LIMITED LIABILITY PARTNERSHIP MARSH (INSURANCE BROKERS)

Consolidated Financial Statements and
Independent Auditors' Report
For the year ended 31 December 2017

Limited Liability Partnership Marsh (Insurance Brokers)

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Limited Liability Partnership Marsh (Insurance Brokers)

Statement of Management's Responsibilities
For the Preparation and Approval of the Consolidated Financial Statements
For the year ended 31 December 2017

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of Limited Liability Partnership Marsh (Insurance Brokers) ("the Company") and its subsidiary (collectively - "the Group") as at 31 December 2017, and the results of its operations, cash flows and changes in partner's equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and consolidated financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2017 were approved by the Management on 16 April 2018.

On behalf of the Management:

Andrey Komarkovsky
General Manager

16 April 2018
Almaty, Kazakhstan

Irina Kim
Chief Accountant

16 April 2018
Almaty, Kazakhstan

INDEPENDENT AUDITORS' REPORT

To the Partner and Management of Limited Liability Partnership Marsh (Insurance Brokers):

Opinion

We have audited the consolidated financial statements of Limited Liability Partnership Marsh (Insurance Brokers) and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in partner's equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of the significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' 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* ("the IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of 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.

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 the approved accounting policies of the Group, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 related 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 financial reporting process.

Auditors' 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 auditors' 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 ISAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 auditors' report to the related disclosures in the consolidated 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 auditors' 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Roman Sattarov
Auditor-performer
Qualification certificate
No.MF-0000149
dated 31 May 2013

Mark Smith
Engagement partner
Chartered Accountant
Institute of Chartered
Accountants of Scotland
License No. M21857
Glasgow, Scotland

Deloitte, LLP
State license on auditing
in the Republic of Kazakhstan
No. 0000015, type MFU - 2,
issued by the Ministry of Finance of
the Republic of Kazakhstan
dated 13 September 2006

Nurlan Bekenov
General Director
Deloitte, LLP

16 April 2018
Almaty, Kazakhstan

Limited Liability Partnership Marsh (Insurance Brokers)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2017
(in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
Commission income from brokerage and consulting services	14	853,329	854,770
Other income	14	-	65
Total income		853,329	854,835
General and administrative expenses, including:	4, 14	(439,638)	(370,308)
Payroll and business trip expenses	4, 14	(300,611)	(214,145)
Management fees for services from the Parent Company	4, 14	(57,335)	(45,648)
Professional fees	4	(25,332)	(47,585)
Rent expenses	4	(16,891)	(16,891)
Depreciation and amortization	4, 9	(7,326)	(8,102)
Taxes, other than income tax		(453)	(289)
(Provision)/recovery of provision for impairment losses	5	(96)	5,478
Net (loss)/gain on foreign exchange operations		(939)	8,914
Total expenses		(440,673)	(355,916)
PROFIT BEFORE INCOME TAX EXPENSE		412,656	498,919
Income tax expense	6	(102,365)	(107,575)
NET PROFIT		**310,291**	**391,344**
TOTAL COMPREHENSIVE INCOME		**310,291**	**391,344**

On behalf of the Management:

Andrey Komarkovsky
General Manager

16 April 2018
Almaty, Kazakhstan

Irina Kim
Chief Accountant

16 April 2018
Almaty, Kazakhstan

The notes to the consolidated financial statements on pages 10-29 form an integral part of these consolidated financial statements.

Limited Liability Partnership Marsh (Insurance Brokers)

Consolidated Statement of Financial Position
For the year ended 31 December 2017
(in thousands of Kazakhstani Tenge)

