC	355,205	-
KEG JSC	189,171	239,896
NATD JSC	57,915	58,430
Total dividends received	**24,367,476**	**4,173,036**

14 Other operating income

(In thousands of Kazakhstani Tenge)	2015	2014
Loss at initial recognition of loans to subsidiaries at a market-below interest rates (Note 8)	(221,957,694)	(181,834,334)
Government grant (Note 10)	223,590,219	183,322,224
Other	(3,608)	286
Total other operating income	**1,628,917**	**1,488,176**

15 Administrative and other operating expenses

(In thousands of Kazakhstani Tenge)	2015	2014
Staff costs	1,453,905	1,219,808
Consulting services	310,914	165,666
Operating lease expense	251,820	218,081
Administrative expense of the Board of Directors	226,804	180,773
Outsourcing costs	194,734	232,614
Advertising and marketing services	124,783	205,358
Other costs related to property, plant and equipment	94,163	54,880
Depreciation of property, plant and equipment	63,452	43,438
Business trips	53,495	17,948
Amortisation of software and other intangible assets	47,648	3,556
Staff training, conferences	42,839	35,154
Insurance costs	34,008	29,557
Charity and sponsorship	32,996	119,217
Costs for stationary printing products, branding products	30,423	26,259
Communication services	26,849	24,665
Other	56,732	86,300
Total administrative and other operating expenses	**3,045,565**	**2,663,274**

16 Income tax

Income tax expense recorded in profit or loss for the period comprises the following:

(In thousands of Kazakhstani Tenge)	**2015**	**2014**
Current income tax expense	-	-
Change in deferred tax liabilities due to origination and reversal of temporary differences	228,574	284,952
Total income tax expense	**228,574**	**284,952**

The income tax rate applicable to the Holding Company's 2015 income is 20% (2014: 20%). For the year ended 31 December 2015, the Holding Company had offset the taxes payable against the withholding tax on interest income on bank deposits to the amount of Tenge 95,102 thousand (2014: Tenge 54,312 thousand).

Reconciliation between the expected and the actual taxation charge is provided below:

(In thousands of Kazakhstani Tenge)	**2015**	**%**	**2014**	**%**
Profit before income tax	**23,650,876**	**100**	**3,362,635**	**100**
Income tax at the applicable tax rate	4,730,175	20	672,527	20
Dividends received which are non-taxable	(4,873,495)	(21)	(834,607)	(25)
Unrecognised deferred tax assets	366,544	2	444,002	13
Non-deductible expenses	5,350	-	3,030	-
Income tax expense	**228,574**	**1**	**284,952**	**8**

Differences between IFRS and statutory taxation regulations in Kazakhstan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The deductible temporary differences do not expire under current tax legislation. The tax loss carry-forwards expire in 2024-2025.

The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate of 20% (2014: 20%).

(In thousands of Kazakhstani Tenge)	**1 January 2015**	**Recognised in profit or loss**	**31 December 2015**
Tax effect of deductible/(taxable) temporary differences			
Property, plant and equipment	(19,569)	5,533	(14,036)
Loans to subsidiaries	35,981,801	42,446,009	78,427,810
Debt securities in issued	(36,275,631)	(42,726,928)	(79,002,559)
Other liabilities	28,447	46,812	75,259
Tax loss carried forward	444,002	366,544	810,546
Net deferred tax asset before recoverability assessment	**159,050**	**137,970**	**297,020**
Recognised deferred tax asset	36,010,248	42,492,821	78,503,069
Recognised deferred tax liability	(36,295,200)	(42,721,395)	(79,016,595)
Net deferred income tax liability	**(284,952)**	**(228,574)**	**(513,526)**

16 Income tax (continued)

(In thousands of Kazakhstani Tenge)	1 January 2014	Recognised in profit or loss	31 December 2014
Tax effect of deductible/(taxable) temporary differences			
Property, plant and equipment	-	(19,569)	(19,569)
Loans to subsidiaries	-	35,981,801	35,981,801
Debt securities in issued	-	(36,275,631)	(36,275,631)
Other liabilities	-	28,447	28,447
Tax loss carried forward	-	444,002	444,002
Net deferred tax asset before recoverability assessment	**-**	**159,050**	**159,050**
Recognised deferred tax asset	-	36,010,248	36,010,248
Recognised deferred tax liability	-	(36,295,200)	(36,295,200)
Net deferred income tax liability	**-**	**(284,952)**	**(284,952)**

17 Financial risk management

Risk management rules and procedures of the Holding Company. The Holding Company's risk management policies aim to identify, analyse and manage the risks faced by the Holding Company, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The risk management policy has the following objectives:

- to establish the effective comprehensive system and integrated process of risk management as an element of the Holding Company's governance, and continuously improve the Holding Company's activities based on the unified standardised approach to the risk management methods and procedures;
- to ensure that the Holding Company assumes acceptable risks adequate to the scale of its activities;
- to define the retaining ability and provide for efficient management of accepted risks;
- to identify risks in a timely manner;
- to mitigate losses and reduce operating costs to cover potential losses.

