



**REPORT ARCHIVE COPY**

**LIMITED LIABILITY  
PARTNERSHIP MARSH  
(INSURANCE BROKERS)**

Separate Financial Statements and  
Independent Auditors' Report  
For the year ended 31 December 2016

# 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 Separate Financial Statements For the year Ended 31 December 2016

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Management is responsible for the preparation of the separate financial statements that present fairly the separate financial position of Limited Liability Partnership Marsh (Insurance Brokers) ("the Company") as at 31 December 2016, 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 separate 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 Company's separate financial position and financial performance; and
- making an assessment of the Company'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 Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the separate financial position of the Company, and which enable them to ensure that the separate financial statements of the Company comply with IFRS;
- Maintaining statutory 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 Company; and
- Preventing and detecting fraud and other irregularities.

The separate financial statements of the Company for the year ended 31 December 2016 were approved by Management on 14 April 2017.

On behalf of the Management:

  
**Andrey Komarkovskiy**  
**General Manager**

14 April 2017  
Almaty, Kazakhstan

  
**Irina Kim**  
**Chief Accountant**

14 April 2017  
Almaty, Kazakhstan

## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the separate financial statements of Limited Liability Partnership Marsh (Insurance Brokers) (the "Company"), which comprise the separate statement of financial position as at 31 December 2016, the separate statement of profit or loss and other comprehensive income, the separate statement of changes in partner's equity and the separate statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, 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 policies of the Company.

### 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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 Separate Financial Statements

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

In preparing the separate financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's separate financial reporting process.

## **Auditors Responsibilities for the Audit of the Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 separate 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 separate 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### Other matters

As described in Note 2 to the separate financial statements, the Company also prepares consolidated financial statements. These separate financial statements should be read in conjunction with the consolidated financial statements, which were authorized for issue by the Management on 14 April 2017.

  
Roman Sattarov  
Auditor-Performer  
Qualification certificate  
No. MF-0000149  
dated 31 May 2013  
  
Deloitte, LLP  
State license on auditing  
in the Republic of Kazakhstan  
No. 0000015, type MFU - 2, given by the  
Ministry of Finance of the  
Republic of Kazakhstan  
dated 13 September 2006

14 April 2017  
Almaty, Kazakhstan

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

  
Nurlan Bekenov  
General Director  
Deloitte, LLP

# Limited Liability Partnership Marsh (Insurance Brokers)

## Separate Statement of Profit or Loss and Other Comprehensive Income For the year Ended 31 December 2016 (in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2016	Year ended 31 December 2015
Commission income from brokerage services	16	850,288	666,210
Other income	4, 16	65	-
<b>Total income</b>		<b>850,353</b>	<b>666,210</b>
General and administrative expenses, including:	5, 16	(360,749)	(356,401)
Payroll and business trip expenses	16	(208,522)	(225,543)
Management fees for services from Parent Company	16	(45,648)	(55,629)
Rent expenses		(16,651)	(16,651)
Depreciation and amortization	10	(8,092)	(8,937)
Taxes, other than income tax		(289)	(577)
Recovery of provision for impairment losses	6	5,478	1,978
Net gain on foreign exchange operations	6	8,914	283,305
<b>Total expenses</b>		<b>(346,357)</b>	<b>(71,118)</b>
<b>PROFIT BEFORE INCOME TAX EXPENSE</b>		<b>503,996</b>	<b>595,092</b>
Income tax expense	7	(105,449)	(130,096)
<b>NET PROFIT</b>		<b>398,547</b>	<b>464,996</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>398,547</b>	<b>464,996</b>

On behalf of the Management:

  
Andrey Komarkov  
General Manager

14 April 2017  
Almaty, Kazakhstan

  
Irina Kim  
Chief Accountant

14 April 2017  
Almaty, Kazakhstan

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



# Limited Liability Partnership Marsh (Insurance Brokers)

## Separate Statement of Financial Position

As at 31 December 2016

(in thousands of Kazakhstani Tenge)