	Notes	31 December 2017	31 December 2016
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	7	741,748	970,972
Accounts receivable	8, 14	294,222	86,650
Prepaid expenses		3,210	2,805
Current income tax assets		8,463	5,490
Deferred income tax assets	6	16,378	5,593
Other tax assets		1,633	2,613
Other assets		5,140	611
Total current assets		1,070,794	1,074,734
NON CURRENT ASSETS:			
Property and equipment	9	17,717	24,668
Intangible assets	9	1,982	2,185
Total non current assets		19,699	26,853
TOTAL ASSETS		**1,090,493**	**1,101,587**
LIABILITIES AND PARTNER'S EQUITY			
CURRENT LIABILITIES:			
Deferred income		-	127
Accounts payable	10, 14	41,130	31,180
Current income tax payables		-	38,672
Other liabilities	11	84,197	32,818
Total current liabilities		125,327	102,797
PARTNER'S EQUITY:			
Charter capital	12	10,000	10,000
Retained earnings		955,166	988,790
Total partner's equity		965,166	998,790
TOTAL LIABILITIES AND PARTNER'S EQUITY		**1,090,493**	**1,101,587**

On behalf of the Management:

Andrey Komarkovsky
General Manager

16 April 2018
Almaty, Kazakhstan

Irina Kim
Chief Accountant

16 April 2018
Almaty, Kazakhstan

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Limited Liability Partnership Marsh (Insurance Brokers)

Consolidated Statement of Changes in Partner's Equity
For the year ended 31 December 2017
(in thousands of Kazakhstani Tenge)

	Note	Charter Capital	Retained earnings	Total
As at 31 December 2015		10,000	597,446	607,446
Total comprehensive income		-	391,344	391,344
As at 31 December 2016	12	10,000	988,790	998,790
Total comprehensive income		-	310,291	310,291
Dividends paid	12	-	(343,915)	(343,915)
As at 31 December 2017	**12**	**10,000**	**955,166**	**965,166**

On behalf of the Management:

Andrey Komarkovsky
General Manager

16 April 2018
Almaty, Kazakhstan

Irina Kim
Chief Accountant

16 April 2018
Almaty, Kazakhstan

The notes to the consolidated financial statements on pages 10-29 form an integral part of these consolidated financial statements.

Limited Liability Partnership Marsh (Insurance Brokers)

Consolidated Statement of Cash Flows
For the year Ended 31 December 2017
(in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax expense		412,656	498,919
Adjustments for:			
Depreciation and amortization	4, 9	7,326	8,102
Provision/(recovery) of provision for impairment losses	5	96	(5,478)
Cash inflow from operating activities before changes in operating assets and liabilities		420,078	501,543
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Accounts receivable		(207,668)	135,558
Prepaid expenses		(405)	(226)
Other tax assets		980	(72)
Other assets		(3,589)	(8,961)
Increase/(decrease) in operating liabilities:			
Deferred income		(127)	(4,580)
Accounts payable		9,950	26,335
Other liabilities		51,379	10,733
Cash inflow from operating activities before taxation		270,598	660,330
Income tax paid		(154,796)	(144,686)
Net cash inflow from operating activities after taxation		115,802	515,644
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets	9	(172)	(5,973)
Proceeds from sale of property, equipment and intangible assets	9	-	2,977
Net cash outflow from investing activities		(172)	(2,996)

Consolidated Statement of Cash Flows (Continued)
For the year Ended 31 December 2017
(in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid	12	(343,915)	-
Net cash outflow from financing activities		(343,915)	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(228,285)	512,648
Effect of changes in foreign exchange rate on cash and cash equivalents		(939)	9,058
CASH AND CASH EQUIVALENTS, beginning of the year	**7**	**970,972**	**449,266**
CASH AND CASH EQUIVALENTS, end of the year	**7**	**741,748**	**970,972**

On behalf of the Management:

Andrey Komarkovsky
General Manager

16 April 2018
Almaty, Kazakhstan

Irina Kim
Chief Accountant

16 April 2018
Almaty, Kazakhstan

The notes to the consolidated financial statements on pages 10-29 form an integral part of these consolidated financial statements.

(in thousands of Kazakhstani Tenge, unless otherwise stated)

1. Organization

LLP Marsh (Insurance Brokers) ("the Company") is a Limited Liability Partnership, which was incorporated in the Republic of Kazakhstan in March 2000. In May 2001, the Company was re-registered and changed its name from LLP Marsh to LLP Marsh (Insurance Brokers). The Company is regulated by the National Bank of the Republic of Kazakhstan. The Company conducts its business under the license #3 dated 26 December 2001 and the certificate of re-registration #31698-1910-TOO issued by the Ministry of Justice of the Republic of Kazakhstan on 3 May 2001. The Company's main activities are to provide Kazakhstan and international companies with insurance and reinsurance brokerage and consulting services.

