

“Sovereign Wealth Fund “Samruk-Kazyna” JSC

Separate financial statements

*For the year ended 31 December 2016,
with independent auditor's report*

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Independent auditor’s report

Separate financial statements

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Independent Auditor's Report

To the Shareholder and Management of "Sovereign Wealth Fund "Samruk-Kazyna" JSC

Opinion

We have audited the separate financial statements of "Sovereign Wealth Fund "Samruk-Kazyna" JSC (the "Fund"), which comprise the separate balance sheet as at 31 December 2016, the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Fund 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).

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 separate financial statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the separate financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate financial statements.

Recoverability of assets held in KazInvestBank JSC and Delta Bank JSC

The measurement of cash and deposits held in banks was one of the matters of most significance in our audit taking into account the significant amount of assets placed by the Fund in KazInvestBank JSC (“KazInvestBank”) and Delta Bank JSC (“Delta Bank”), revocation of the KazInvestBank’s license by the National Bank of the Republic of Kazakhstan and the Delta Bank’s default on bonds.

We analyzed available information on plans for the banks’ financial rehabilitation, additional clarifications from the Fund’s management and evaluated the management assumptions used in measurement of assets placed in KazInvestBank and Delta Bank. We evaluated management’s analysis of Delta Bank’s actions to address the bonds default. We have analyzed uncertainties impacting classification of these assets as at the reporting date. We assessed the completeness of the information disclosed in the separate financial statements

The information on measurement of assets placed in KazInvestBank and Delta Bank is disclosed in Note 9 to the separate financial statements.

Recoverability of investment in subsidiaries and joint venture

We considered this matter to be one of most significance in the audit due to materiality of the balances of investments in subsidiaries and joint ventures to the separate financial statements, the high level of subjectivity in respect of assumptions underlying impairment analysis and significant judgements and estimates made by the management. In addition, the combination of recent drop in commodities prices, devaluation of the Tenge, increased inflation and cost of debt and uncertainty about future revenues affects the business prospects of the Fund’s subsidiaries and joint venture and therefore raises indicators of potential impairment of the investments in subsidiaries and joint venture.

Significant assumptions included discount rates, commodities prices and tariffs forecasts and inflation and exchange rate forecasts. Significant estimates included production forecast, future capital expenditure and commodities reserves available for development and production.

We involved business valuation specialists in the testing of impairment analysis and calculation of recoverable amounts performed by the management and independent appraisers engaged by them. We analyzed the assumptions underlying management forecast. We compared commodities prices used in the calculation of recoverable amounts to available market forecasts. We compared the discount rate and long term growth rate to general market indicators and other available evidence. We tested the mathematical integrity of the impairment models and assessed the sensitivity analysis.

Information on investments in subsidiaries and joint ventures and the impairment tests performed is disclosed in Note 4 to the separate financial statements.

Other information included in the Fund’s 2016 Annual Report

Other information consists of the information included in the Fund’s 2016 Annual Report other than the separate financial statements and our auditor’s report thereon. Management is responsible for the other information. The Fund’s 2016 Annual Report is expected to be made available to us after the date of this auditor’s report.

Our opinion on the separate financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

Responsibilities of management and the Audit Committee for the separate financial statements

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

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

The Audit Committee is responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 Fund'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 Fund'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 separate 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 Fund 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 separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee, 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Paul Cohn.

Ernst & Young LLP

Paul Cohn
Audit partner

Adil Syzdykov
Auditor



Auditor qualification certificate No.
МФ-0000172 dated 23 December 2013

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31 March 2017

Gulmira Turmagambetova
General director
Ernst & Young LLP



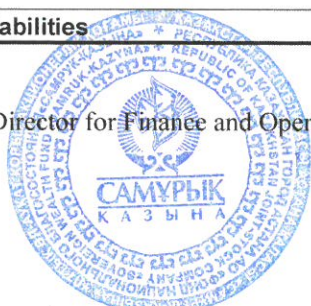
State audit license for audit activities on the territory
of the Republic of Kazakhstan: series МФЮ-2 No.
0000003 issued by the Ministry of finance of the
Republic of Kazakhstan on 15 July 2005