	Notes	31 December 2016	31 December 2015
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	8	967,326	443,533
Accounts receivable	9, 16	86,650	216,730
Prepaid expenses		2,789	2,563
Deferred income tax assets	7	4,859	7,000
Other tax assets		147	116
Other assets		612	564
<b>Total current assets</b>		<b>1,062,383</b>	<b>670,506</b>
<b>NON CURRENT ASSETS:</b>			
Property and equipment	10	24,672	31,953
Intangible assets	10	2,185	-
Investments in subsidiary		117	117
<b>Total non current assets</b>		<b>26,974</b>	<b>32,070</b>
<b>TOTAL ASSETS</b>		<b>1,089,357</b>	<b>702,576</b>
<b>LIABILITIES AND PARTNER'S EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Deferred income	11	127	4,707
Accounts payable	12, 16	31,180	4,826
Current income tax payables		38,672	80,049
Other liabilities	13	29,152	21,315
<b>Total current liabilities</b>		<b>99,131</b>	<b>110,897</b>
<b>PARTNER'S EQUITY:</b>			
Charter capital	14	10,000	10,000
Retained earnings		980,226	581,679
<b>Total partner's equity</b>		<b>990,226</b>	<b>591,679</b>
<b>TOTAL LIABILITIES AND PARTNER'S EQUITY</b>		<b>1,089,357</b>	<b>702,576</b>

On behalf of the Management:

  
Andrey Komarkovskiy  
General Manager

14 April 2017  
Almaty, Kazakhstan

  
Irina Kim  
Chief Accountant

14 April 2017  
Almaty, Kazakhstan

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



## Limited Liability Partnership Marsh (Insurance Brokers)

### Separate Statement Changes in Partner's Equity For the year Ended 31 December 2016 (in thousands of Kazakhstani Tenge)

	Note	Charter capital	Retained earnings	Total
As at 31 December 2014		10,000	416,683	426,683
Dividends paid		-	(300,000)	(300,000)
Total comprehensive income		-	464,996	464,996
As at 31 December 2015		10,000	581,679	591,679
Total comprehensive income		-	398,547	398,547
As at 31 December 2016		10,000	980,226	990,226

On behalf of the Management:

  
Andrey Komarkovskiy  
General Manager

14 April 2017  
Almaty, Kazakhstan

  
Irina Kim  
Chief Accountant

14 April 2017  
Almaty, Kazakhstan

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

# Limited Liability Partnership Marsh (Insurance Brokers)

## Separate Statement Cash Flows For the year Ended 31 December 2016 (in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2016	Year ended 31 December 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before income tax expense		503,996	595,092
Adjustments for:			
Depreciation and amortization	5, 10	8,092	8,937
Net gain on foreign exchange operations		(8,914)	(104,674)
Recovery of provision for impairment losses	6	(5,478)	(1,978)
Cash inflow from operating activities before changes in operating assets and liabilities		497,696	497,377
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Accounts receivable		135,558	(31,190)
Prepaid expenses		(226)	(516)
Other tax assets		(31)	89
Other assets		(48)	3,634
Increase/(decrease) in operating liabilities:			
Deferred income		(4,580)	(18,378)
Accounts payable		26,354	4,826
Other liabilities		7,837	(6,497)
Cash inflow from operating activities before taxation		662,560	449,345
Income tax paid		(144,685)	(49,123)
Net cash inflow from operating activities after taxation		517,875	400,222
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, equipment and intangible assets	10	(5,973)	(22,795)
Proceeds from sale of equipment and intangible assets		2,977	-
Net cash outflow from investing activities		(2,996)	(22,795)

# Limited Liability Partnership Marsh (Insurance Brokers)

**Separate Statement of Cash Flows (Continued)**  
**For the year Ended 31 December 2016**  
*(in thousands of Kazakhstani Tenge)*