The Company is a parent company of a group ("the Group") which also includes the following entity consolidated in the financial statements:

Name	Country of operation	Proportion or ownership interest/voting rights (%) 2017	2016	Type of operation
Marsh (Risk Consulting) LLP	Kazakhstan	99.9%	99.9%	Expertise on risk management

As at 31 December 2017 and 2016, 0.1% of the charter capital of LLP Marsh (Risk Consulting) was contributed by Marsh & McLennan Companies Services B.V. (Netherlands).

LLP Marsh (Risk Consulting) was formed as a Limited Liability Partnership under the laws of the Republic of Kazakhstan on 9 June 2008. The main activity of LLP Marsh (Risk Consulting) is to provide expertise and consulting services on risk management.

As at 31 December 2017 and 2016, the Company was solely owned by Marsh & McLennan Companies Services B.V. registered in the Netherlands. On 19 February 2015, the previous partner Marsh (Insurance Services) Limited transferred its share in the Company, and as a result Marsh & McLennan Companies Services B.V. ("the Parent Company") became the sole owner of the Company.

In the normal course of business, the Group enters into transactions with the companies of Marsh Group. The transactions include, but are not limited to brokerage services, management services from the Parent Company and consulting services. As at 31 December 2017 and 2016, accounts receivable from companies of Marsh Group amounted to 91.8% and 76.0% of the total amount of the Group's assets, respectively. For the years ended 31 December 2017 and 2016, commission income from brokerage services earned from the Marsh Group amounted to 62.5% and 80.9% of total commission income from brokerage services, respectively. Therefore, there is a concentration of the Group's assets and commission income from brokerage services in respect of Marsh Group. The information on operations with related parties is disclosed in Note 14.

The registered office of the Group is located at 17 Mitin Str., 050020, Almaty, Republic of Kazakhstan.

As at 31 December 2017 and 2016, the number of employees of the Company was 16.

As at 31 December 2017 and 2016, the number of employees of the subsidiary, LLP Marsh (Risk Consulting), was equal to 3.

These consolidated financial statements were authorized for issue by the Management of the Group on 16 April 2018.

2. Significant accounting policies

Statement of compliance

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

These consolidated financial statements are presented in thousands of Kazakhstan tenge ("KZT" or "Tenge"), unless otherwise indicated. These consolidated financial statements have been prepared under the historical cost convention.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Functional currency

The functional currency of these consolidated financial statements is Kazakhstani tenge ("KZT").

Going concern

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

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and entity controlled by the Company (its subsidiary). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When necessary, adjustments are made to the financial statements of subsidiary to bring the accounting policies into line with those used by the Group.

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

The principal accounting policies are set out below.

Financial instruments

The Group recognizes financial assets and liabilities in its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the consolidated statement of comprehensive income.

Derecognition of financial assets and liabilities

Financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain of loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial liabilities

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

Cash and cash equivalents

Cash and cash equivalents include unrestricted balances on correspondent accounts with original maturity of three months or less.

Accounts receivable

Accounts receivable are stated at their nominal value, reduced by any allowances for impairment losses.

Allowance for impairment losses

The Group accounts for impairment losses of financial assets when there is an objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are measured as the difference between the carrying amount and the present value of expected future cash flows. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account.

The determination of impairment losses is based on an analysis of the risk assets and reflects the amount which, in the judgment of management, is adequate to provide for losses incurred. Provisions are made as a result of an appraisal of risk for financial assets that are individually significant, and a collective assessment for financial assets that are not individually significant.

The change in the allowance for impairment losses is charged to the consolidated statement of profit or loss and other comprehensive income, and the total of impairment losses is deducted in arriving at assets as shown in the consolidated statement of financial position. Factors that the Group considers in determining, whether it has objective evidence that an impairment loss has been incurred include information about the debtors' liquidity, solvency and business and financial risk exposures, levels of and trends in delinquencies for similar financial assets, national and local economic trends and conditions. These and other factors may, either individually or taken together, provide sufficient objective evidence that an impairment loss has been incurred in a financial asset or group of financial assets.