SEPARATE BALANCE SHEET

As at 31 December 2016

<i>In millions of tenge</i>	Notes	2016	2015
Assets			
Non-current assets			
Property, plant and equipment		329	435
Intangible assets	5	13,960	567
Investments in subsidiaries	6	4,032,432	3,811,067
Investments in joint venture	7	1,494,941	1,335,215
Loans issued	8	372,788	450,133
Amounts due from credit institutions	9	601,198	592,791
Other non-current financial assets	10	19,647	26,300
Deferred tax assets	23	-	3,334
Other non-current assets	11	25,660	102,204
		6,560,955	6,322,046
Current assets			
Income tax prepaid		7,274	10,267
Loans issued	8	227,721	139,757
Amounts due from credit institutions	9	194,751	246,801
Other current financial assets	10	5,784	1,068
Other current assets	12	98,351	50,359
Cash and cash equivalents	13	236,546	140,575
		770,427	588,827
Assets classified as held for sale		18,455	18,455
Total assets		7,349,837	6,929,328
Equity and liabilities			
Equity			
Share capital	14	5,058,658	4,916,269
Revaluation reserve for available-for-sale investments		4,018	5,131
Retained earnings		205,360	164,673
Total equity		5,268,036	5,086,073
Non-current liabilities			
Borrowings	15	1,001,356	888,327
Loans from the Government of the Republic of Kazakhstan	16	912,180	859,715
Financial guarantee liabilities	17	27,958	27,405
Other non-current liabilities	16, 23	10,793	-
		1,952,287	1,775,447
Current liabilities			
Borrowings	15	88,342	44,482
Loans from the Government of the Republic of Kazakhstan	16	6,231	6,722
Financial guarantee liabilities	17	6,098	5,093
Other current liabilities	16	28,843	11,511
		129,514	67,808
Total liabilities		2,081,801	1,843,255
Total equity and liabilities		7,349,837	6,929,328

Acting Managing Director for Finance and Operations



Chief accountant

[Signature]
Yernar Zhanadil

[Signature]
Almaz Abdrakhmanova

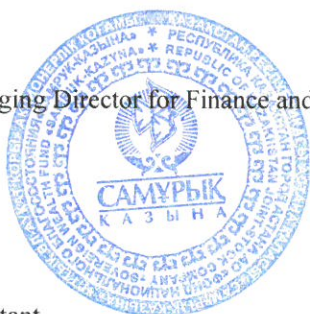
The accounting policies and notes on pages 6 to 37 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

<i>In millions of tenge</i>	Notes	2016	2015
Interest income	18	73,219	70,893
Interest expenses	19	(117,027)	(82,116)
Dividend income	20	79,031	45,155
Gross profit		35,223	33,932
General and administrative expenses	21	(33,370)	(43,166)
Finance income	22	117,839	64,326
Finance expenses		(11,352)	(1,454)
Gain on disposal of share in subsidiary		-	619,548
Gain on disposal of subsidiaries		-	284
Gain on disposal of financial assets		43	253
(Impairment)/reversal of impairment of financial and other current assets, net		(14,434)	2,136
Foreign exchange gain/(loss), net		5,628	(5,289)
Other operating income		2,423	109
Profit before income tax		102,000	670,679
Income tax expenses	23	(14,850)	(14,239)
Net profit for the year		87,150	656,440
Other comprehensive loss on for the year, net of tax			
Unrealized loss on revaluation of available-for-sale investments		(1,113)	(16,971)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods, net of income tax		(1,113)	(16,971)
Total comprehensive income for the year, net of tax		86,037	639,469

Acting Managing Director for Finance and Operations



Chief accountant

Yernar Zhanadil

Yernar Zhanadil

Almaz Abdurakhmanova

Almaz Abdurakhmanova

SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

<i>In millions of tenge</i>	Notes	2016	2015
Cash flows from operating activities			
Profit before income tax		102,000	670,679
Adjustments for:			
Depreciation and amortisation		712	398
Loss/(reversal of impairment) of financial and other current assets, net		14,434	(2,136)
Finance income	22	(117,839)	(64,326)
Finance expenses		11,352	
Gain on disposal of subsidiaries, net		-	(284)
Gain on disposal of financial assets		-	(253)
Gain on disposal of share in subsidiary		-	(619,548)
Foreign exchange (gain)/loss, net		(5,628)	5,289
Other		55	-
Operating cash flows before working capital changes		5,086	(10,181)
Change in loans issued		1,370	380,850
Change in amounts due from credit institutions		(15,800)	12,457
Change in securities-held-for sale		953	2,507
Change in other assets		31,233	(19,460)
Change in borrowings and loans from the Government of the Republic of Kazakhstan		79,624	(1,122,544)
Change in other liabilities		31,462	(64,126)
Cash flows received from / (used in) operating activities		133,928	(820,497)
Income tax paid		(11,510)	(11,866)
Interest received		45,700	32,670
Net cash flows received from / (used in) operating activities		168,118	(799,693)
Cash flows from investing activities			
Withdrawal of bank deposits, net		55,135	7,629
Acquisition of shares in subsidiaries and joint venture	6, 7	(367,234)	(1,519,361)
Purchase of property, plant and equipment and intangible assets		(7,779)	(587)
Proceeds from sale of investments in subsidiaries		-	750,430
Net cash flows used in investing activities		(319,878)	(761,889)
Cash flows from financing activities			
Dividends paid to the Shareholder	14	(10,393)	(34,713)
Distributions to the Shareholder	14	(39,525)	(22,600)
Contributions to the share capital	14	137,923	149,539
Proceeds from borrowings	7	159,726	693,338
Proceeds from loans from the Government of the Republic of Kazakhstan	16	-	751,631
Net cash flows received from financing activities		247,731	1,537,195
Net increase/(decrease) in cash and cash equivalents		95,971	(24,387)
Cash and cash equivalents, at the beginning of the year		140,575	164,962
Cash and cash equivalents, at the end of the year	13	236,546	140,575

The accounting policies and notes on pages 6 to 37 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS (continued)

NON-CASH TRANSACTIONS

The following non-cash transactions have been excluded from the separate statement of cash flows:

- Contribution to the Fund’s share capital by the Shareholder in the form of property contribution (*Note 14*) and subsequent transfer of these assets to the Fund’s subsidiaries (*Note 6*).
- Offset of loans issued with loans from the Government due to the transfer of property of “National Company “Kazakhstan Temir Zholy” JSC to the Government of Republic of Kazakhstan (*Notes 8 and 16*).
- Recognition of a guarantee obligation as an increase in investments to the Fund’s subsidiaries (*Note 6*).