	Notes	Year ended 31 December 2016	Year ended 31 December 2015
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Dividends paid	14	-	(300,000)
Net cash outflow from financing activities		-	(300,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		514,879	77,427
Effect of changes in foreign exchange rate on cash and cash equivalents		8,914	7,291
CASH AND CASH EQUIVALENTS, beginning of the year	8	443,533	358,815
CASH AND CASH EQUIVALENTS, end of the year	8	967,326	443,533

On behalf of the Management:

  
Andrey Komarovskiy  
General Manager

14 April 2017  
Almaty, Kazakhstan

  
Irina Kim  
Chief Accountant

14 April 2017  
Almaty, Kazakhstan

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

# Limited Liability Partnership Marsh (Insurance Brokers)

## Notes to the Separate Financial Statements

For the year Ended 31 December 2016

(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 LLP Marsh (Risk Consulting), which is not included in the separate financial statements:

Name	Country of operation	Proportion or ownership interest/voting rights (%)		Type of operation
		2016	2015	
LLP Marsh (Risk Consulting)	Kazakhstan	99.9%	99.9%	Expertise on risk management

As at 31 December 2016 and 2015, 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 2016 and 2015, 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 Company 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 2016 and 2015, accounts receivable from companies of Marsh Group amounted to 5.6% and 24.2% of the total amount of the Company's assets, respectively. For the years ended 31 December 2016 and 2015, commission income from brokerage services earned from the Marsh Group amounted to 81.4% and 71.4% of total commission income from brokerage services, respectively. Therefore, there is a concentration of the Company's assets and commission income from brokerage services in respect of Marsh Group. The information on operations with related parties is disclosed in Note 16.

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

As at 31 December 2016 and 2015, the number of employees of the Company was 16 and 15, respectively.

These separate financial statements were authorized for issue by the Management on 14 April 2017.

# Limited Liability Partnership Marsh (Insurance Brokers)

## Notes to the Separate Financial Statements (Continued)

For the year Ended 31 December 2016

(in thousands of Kazakhstani Tenge, unless otherwise stated)

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## 2. Significant accounting policies

### Statement of compliance

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

These separate financial statements are the separate financial statements of the parent LLP Marsh (Insurance Brokers). The subsidiary is not consolidated in these separate financial statements. Investment in subsidiary is accounted for at cost. These separate financial statements should be read in conjunction with the consolidated financial statements which were authorized for the issue by the Management of the Company on 14 April 2017.

The consolidated financial statements that comply with IFRS have been produced for public use by LLP Marsh (Insurance Brokers), the entity incorporated under the laws of the Republic of Kazakhstan. The consolidated financial statements are available at the LLP Marsh (Insurance Brokers), registered at the following address: 17 Mitin Str., 050020, Almaty, Republic of Kazakhstan.

These separate financial statements are presented in thousands of Kazakhstan tenge ("KZT" or "Tenge"), unless otherwise indicated. These separate 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 Company 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 separate 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 separate financial statements is Kazakhstani tenge ("KZT").

### Going concern

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

The principal accounting policies are set out below.

# Limited Liability Partnership Marsh (Insurance Brokers)

## Notes to the Separate Financial Statements (Continued)

For the year Ended 31 December 2016

(in thousands of Kazakhstani Tenge, unless otherwise stated)

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### Financial instruments

The Company recognizes financial assets and liabilities in its separate 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 separate statement of profit or loss and other comprehensive income.

### Derecognition of financial assets and liabilities

#### Financial assets

The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company 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 or 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 Company retains an option to repurchase part of a transferred asset), the Company 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 Company derecognizes financial liabilities when, and only when, the Company'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.



# Limited Liability Partnership Marsh (Insurance Brokers)

## Notes to the Separate Financial Statements (Continued)

For the year Ended 31 December 2016

(in thousands of Kazakhstani Tenge, unless otherwise stated)

### Accounts receivable

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

### Allowance for impairment losses

The Company accounts for impairment losses of financial assets when there is an objective evidence that a financial asset or Company 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 separate 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 separate statement of financial position. Factors that the Company 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 Company 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 Company 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	20%

Expenses related to repairs and renewals are charged when incurred and included in the separate 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.