It should be understood that estimates of losses involve an exercise of judgment. While it is possible that in particular periods the Group may sustain losses, which are substantially related to the allowance for impairment losses, it is the judgment of management that the allowance for impairment losses is adequate to absorb losses incurred on the risk assets.

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation and amortization.

Depreciation and amortization are charged on the cost of property, equipment and intangible assets in order to write off assets over their useful economic lives. Depreciation and amortization are calculated on a straight line basis at the following annual prescribed rates:

Computer equipment	25-33%
Furniture and other fixed assets	7-33%
Vehicles	20%
Intangible assets	10%

Expenses related to repairs and renewals are charged when incurred and included in the consolidated statement of profit or loss and other comprehensive income as part of operating expenses unless they qualify for capitalization.

The carrying amounts of property, equipment and intangible assets are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount, an impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation and amortization charge for property, equipment and intangible assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income

The consideration received prior to the brokerage services being rendered is recognized as deferred income in the consolidated statement of financial position of the Group, which is transferred to profit or loss on a systematic and rational basis as services are provided in accordance with the terms of the insurance contract.

Provisions

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

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

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

(in thousands of Kazakhstani Tenge, unless otherwise stated)

Contingent liabilities and assets

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed in the consolidated financial statements unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed in the consolidated financial statements when an inflow of economic benefits is probable.

Charter capital

Contributions to charter capital are recognized at cost.

Distributions are recognized in equity as a reduction in the period in which they are declared. Distributions that are declared after the reporting date are treated as a subsequent event under International Accounting Standard 10 "Events after the Reporting Period" ("IAS 10") and disclosed accordingly.

Retirement and other benefit obligations

In accordance with the requirements of the legislation of the Republic of Kazakhstan certain percentages of pension payments are withheld from total disbursements to employee to be transferred to pension funds, such that a portion of salary expense is withheld from the employee and instead paid to a pension fund on behalf of the employee. This expense is charged in the period in which the related salaries are earned. Upon retirement, all retirement benefit payments are made by the pension funds as selected by employees. The Group does not have any pension arrangements consolidated from the pension system of the Republic of Kazakhstan. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Recognition of income and expense

Commission income from brokerage services comprise fees on mediation activity on concluding of agreements on insurance and reinsurance. Commission income from brokerage services is recognized on an accrual basis. Commission income on policies valid for more than one year is deferred and recognized as income on an annual basis during the period of policy. Other income is credited to the consolidated statement of profit or loss and other comprehensive income when the related transactions are completed or as the services are provided. Expenses are recognized on an accrual basis.

Foreign currency translation

The consolidated financial statements of the Group are presented in the currency of the primary economic environment in which the Group operates. In preparing the consolidated financial statements, monetary assets and liabilities denominated in currencies other than the Group's functional currency (foreign currencies) are translated at the appropriate spot rates of exchange prevailing at the reporting date. Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations.

Rates of exchange

The exchange rates at reporting date used by the Group in the preparation of the consolidated financial statements are as follows:

	31 December 2017	31 December 2016
KZT/USD	332.33	333.29
KZT/EUR	398.23	352.42
KZT/GBP	448.61	409.78

3. Application of new and revised international financial reporting standards (IFRSs)

Amendments to IFRSs affecting amounts reported in the consolidated financial statements

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these consolidated financial statements:

- Amendments to IAS 7 *Disclosure Initiative*;
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*;
- Annual Improvements to IFRSs 2014-2016 Cycle – amendments to IFRS 12.

Amendments to IAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The applications of these amendments did not affect the Group's consolidated financial statements, as there were no liabilities as a result of the financing activity for the year ending 31 December 2017.

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

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual Improvements to IFRSs - 2014-2016 Cycle

The Group has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group (see the list of new and revised IFRSs in issue but not yet effective below).