Risk management structure. The risk management structure of the Holding Company comprises risk management at several levels with engagement of the following bodies and structural units of the Holding Company: Board of Directors, Management Board, Committee of Asset and Liability Management, Investment Committee, Risk Management Department, Internal Audit Function, collective bodies and other structural units.

Board of Directors. The first level of the risk management process is represented by the Board of Directors of the Holding Company. The Board of Directors takes full responsibility for proper operation of risk management control system, management of key risks and corporate risk management system. The Board of Directors defined the objectives of the Holding Company's activities and approves documents related to risk management.

*Management Board**.*** The second level of the risk management process is represented by the Management Board of the Holding Company. The Management Board is responsible for establishment of efficient risk management system and risk control structure to provide for compliance with the corporate policy requirement. The Management Board is liable for creation of "risk consciousness" culture which reflects risk management and risk management philosophy of the Holding Company. In addition, the Management Board also bears liability for implementation of the efficient risk management system where all employees have a clearly defined responsibility for risk management and are accountable for proper execution of their duties. The Management Board is authorised to execute a part of their functions in risk management area through establishment of respective committees.

17 Financial risk management (continued)

Risk Management Committee. The Committee is a permanent collective consulting body of the Holding Company which coordinates the operation of risk management system. Its key objectives are as follows: establishment of a comprehensive effective system and integrated process of risk management in the Holding Company, and continuous improvement of the Holding Company's operations based on the unified standardised approach to the risk management methods and procedures.

Risk Management Department. The third level of the risk management process is represented by the Risk Management Department which objectives include overall risk management and legal compliance monitoring, as well as control over implementation of general principles and methods of identification, assessment, management of and reporting on financial and non-financial risks.

Internal Audit Function. In course of risk management, the Internal Audit Function of the Holding Company audits risk management procedures and risk assessment methods and develops proposals aimed at improvement of efficiency of risk management procedures. The Internal Audit provides reports on risk management system to the Board of Directors of the Holding Company and performs other functions in accordance with the approved regulatory documents.

Structural units. One of the key elements in in the risk management structure is structural units of the Holding Company which are represented by each employee. Structural units (risk owners) play the key role in the risk management process. The Holding Company's employees address and manage risks on a daily basis, and control the potential effect of risk on their business. Structural units are responsible for implementation of the risk management action plan, timely identification and communication of major risk in their business areas and development of proposals for risk management to be included into the action plan.

Credit risk. The Holding Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the lending and other transactions with counterparties of the Holding Company and its subsidiaries giving rise to financial assets.

The Holding Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the separate statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. No collateral and other credit enhancements exist as at 31 December 2015 (31 December 2014: None).

The Holding Company controls credit risk by placing limits on transactions with counterparties, including limits on the level of risk accepted in relation to one counteragent, or groups of counteragents, based on the Regulations for Management of Financial Assets and Liabilities of Baiterek National Managing Holding Joint Stock Company.

None of financials assets are impaired or past due as at 31 December 2015 (31 December 2014: None).

Credit risk concentration. The Holding Company's cash and deposit balances at 31 December 2015 were placed with eight banks. That does not expose the Holding Company to significant credit concentration risk.

Concentration of Loans to subsidiaries is disclosed in Note 8.

Currency risk. As at 31 December 2015 and 31 December 2014, the Holding Company has no significant foreign currency exposure.

Market risk is the risk of changes in Holding Company's income or cost of its portfolios due to changes in market prices, including foreign exchange and interest rates. The Holding Company's market risk consists of currency risk, interest rate risk. Market risks arise from open positions in currency, interest rates and equity products, all of which are exposed to general and specific market movements.

The market risk management objectives are to manage and control that exposure to market risk does not fall out of the acceptable parameters, ensuring the optimisation of profitability obtained for risk accepted.

Total responsibility for the market risk management is imposed on the Management Board, headed by the Chairman of the Management Board. Management Board set limits with respect to the market risk based on recommendations received from Risk Management Department.

The Holding Company manages market risk through setting limits on open positions with respect to the value of portfolio on individual financial instruments, terms of changes in interest rates, currency position, limits for losses, and regular monitoring of their observance, the results of which are reviewed and approved by Management Board.

17 Financial risk management (continued)

Interest rate risk is the risk of changes in the Holding Company's income or cost of its portfolios of financial instruments due to changes in interest rates.