# Limited Liability Partnership Marsh (Insurance Brokers)

## Notes to the Separate Financial Statements (Continued)

For the year Ended 31 December 2016

(in thousands of Kazakhstani Tenge, unless otherwise stated)

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### 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 separate 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 Company'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 separate 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 Company 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 separate statement of financial position of the Company, 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 Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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.

# Limited Liability Partnership Marsh (Insurance Brokers)

## Notes to the Separate Financial Statements (Continued)

For the year Ended 31 December 2016

(in thousands of Kazakhstani Tenge, unless otherwise stated)

### Contingent liabilities and assets

Contingent liabilities are not recognized in the separate statement of financial position but are disclosed in the separate financial statements unless the possibility of any outflow in settlement is remote.

A contingent asset is not recognized in the statement of financial position but disclosed in the separate 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 Company does not have any pension arrangements separate from the pension system of the Republic of Kazakhstan. In addition, the Company 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 separate 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 separate financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates. In preparing the separate financial statements, monetary assets and liabilities denominated in currencies other than the Company'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 Company in the preparation of the separate financial statements are as follows:

	31 December 2016	31 December 2015
KZT/USD	333.29	340.01
KZT/EUR	352.42	371.46
KZT/GBP	409.78	504.06

# Limited Liability Partnership Marsh (Insurance Brokers)

## Notes to the Separate Financial Statements (Continued)

For the year Ended 31 December 2016

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

#### New and revised IFRSs in issue but not yet effective.

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

- IFRS 9 Financial Instruments<sup>2</sup>;
- IFRS 15 Revenue from Contracts with Customers (and the related Clarifications)<sup>2</sup>;
- Amendments to IAS 7 – Disclosure Initiative<sup>1</sup>;
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses<sup>1</sup>;
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation;
- IFRS 14 Regulatory Deferral Accounts;
- Annual Improvements to IFRSs 2014-2016 Cycle;

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2018, 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

# Limited Liability Partnership Marsh (Insurance Brokers)

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For the year Ended 31 December 2016

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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 management of the Company anticipates that the application of IFRS 9 in the future may not have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities.

However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

### 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;
- Recognize 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.

The management of the Company anticipates that the application of IFRS 15 in the future may have a significant impact on amount and timing of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

### Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted.

The management of the Company does not anticipate that the application of these amendments will have a material impact on the Company's separate financial statements.



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## Notes to the Separate Financial Statements (Continued)

For the year Ended 31 December 2016

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

The amendments clarify the following:

1. Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;
2. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilization of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;
3. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
4. In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted.

The management of the Company does not anticipate that the application of these amendments will have a material impact on the Company's separate financial statements.

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

The Company has applied these amendments for the first time in the current year. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a. when the intangible asset is expressed as a measure of revenue; or
- b. when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

As the Company already uses the straight-line method for depreciation and amortisation for its property, equipment and intangible assets respectively, the application of these amendments has had no impact on the Company's separate financial statements.

### IFRS 14 Regulatory Deferral Accounts

The Company has applied the new standard for the first time in the current year. IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

The application of IFRS 14 has no impact on the separate financial statements as the Company is not an IFRS first-time adopter.

# Limited Liability Partnership Marsh (Insurance Brokers)

## Notes to the Separate Financial Statements (Continued)

For the year Ended 31 December 2016

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### Annual Improvements to IFRSs 2014-2016 Cycle

This annual improvements package amended three standards:

The Amendments to IFRS 1 delete the short-term exemptions that related to disclosures about financial instruments, employee benefits and investment entities as the reporting period to which the exemptions applied have already passed and as such, these exemptions are no longer applicable. The amendments are effective for annual periods beginning on or after 1 January 2018.

The amendments to IFRS 12 clarify that concession from the requirement to provide summarized financial information in respect of interests in subsidiaries, associates or joint ventures classified as held for sale or included in a disposal group is the only concession available for such interests. The amendments apply retrospectively and are effective for annual periods beginning on or after 1 January 2017.