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 *Financial Instruments*[1];
- IFRS 15 *Revenue from Contracts with Customers (and the related Clarifications)*[1];
- IFRS 16 *Leases*[2];
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*[1];
- IFRIC 23 *Uncertainty Over Income Tax Treatments*[2];
- Annual Improvements to IFRSs 2015-2017 Cycle[2].

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- **Classification and measurement of financial liabilities.** With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- **Impairment**. In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The standard is effective from 1 January 2018 with early application permitted. Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its accounts receivable as required or permitted by IFRS 9.

In general, the Management anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group recognises revenue from brokerage and consulting services. The management of the Group has specifically considered IFRS 15's guidance on contract combinations, contract modifications arising from variation orders, variable consideration, and the assessment of whether there is a significant financing component in the contracts, particularly taking into account the reason for the difference in timing between the transfer of control of goods and services to the customer and the timing of the related payments. The management has assessed that revenue from these brokerage and consulting services contracts should be recognised when or as a performance obligation is satisfied.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16. The Management of the Group does not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The Management of the Group does not anticipate that the application of this IFRIC will have a material impact on the Group's consolidated financial statements as the Group currently uses the approach prescribed in IFRIC 22.

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed consolidatedly or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
    - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
    - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. Entities can apply the Interpretation either fully retrospectively (if it is possible without the use of hindsight) or to apply modified retrospective approach without restatement of comparatives.

The Management of the Group does not anticipate that the application of this IFRIC will have a material impact on the Group's consolidated financial statements as the Group currently uses the approach to recognition of uncertain tax position, which is consistent with IFRIC 23.

(in thousands of Kazakhstani Tenge, unless otherwise stated)

Annual Improvements to IFRSs 2015-2017 Cycle

Annual Improvements to IFRSs 2015-2017 Cycle makes amendments to several standards.

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

The amendments to IAS 12 clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

All amendments are effective for annual periods beginning on or after 1 January 2019.

The management of the Group does not anticipate that the application of the amendments in the future will have any impact on the Group's consolidated financial statements.

4. General and administrative expenses

	Year ended 31 December 2017	Year ended 31 December 2016
Payroll expenses	292,637	203,406
Management fees for services from the Parent Company	57,335	45,648
Professional services	25,332	47,585
Rent expenses	16,891	16,891
Business trips	7,974	10,739
Depreciation and amortization	7,326	8,102
Transport services	6,100	5,274
Property and responsibility insurance	4,970	4,679
Communication services	4,905	8,849
Utilities	2,333	2,254
Mail and courier expenses	1,369	1,434
Bank commission	1,308	1,146
Trainings and conferences	1,153	1,900
Representation services	1,050	1,106
Taxes, other than income tax	453	289
Other	8,502	11,006
	439,638	**370,308**

5. Allowance for impairment losses

	2017	2016
Beginning of the year	255	5,7
Provision/(recovery) of provision for impairment losses	96	(5,4
End of the year	**351**	**255**

Limited Liability Partnership Marsh (Insurance Brokers)

Notes to the Consolidated Financial Statements
For the year Ended 31 December 2017 (Continued)
(in thousands of Kazakhstani Tenge, unless otherwise stated)

6. Income taxes

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of the Republic of Kazakhstan where the Group operates, which may differ from IFRS.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2017 and 2016, relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Deferred taxes as at 31 December 2017 and 2016 are presented as follows:

	31 December 2017	31 December 2016
Accrued expenses	16,8	6,5
Allowance for impairment losses	70	51
Deferred income	-	25
Property, equipment and intangible assets	(532)	(1,0
Net deferred tax assets	**16,3**	**5,5**

As at 31 December 2017 and 2016, a deferred tax asset not recognized amounted to KZT Nil and KZT 1,015 thousand, respectively.