The Holding Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise.

Interest rate risk arises, when available or forecasted assets with definite maturity are higher or lower upon value compared to available or forecasted liabilities with similar maturity. Interest rate risk management is based on the principles of full coverage of costs: resulting interest income should cover costs for raising and placement of funds and provide for net profit generation and competitiveness.

The table below summarises the Holding Company's exposure to interest rate risk as at 31 December 2015. The table presents the aggregated amounts of the Holding Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

(In thousands of Kazakhstani Tenge)	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Interest-free**	**Total**
31 December 2015						
Total financial assets	193,360	265,842	11,510,000	196,456,077	-	208,425,279
Total financial liabilities	-	(169,432)	-	(193,582,328)	(279,211)	(194,030,971)
Net interest sensitivity gap at 31 December 2015	**193,360**	**96,410**	**11,510,000**	**2,873,749**	**(279,211)**	**14,394,308**

The table below summarises the Holding Company's exposure to interest rate risk as at 31 December 2014. The table presents the aggregated amounts of the Holding Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

(In thousands of Kazakhstani Tenge)	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Interest-free**	**Total**
31 December 2014						
Total financial assets	3,249,249	-	2,350,000	93,163,685	-	98,762,934
Total financial liabilities	-	-	-	(91,667,385)	(326,400)	(91,993,785)
Net interest sensitivity gap at 31 December 2014	**3,249,249**	**-**	**2,350,000**	**1,496,300**	**(326,400)**	**6,769,149**

An analysis of the sensitivity of profit or loss (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and restated positions of interest-bearing assets and liabilities existing as at 31 December 2015 is as follows:

(In thousands of Kazakhstani Tenge)	**2015**	**2014**
Parallel rise by 100 basis points	25,049	29,611
Parallel fall by 100 basis points	(25,049)	(29,611)

17 Financial risk management (continued)

The Holding Company monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date based on reports.

In weighted-average % p.a.	31 December 2015	31 December 2014
Assets		
Cash and cash equivalents	-	7.60%
Deposits	9.17%	8.28%
Loans to subsidiaries	6.43%	6.50%
Liabilities		
Debt securities issued	6.43%	6.50%

Liquidity of financial assets and liabilities is presented in the table above. Contractual payments under the financial liabilities exceed their carrying amount by the sum of non-amortised discount of future interest expenses. As at 31 December 2015 the contractual payments on the issued debt securities amount to Tenge 599,973,393 thousand, including nominal value of Tenge 588,595,125 thousand with maturity in 2034 and 2045, and total future interest of Tenge 11,378,268 thousand payable on annual basis. As at 31 December 2014 the contractual payments on the issued debt securities amount to Tenge 278,364,458 thousand, including nominal value of Tenge 273,000,000 thousand with maturity in 2034, and future interest of Tenge 5,364,458 thousand payable on annual basis.

Capital management. The Holding Company treats capital as net assets attributable to the Holding Company's owners. The Holding Company is not subject to the regulatory capital requirements.

Legal risks. The Holding Company is exposed to legal risk, when there is the probability of occurrence of an adverse legislation change, incorrect legislation application, non-observance of internal documents, when decisions are made, untimely notification of state authorised bodies (in different situations: when documents are prepared, when legally significant actions are committed, etc.).

The Holding Company manages legal risk through thorough monitoring of legislation changes, monitoring of orders implementation, professional development of legal department employees, engagement of consultants.

18 Contingencies and commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Holding Company and its subsidiaries may be received. On the basis of its own estimates and internal professional advice, management is of the opinion that no material losses will be incurred in respect of claims, and accordingly no provision has been made in these separate financial statements.

Tax contingencies. Kazakhstan tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Holding Company may be challenged by the relevant authorities. The Kazakhstani tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in Kazakhstan and the changes in the approach of the Kazakhstan tax authorities, that such transfer prices could potentially be challenged in the future. Given the brief nature of the current Kazakhstan transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Holding Company.

Kazakhstan tax legislation does not provide definitive guidance in certain areas. From time to time, the Holding Company adopts interpretations of such uncertain areas that reduce the overall tax rate of the Holding Company. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices; the impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Holding Company.

Operating lease commitments. The Holding Company has a number of buildings and vehicles under operating lease. Lease is mainly executed for the initial period of one year with the option to renew upon expiry of the said period. Lease payments are usually increased annually to reflect market terms of lease. Lease does not include contingent lease.

19 Related party transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Government of the Republic of Kazakhstan has significant influence over the Holding Company since it is the ultimate controlling party. The Holding Company has decided to apply an exemption from disclosure of individually insignificant transactions and outstanding balances with state owned entities.