In accordance with IAS 28, a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at FVTPL. In addition, an entity that is not an investment entity but has an interest in an associate or joint venture that is an investment entity, may, when applying the equity method, elect to retain the fair value measurement applied by that associate or joint venture to its own interests in subsidiaries. Amendments to IAS 28 clarify that such election should be made separately for each associate or joint venture at initial recognition. The amendments apply retrospectively and are effective for annual periods beginning on or after 1 January 2018. Early application is permitted.

The management does not anticipate that the application of these amendments will have a material impact on the Company's separate financial statements.

## 4. Other income

	Year ended 31 December 2016	Year ended 31 December 2015
Voluntary receipt	65	-
	65	-

# Limited Liability Partnership Marsh (Insurance Brokers)

Notes to the Separate Financial Statements (Continued)  
For the year Ended 31 December 2016  
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## 5. General and administrative expenses

	Year ended 31 December 2016	Year ended 31 December 2015
Payroll expenses	197,783	216,815
Management fees for services from Parent Company	45,648	55,629
Professional services	35,694	3,186
Rent expenses	16,651	16,651
Business trips	10,739	8,728
Communication services	8,849	8,259
Audit services	8,275	10,585
Depreciation and amortization	8,092	8,937
Transport services	5,274	5,757
Property and responsibility insurance	4,655	4,013
Utilities	2,254	2,038
Trainings and conferences	1,900	1,342
Mail and courier expenses	1,434	2,288
Representation services	1,106	857
Bank commission	1,100	1,608
Taxes, other than income tax	289	577
Other	11,006	9,131
	<b>360,749</b>	<b>356,401</b>

## 6. Allowance for impairment losses

	2016	2015
Beginning of the year	5,733	9,049
Recovery of provision for impairment losses	(5,478)	(1,978)
Bad debt written-off	-	(1,338)
End of the year	<b>255</b>	<b>5,733</b>

## 7. Income taxes

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

The Company 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 2016 and 2015, relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets. As at 31 December 2016 and 2015 deferred tax asset comprise:

	31 December 2016	31 December 2015
<b>Deductible/(taxable) temporary differences:</b>		
Accrued expenses	29,110	28,830
Allowance for impairment losses	255	5,733
Deferred income	127	4,707
Property, equipment and intangible assets	(5,194)	(4,268)
<b>Total temporary differences</b>	<b>24,298</b>	<b>35,002</b>
Deferred income tax assets at the statutory rate 20%	4,859	7,000



# Limited Liability Partnership Marsh (Insurance Brokers)

## Notes to the Separate Financial Statements (Continued)

For the year Ended 31 December 2016

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Relationships between tax expenses and accounting profit for the years ended 31 December 2016 and 2015 are explained as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Profit before income tax expense	503,996	595,092
Income tax at the statutory rate 20%	100,800	119,018
Effect of expenses that are not deductible in determining taxable profit	4,649	11,078
Income tax expense	105,449	130,096

	Year ended 31 December 2016	Year ended 31 December 2015
Current income tax expense	103,308	130,171
Deferred income tax expense /(benefit)	2,141	(75)
Income tax expense	105,449	130,096

Movements in deferred income tax assets:

	2016	2015
Net deferred income tax assets at the beginning of the year	7,000	6,925
Deferred income tax (expense)/benefit	(2,141)	75
Net deferred income tax assets at the end of the year	4,859	7,000

## 8. Cash and cash equivalents

	31 December 2016	31 December 2015
Bank current account in tenge	963,437	428,950
Bank current account in foreign currency	3,889	14,583
	967,326	443,533

## 9. Accounts receivable

	31 December 2016	31 December 2015
Accounts receivable	86,905	222,463
Less allowance for impairment losses	(255)	(5,733)
	86,650	216,730

Movements in allowances for impairment losses on accounts receivable for the years ended 31 December 2016 and 2015 are disclosed in Note 6.