Relationships between tax expenses and accounting profit for the years ended 31 December 2017 and 2016 are explained as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
Profit before income tax expense	412,656	498,919
Income tax at the statutory rate 20%	82,531	99,785
Non-deductible expenses	20,480	6,775
Losses carried forward	(646)	-
Change in deferred tax asset not recognized	-	1,015
Income tax expense	**102,365**	**107,575**

	Year ended 31 December 2017	Year ended 31 December 2016
Current income tax expense	113,1	103,3
Deferred income tax (benefit)/expense	(10,7	4,2
Income tax expense	**102,3**	**107,5**

Movements in deferred income tax assets:

	2017	2016
Net deferred income tax assets at the beginning of the year	5,	9,
Deferred income tax benefit/(expense)	10,	(4,
Net deferred income tax assets at the end of the year	**16,**	**5,**

(in thousands of Kazakhstani Tenge, unless otherwise stated)

7. Cash and cash equivalents

	31 December 2017	31 December 2016
Bank current account in tenge	674,989	967,083
Bank current account in foreign currency	66,759	3,889
	741,748	**970,972**

8. Accounts receivable

	31 December 2017	31 December 2016
Accounts receivable	294,	86,
Less allowance for impairment losses	(351)	(255)
	294,	**86,**

Movements in allowances for impairment losses on accounts receivable for the years ended 31 December 2017 and 2016 are disclosed in Note 5.

9. Property, equipment and intangible assets

	Office and computer equipment	Vehicles	Intangible assets	Total
At initial cost				
31 December 2015	31,72	36,98	1,51	70,22
Additions	3,77	-	2,20	5,97
Disposals	(2,05	(14,88	(1,14	(18,08
Write-off	(135)	-	(15)	(150)
31 December 2016	33,30	22,10	2,55	57,96
Additions	172	-	-	172
Write-off	(171)	-	(354)	(525)
31 December 2017	33,30	22,10	2,20	57,60
Accumulated depreciation and amortization				
31 December 2015	18,00	18,75	1,51	38,26
Charge for the year	5,51	2,56	22	8,10
Eliminated on disposals	(2,05	(11,90	(1,14	(15,26
Write-off	(135)	-	(15)	(150)
31 December 2016	21,32	9,41	370	31,10
Charge for the year	4,64	2,48	203	7,32
Write-off	(171)	-	(354)	(525)
31 December 2017	25,79	11,89	219	37,90
Net book value				
31 December 2017	**7,51**	**10,20**	**1,98**	**19,69**
31 December 2016	**11,98**	**12,68**	**2,18**	**26,85**

(in thousands of Kazakhstani Tenge, unless otherwise stated)

10. Accounts payable

	31 December 2017	31 December 2016
Marsh Group	41,033	29,254
Others	97	1,926
	41,130	**31,180**

11. Other liabilities

	31 December 2017	31 December 2016
Other financial liabilities:		
Bonus accrued	59,302	15,505
Payables for audit services	13,233	11,171
Vacation reserve	6,660	2,265
Payables for tax consulting services	5,002	3,834
Payables for technical services	-	43
Total other financial liabilities	**84,197**	**32,818**

12. Charter capital

As at 31 December 2017 and 2016, the charter capital of the Group was approved and paid-in in the amount of KZT 10,000 thousand. The sole owner of the Group is Marsh & McLennan Companies Services B.V., incorporated in the Netherlands.

As at 31 December 2017, dividends in the amount of KZT 343,915 thousand were declared and paid.

13. Commitments and contingencies

Capital commitments

As at 31 December 2017 and 2016, the Group had no significant capital commitments.

Operating lease commitments

As at 31 December 2017 and 2016, no significant commitments on non cancellable operating leases were outstanding.

Legal proceedings

During the years ended 31 December 2017 and 2016, no claims against the Group were identified. Management is of the opinion that there are no material unaccrued losses as at these dates and accordingly, no provision has been made in these consolidated financial statements.

Tax legislation

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

The Management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the consolidated financial statements.

(in thousands of Kazakhstani Tenge, unless otherwise stated)

The tax authorities have the right to check the accuracy of tax charges within five years after the end of the tax period.

Operating environment

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

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2015 and then in the first quarter of 2016, the oil price decreased significantly, which led to a significant decrease in national export revenue. On 20 August 2015, the Government and the National Bank of Kazakhstan announced a transition to a new monetary policy based on a free floating tenge exchange rate, and cancelled the currency corridor. In 2015 and in the first quarter of 2016, the tenge depreciated significantly against major foreign currencies.