The balances as at 31 December 2015 for transactions with related parties are as follows:

(In thousands of Kazakhstani Tenge)	**Subsidiaries**	**Transactions with state owned entities**
Cash and cash equivalents (Note 6)	-	20,625
Investments in subsidiaries (Note 9)	773,782,161	-
Loans to subsidiaries (Note 8)	196,721,919	-
Current income tax prepayment	-	250,751
Debt securities issued (Note 10)	-	(193,751,760)
Deferred income tax liability	-	(513,526)
Other liabilities	-	(87,114)

The income and expense items on the related party transactions for 2015 were as follows:

(In thousands of Kazakhstani Tenge)	**Subsidiaries**	**Transactions with state owned entities**
Interest income	10,496,357	-
Interest expense	-	(10,483,702)
Dividends received	24,367,476	-
Other operating (expense)/income	(221,957,694)	223,590,219
Administrative and other operating expenses	-	(600,348)
Income tax expense	-	(228,574)

The balances as at 31 December 2014 for transactions with related parties are as follows:

(In thousands of Kazakhstani Tenge)	**Subsidiaries**	**Transactions with state owned entities**
Investments in subsidiaries (Note 9)	718,382,161	-
Loans to subsidiaries (Note 8)	93,163,685	-
Current income tax prepayment	-	69,312
Debt securities issued (Note 10)	-	(91,667,385)
Deferred income tax liability	-	(284,952)
Other liabilities	-	(78,514)

The income and expense items on the related party transactions for 2014 were as follows:

(In thousands of Kazakhstani Tenge)	**Subsidiaries**	**Transactions with state owned entities**
Interest income	2,068,433	-
Interest expense	-	(2,039,609)
Dividends received	4,173,036	-
Other operating (expense)/income	(181,834,334)	183,322,224
Administrative and other operating expenses	-	(567,823)
Income tax expense	-	(284,952)

19 Related party transactions (continued)

Total remuneration to the members of the Management Board and Board of Directors is as follows:

(In thousands of Kazakhstani Tenge)	2015	2014
Members of the Board of Directors	195,191	152,607
Members of the Management Board	156,352	137,972
Total	**351,543**	**290,579**

20 Fair value

Determination of fair values. A number of the Holding Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

When measuring the fair value of an asset or a liability, the Holding Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Holding Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Loans to subsidiaries and debt securities issued. The fair value of loans to subsidiaries and debt securities issued is estimated as the present value of future cash flows/(outflows), discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Fair values versus carrying amounts. Management believes that the fair value of its financial assets and liabilities approximates their carrying amounts.

21 Subsequent events

In January 2016, in compliance with the Minutes of the meeting of the Management Council of the National Fund of the Republic of Kazakhstan No.01-7.16 dated 14 November 2014, the Holding Company issued coupon bonds for Tenge 22,500,000 thousand with interest rate of 0.10% p.a. and maturity in 2046, to finance construction and acquisition of apartment houses that will be rented to certain categories of population. The issue proceeds will be transferred to the Holding Company's subsidiary KMC JSC in the form of loans with 30 years term and interest rate of 0.15% p.a.

In February 2016, in compliance with the Minutes of the meeting of the Management Council of the National Fund of the Republic of Kazakhstan No.01-7.16 dated 14 November 2014, the Holding Company issued coupon bonds for Tenge 15,000,000 thousand with the interest rate of 0.10% p.a. and maturity in 2036, to finance export and pre-export lending. The issue proceeds have been transferred to the Holding Company's subsidiary DBK JSC in the form of a loan with 20 years term and interest rate of 0.15% p.a.

In March 2016, in compliance with the Minutes of the meeting of the Management Council of the National Fund of the Republic of Kazakhstan No. 01-7.7 dated 11 June 2014, the Holding Company issued coupon bonds for Tenge 15,000,000 thousand at the interest rate of 0.10% and maturity in 2036, to finance further construction of the residential facilities and shopping and leisure center on the territory of the International Specialised Exhibition EXPO-2017 in Astana. The issue proceeds have been allocated in the form of a loan to the Holding Company's subsidiary BD JSC, with 20 years term and interest rate of 0.15% p.a.

In March 2016, in compliance with the Minutes of the meeting of the Management Council of the National Fund of the Republic of Kazakhstan No.01-7.16 dated 14 November 2014, the Holding Company issued coupon bonds for Tenge 202,000,000 thousand at the interest rate of 0.10% and maturity in 2036, to finance rental and credit housing. The issue proceeds have been allocated in the form of a loan to the Holding Company's subsidiaries BD JSC and ZhSSBK JSC with 20 years term and the interest rate of 0.15% p.a.