# Limited Liability Partnership Marsh (Insurance Brokers)

Notes to the Separate Financial Statements (Continued)  
For the year Ended 31 December 2016  
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## 10. Property, equipment and intangible assets

	Computer equipment	Vehicles	Furniture and other	Intangible assets	Total
<b>At initial cost</b>					
31 December 2014	22,914	21,488	7,684	1,264	53,350
Additions	6,180	15,500	1,115	-	22,795
Disposals	(6,085)	-	(577)	(116)	(6,778)
31 December 2015	23,009	36,988	8,222	1,148	69,367
Additions	-	-	3,771	2,202	5,973
Disposals	(1,087)	(14,885)	(968)	(1,148)	(18,088)
31 December 2016	21,922	22,103	11,025	2,202	57,252
<b>Accumulated depreciation and amortization</b>					
31 December 2014	16,424	15,649	1,918	1,264	35,255
Charge for the year	4,925	3,107	905	-	8,937
Eliminated on disposals	(6,085)	-	(577)	(116)	(6,778)
31 December 2015	15,264	18,756	2,246	1,148	37,414
Charge for the year	4,377	2,569	1,129	17	8,092
Eliminated on disposals	(1,087)	(11,908)	(968)	(1,148)	(15,111)
31 December 2016	18,554	9,417	2,407	17	30,395
<b>Net book value</b>					
31 December 2016	3,368	12,686	8,618	2,185	26,857
31 December 2015	7,745	18,232	5,976	-	31,953

## 11. Deferred income

	31 December 2016	31 December 2015
Alsim Alarko Sanayi Tesisleri ve Ticaret in Aktogay	99	971
Fluor Kaz Inc.	28	176
LLP Karaganda BI Energy Plus	-	1,988
Alsim Alarko Sanayi	-	1,250
LLP Hewlett Packard	-	229
Medtronic B. V. Representative office in the Republic of Kazakhstan	-	93
	127	4,707

Deferred income relates to advances received from insurance companies for brokerage services on insurance contracts with a maturity of more than one year.

## 12. Accounts payable

	31 December 2016	31 December 2015
Marsh United Kingdom	27,856	2,934
IC Solution	1,355	-
Marsh Corporate Services	840	955
Marsh Russia	558	866
Kamelon	349	-
Smar Net	222	-
LLP Teleks	-	71
	31,180	4,856

# Limited Liability Partnership Marsh (Insurance Brokers)

## Notes to the Separate Financial Statements (Continued)

For the year Ended 31 December 2016

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### 13. Other liabilities

	31 December 2016	31 December 2015
<b>Other financial liabilities:</b>		
Bonus accrued	15,505	16,276
Payables for audit services	8,275	-
Payables for tax consulting services	3,064	1,920
Vacation reserve	2,265	1,639
Payables to employees	43	-
Payables for communication services	-	410
<b>Total other financial liabilities</b>	<b>29,152</b>	<b>20,245</b>
<b>Other non-financial liabilities:</b>		
Taxes, other than income tax	-	1,070
<b>Total other non-financial liabilities</b>	<b>-</b>	<b>1,070</b>
	<b>29,152</b>	<b>21,315</b>

### 14. Charter capital

As at 31 December 2016 and 2015, the charter capital of the Company was approved and paid-in in the amount of KZT 10,000 thousand. The sole owner of the Company is Marsh & McLennan Companies Services B.V., incorporated in the Netherlands.

As at 31 December 2015, dividends in the amount of KZT 300,000 thousand were declared and paid.

### 15. Commitments and contingencies

#### Capital commitments

As at 31 December 2016 and 2015, the Company had no significant capital commitments.

#### Operating lease commitments

As at 31 December 2016 and 2015, no significant commitments on non cancellable operating leases were outstanding.

#### Legal proceedings

During the years ended 31 December 2016 and 2015, no claims against the Company 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 separate financial statements.

#### Tax legislation

Commercial legislation of the Republic of Kazakhstan where the Company 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 Company's business activities, was to be challenged by the tax authorities, the Company may be assessed additional taxes, penalties and interest.