Management of the Group is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Group's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

14. Transactions with related parties

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures" include the following:

The remuneration of directors and other members of key management were as follows:

	Year ended 31 December 2017		Year ended 31 December 2016	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Key management personnel compensation:	76,513	292,637	51,755	203,406
- salaries and other short-term employee benefits	76,513		51,755	

The Group had the following transactions outstanding as at 31 December 2017 and 2016, with related parties:

	31 December 2017		31 December 2016	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Accounts receivable	270,136	294,222	65,811	86,650
- entities under common control	270,136		65,811	
Accounts payable	41,033	41,130	29,254	31,180
- entities under common control	41,033		29,254	

(in thousands of Kazakhstani Tenge, unless otherwise stated)

Included in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2017 and 2016, are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2017		Year ended 31 December 2016	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Commission income from brokerage services	533,624	853,329	691,442	854,770
- entities under common control	533,624		691,442	
Other income	-	-	65	65
- entities under common control	-	-	65	
General and administrative expenses				
Management fees for services from the Parent Company	57,335	147,001	45,648	166,902
- Parent company	57,335		45,648	

15. Fair value of financial instruments

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. Management believes, that the fair value of financial assets and liabilities approximates their carrying value due to the short-term nature of these assets and liabilities. The Group does not hold any financial assets at liabilities at fair value and as such fair value hierarchy is not presented.

16. Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to partner through the optimization of the equity balance.

The capital structure of the Group consists of capital attributable to partner, comprising invested capital and retained earnings as disclosed in the consolidated statement of changes in partner's equity.

The Management reviews the capital structure on a semi-annual basis. As a part of this review, the Management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Management, the Group balances its overall capital structure through the payment of distributions, increase of charter capital as well as the issue of new debt or the redemption of existing debt.

The Group's overall capital risk management policy remains unchanged in 2017 as compared to 2016.

17. Risk management policies

Management of risk is fundamental to the Group's business. The main risks inherent to the Group's operations are those related to:

- Operational risk;
- Credit exposures;
- Liquidity risk; and
- Market risk.

(in thousands of Kazakhstani Tenge, unless otherwise stated)

To enable efficient and effective risk management, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives. Through the risk management framework, the Group manages the following risks:

Operational risk

The Group is exposed to operational risk which is the risk of losses that can be a result of any system inefficiencies or breaks of internal process, systems, presence of human error or effect of any external negative factor.

The Group's risk management policies are designed to identify and analyse this risk to set appropriate risk limits and controls.

Credit risk

The Group is not significantly exposed to the credit risk as it does not hold financial assets, except for cash and cash equivalents and accounts receivable.

The following table details credit ratings of financial assets held by the Group as at 31 December 2017 and 2016, which were rated using either internationally recognised rating agency or internal rating:

	BBB	BBB-	Not rated	31 December 2017 Total
Cash and cash equivalents	-	741,748	-	741,748
Accounts receivable	280,050	14,172	-	294,222

	BBB	Not Rated	31 December 2016 Total
Cash and cash equivalents	970,972	-	970,972
Accounts receivable	86,650	-	86,650

The Group's industry is generally exposed to credit risk through its financial assets. Credit risk exposure of the Group is concentrated within the Republic of Kazakhstan.

The following table details the carrying value of assets that are impaired and the ageing of those that are past due but not impaired before any impairment losses:

		Financial assets past due but not impaired						31 December 2017
	Neither past due nor impaired	Up to 3 months	3-6 months	6 months to 1 year	Greater than one year	Financial assets that have been impaired	Allowance for impair-ment losses	Total
Cash and cash equivalents	741,7	-	-	-	-	-	-	741,7
Accounts receivable	294,2	-	-	-	-	351	(351)	294,2

		Financial assets past due but not impaired						31 December 2016
	Neither past due nor impaired	Up to 3 months	3-6 months	6 months to 1 year	Greater than one year	Financial assets that have been impaired	Allowance for impair-ment losses	Total
Cash and cash equivalents	970,9	-	-	-	-	-	-	970,9
Accounts receivable	86,6	-	-	-	-	255	(255)	86,6

Geographical concentration

The Group exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Group's activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Republic of Kazakhstan.

As at 31 December 2017 and 2016, concentration of accounts receivable of the Group outside of Kazakhstan amounted to 91.8% and 76.0%, respectively.

As at 31 December 2017 and 2016, concentration of accounts payable of the Group outside of Kazakhstan amounted to 99.8% and 93.8%, respectively.

Except for the accounts receivable and accounts payable, all other financial assets and liabilities of the Group are located in Kazakhstan.

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet financial commitments associated with financial instruments as they actually fall due.

As at 31 December 2017 and 2016, the Group did not have any interest bearing assets and liabilities.

As at 31 December 2017 and 2016, the Group had no significant financial commitments which may result in a liquidity risk.

Market risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed. There have been no changes as to the way the Group measures risk or to the risk it is exposed in 2017 since 2016.

The Group is not exposed to interest rate risks as the Group does not borrow funds and holds no interest bearing loans.

The Group's Management does not consider itself exposed to significant interest rate risk or consequential cash flow risk. The Management conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in fair value interest rates and its influence on the Group's profitability.

Currency risk

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

The Group controls currency risk by management of its open currency position through regular monitoring of fluctuations in currency rates and other macroeconomic indicators.

(in thousands of Kazakhstani Tenge, unless otherwise stated)

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT	USD USD 1 = 332.33 KZT	EUR EUR 1 = 398.23 KZT	GBP GBP 1 = 448.61 KZT	31 December 2017 Total
FINANCIAL ASSETS					
Cash and cash equivalents	674,989	66,759	-	-	741,748
Accounts receivable	24,086	265,102	3,845	1,189	294,222
TOTAL FINANCIAL ASSETS	**699,075**	**331,861**	**3,845**	**1,189**	**1,035,970**
FINANCIAL LIABILITIES					
Accounts payable	97	-	1,693	39,340	41,130
Other liabilities	84,197	-	-	-	84,197
TOTAL FINANCIAL LIABILITIES	**84,294**	**-**	**1,693**	**39,340**	**125,327**
OPEN BALANCE SHEET POSITION	**614,781**	**331,861**	**2,152**	**(38,151)**	**910,643**

	KZT	USD USD 1 = 333.29 KZT	EUR EUR 1 = 348.83 KZT	GBP GBP 1 = 410.41 KZT	31 December 2016 Total
FINANCIAL ASSETS					
Cash and cash equivalents	967,083	3,889	-	-	970,972
Accounts receivable	19,847	55,350	10,367	1,086	86,650
TOTAL FINANCIAL ASSETS	**986,930**	**59,239**	**10,367**	**1,086**	**1,057,622**
FINANCIAL LIABILITIES					
Accounts payable	1,820	558	946	27,856	31,180
Other liabilities	32,818	-	-	-	32,818
TOTAL FINANCIAL LIABILITIES	**34,638**	**558**	**946**	**27,856**	**63,998**
OPEN BALANCE SHEET POSITION	**952,292**	**58,681**	**9,421**	**(26,770)**	**993,624**

Currency risk sensitivity

The following table details the Group's sensitivity to increase and decrease in the USD and EUR against the KZT. The sensitivity rate disclosed is used by the Group when reporting foreign currency risk internally to key management personnel of the Group and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at 31 December 2017 and 2016, for +20%/-20% change in foreign currency rates.

	As at 31 December 2017 KZT/USD +20%	 KZT/USD -20%	As at 31 December 2016 KZT/USD +50%	 KZT/USD -50%
Impact on profit or loss and partner's equity	66	(66,	11,	(11,

	As at 31 December 2017 KZT/EUR +20%	 KZT/EUR -20%	As at 31 December 2016 KZT/EUR +50%	 KZT/EUR -50%
Impact on profit or loss and partner's equity	430	(430)	1,8	(1,8

Price risks

The Group is not exposed to equity price risks arising from equity investments, because the Group does not trade with such investments.

18. Events after the reporting period

As of the date of the signing of the financial statements, there were no events, which Management have determined as requiring additional disclosure.