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

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

# Limited Liability Partnership Marsh (Insurance Brokers)

## Notes to the Separate Financial Statements (Continued)

For the year Ended 31 December 2016

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

## 16. 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 2016		Year ended 31 December 2015	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
<b>Key management personnel compensation:</b>				
- salaries and other short-term employee benefits	51,122	197,783	60,191	216,815
	51,122		60,191	

The Company had the following balances outstanding as at 31 December 2016 and 2015, with related parties:

	31 December 2016		31 December 2015	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Accounts receivable	65,811	86,650	170,048	216,730
- entities under common control	65,811		170,048	
Accounts payable	29,254	31,180	4,755	4,826
- entities under common control	29,254		4,755	

# Limited Liability Partnership Marsh (Insurance Brokers)

## Notes to the Separate Financial Statements (Continued)

For the year Ended 31 December 2016

(in thousands of Kazakhstani Tenge, unless otherwise stated)

Included in the separate statement of profit or loss and other comprehensive income for the years ended 31 December 2016 and 2015, are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2016		Year ended 31 December 2015	
	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	691,442	850,288	475,431	666,210
- entities under common control	691,442		475,431	
Other income	65	65	-	-
- entities under common control	65		-	
General and administrative expenses, less payroll expenses	45,648	162,966	55,629	139,586
- parent company	45,648		55,629	

## 17. 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 financial liabilities of the Company approximates their carrying value due to the short-term nature of these assets and liabilities. The Company does not hold any financial assets or liabilities at fair value and as such fair value hierarchy is not presented.

## 18. Capital risk management

The Company 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 Company consists of capital attributable to partner, comprising invested capital and retained earnings as disclosed in the separate 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 Company 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 Company's overall capital risk management policy remains unchanged in 2016 as compared to 2015.

## 19. Risk management policies

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

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

# Limited Liability Partnership Marsh (Insurance Brokers)

## Notes to the Separate Financial Statements (Continued)

For the year Ended 31 December 2016

(in thousands of Kazakhstani Tenge, unless otherwise stated)

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

### Operational risk

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

### Credit risk

The Company is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

### Maximum exposure

The Company's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of balance sheet financial assets. For financial assets in the statement of financial position, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral:

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	31 December 2016 Net exposure after offset and collateral
Cash and cash equivalents	967,326	-	967,326	-	967,326
Accounts receivable	86,650	-	86,650	-	86,650
	Maximum exposure	Offset	Net exposure after offset	Collateral Pledged	31 December 2015 Net exposure after offset and collateral
Cash and cash equivalents	443,533	-	443,533	-	443,533
Accounts receivable	216,730	-	216,730	-	216,730



# Limited Liability Partnership Marsh (Insurance Brokers)

## Notes to the Separate Financial Statements (Continued)

For the year Ended 31 December 2016

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The following table details credit ratings of financial assets held by the Company as at 31 December 2016 and 2015, which were rated using either internationally recognised rating agency or internal rating:

	BBB	Not Rated	31 December 2016 Total
Cash and cash equivalents	967,326	-	967,326
Accounts receivable	86,650	-	86,650

	BBB	Not Rated	31 December 2015 Total
Cash and cash equivalents	443,533	-	443,533
Accounts receivable	215,928	802	216,730

The Company's industry is generally exposed to credit risk through its financial assets. Credit risk exposure of the Company 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 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	967,326	-	-	-	-	-	-	967,326
Accounts receivable	86,650	-	-	-	-	255	(255)	86,650

Financial assets past due but not impaired						31 December 2015		
	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	443,533	-	-	-	-	-	-	443,533
Accounts receivable	219,162	-	-	-	-	8,165	(5,733)	216,730

### Geographical concentration

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

As at 31 December 2016 and 2015, the financial assets and liabilities of the Company are mainly concentrated in the Republic of 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 2016 and 2015, the Company did not have any interest bearing assets and liabilities.



# Limited Liability Partnership Marsh (Insurance Brokers)

## Notes to the Separate Financial Statements (Continued)

For the year Ended 31 December 2016

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As at 31 December 2016 and 2015, the Company 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 Company is exposed. There have been no changes as to the way the Company measures risk or to the risk it is exposed in 2016 since 2015.

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

The Company's Management does not consider itself exposed to significant interest rate risk or consequential cash flow risk. The Management conducts monitoring of the Company's current financial performance, estimates the Company's sensitivity to changes in fair value interest rates and its influence on the Company'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 Company is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

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

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

	KZT	USD USD 1 = 333.29 KZT	EUR EUR 1 = 348.83 KZT	GBP GBP 1 = 410.41 KZT	31 December 2016 Total
<b>FINANCIAL ASSETS:</b>					
Cash and cash equivalents	963,437	3,889	-	-	967,326
Accounts receivable	19,847	55,350	10,367	1,086	86,650
<b>TOTAL FINANCIAL ASSETS</b>	<b>983,284</b>	<b>59,240</b>	<b>10,367</b>	<b>1,086</b>	<b>1,053,976</b>
<b>FINANCIAL LIABILITIES:</b>					
Accounts payable	1,820	558	946	27,856	31,180
Other financial liabilities	29,152	-	-	-	29,152
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>30,972</b>	<b>558</b>	<b>946</b>	<b>27,856</b>	<b>60,332</b>
<b>OPEN BALANCE SHEET POSITION</b>	<b>952,312</b>	<b>58,682</b>	<b>9,421</b>	<b>(26,770)</b>	<b>993,644</b>
	KZT	USD USD 1 = 340.01 KZT	EUR EUR 1 = 371.46 KZT	GBP GBP 1 = 504.06 KZT	31 December 2015 Total
<b>FINANCIAL ASSETS:</b>					
Cash and cash equivalents	428,950	14,583	-	-	443,533
Accounts receivable	46,644	168,900	965	221	216,730
<b>TOTAL FINANCIAL ASSETS</b>	<b>475,594</b>	<b>183,483</b>	<b>965</b>	<b>221</b>	<b>660,263</b>
<b>FINANCIAL LIABILITIES:</b>					
Accounts payable	72	866	2,934	954	4,826
Other financial liabilities	20,245	-	-	-	20,245
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>20,317</b>	<b>866</b>	<b>2,934</b>	<b>954</b>	<b>25,071</b>
<b>OPEN BALANCE SHEET POSITION</b>	<b>455,277</b>	<b>182,617</b>	<b>(1,969)</b>	<b>(733)</b>	<b>635,192</b>

# Limited Liability Partnership Marsh (Insurance Brokers)

## Notes to the Separate Financial Statements (Continued)

For the year Ended 31 December 2016

(in thousands of Kazakhstani Tenge, unless otherwise stated)

### Currency risk sensitivity

The following table details the Company's sensitivity to increase and decrease in the USD and EUR against the KZT. The sensitivity rate disclosed is used by the Company when reporting foreign currency risk internally to key management personnel of the Company 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 2016 and 2015, for +20%/-20% and +50%/-50% change in foreign currency rates, respectively. During 2015, 50% rate has been reused and applied due to implementation of a new monetary policy based on a free-floating tenge exchange rate by the National Bank of Republic of Kazakhstan.

	31 December 2016		December 2015	
	KZT/USD +20%	KZT/USD -20%	KZT/USD +50%	KZT/USD -50%
Impact on profit or loss and partner's equity	11,736	(11,736)	91,309	(91,309)

  

	31 December 2016		31 December 2015	
	KZT/EUR +20%	KZT/EUR -20%	KZT/EUR +50%	KZT/EUR -50%
Impact on profit or loss and partner's equity	1,890	(1,898)	985	(985)

### Limitations of sensitivity analysis

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

The sensitivity analyses do not take into consideration that the Company's assets and liabilities are actively managed. Additionally, the financial position of the Company may vary at the time that any actual market movement occurs. For example, the Company's financial risk management strategy aims to manage the exposure to market fluctuations.

### Price risks

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