Acting Managing Director for Finance and Operations



Chief accountant

Yernar Zhanadil

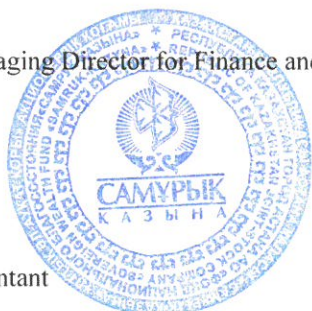
Almaz Abdalakhmanova

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

<i>In millions of tenge</i>	Notes	Share capital	Revaluation reserve for available-for-sale investments	Retained earnings / (accumulated loss)	Total
Balance as at 31 December 2014		4,620,562	22,102	(759,520)	3,883,144
Net profit for the year		-	-	656,440	656,440
Other comprehensive loss	10	-	(16,971)	-	(16,971)
Total comprehensive income for the year		-	(16,971)	656,440	639,469
Issue of shares	14	295,707	-	-	295,707
Discount on loans from the Government	16	-	-	325,118	325,118
Dividends	14	-	-	(34,713)	(34,713)
Other distributions to the Shareholder	14	-	-	(22,652)	(22,652)
Balance as at 31 December 2015		4,916,269	5,131	164,673	5,086,073
Net profit for the year		-	-	87,150	87,150
Other comprehensive loss		-	(1,113)	-	(1,113)
Total comprehensive income for the year		-	(1,113)	87,150	86,037
Issue of shares	14	142,389	-	-	142,389
Discount on loans from the Government	16	-	-	4,007	4,007
Other transactions with the Shareholder		-	-	(552)	(552)
Dividends	14	-	-	(10,393)	(10,393)
Other distributions to the Shareholder	14	-	-	(39,525)	(39,525)
Balance as at 31 December 2016		5,058,658	4,018	205,360	5,268,036

Acting Managing Director for Finance and Operations



Chief accountant

Yernar Zhanadil
Yernar Zhanadil

Almaz Abd'akhmanova
Almaz Abd'akhmanova

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**For the year ended 31 December 2016**

1. GENERAL INFORMATION

“Sovereign Wealth Fund “Samruk-Kazyna” Joint Stock Company (the “Fund” or “Samruk-Kazyna”) was established on 3 November 2008 in accordance with the Decree of the President of the Republic of Kazakhstan dated 13 October 2008 and the Resolution of the Government of the Republic of Kazakhstan dated 17 October 2008. The Fund was created by the merger of “Sustainable Development Fund “Kazyna” JSC (“Kazyna”) and “Kazakhstan Holding Company for State Assets Management “Samruk” JSC (“Samruk”) and the additional transfer to the Fund of ownership in certain entities owned by the Government of the Republic of Kazakhstan (the “Government” or the “State”). The founder of the Fund is the Government, represented by State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan. The Government is the sole shareholder of the Fund (the “Shareholder”).

The main objective of the Government during the merger of “Kazyna” and “Samruk” was to increase management’s efficiency and to optimize organizational structure of the Fund’s subsidiaries for them to successfully achieve strategic objectives set out in the respective Government programs and development plans.

According to the Law of the Republic of Kazakhstan enacted on 1 February 2012 *On Sovereign Wealth Fund*, the Fund’s activities are focused on improving the sovereign wealth of the Republic of Kazakhstan by increasing long-term value of the Fund’s group companies and by effective management of the Fund’s group assets.

The Fund is a holding company with investments in a number of entities listed in *Notes 6 and 7*.

The administrative address of the Fund: the Republic of Kazakhstan, Astana, Kunayev Street, 8.

These separate financial statements were authorized for issue by the Acting Managing Director for Finance and Operations and Chief accountant of the Fund on 31 March 2017.

These separate financial statements were issued in addition to the consolidated financial statements of the Fund. The consolidated financial statements were authorized for issue by the Acting Managing Director for Finance and Operations and Chief accountant of the Fund on 31 March 2017.

2. BASIS OF PREPARATION

These separate financial statements have been prepared on a historical cost basis, except as described in the accounting policies and notes to these separate financial statements. The Fund maintains its accounting records in Kazakhstani tenge (“tenge”). All amounts in these separate financial statements are rounded to the nearest million tenge, except when otherwise indicated

Statement of compliance

These separate financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by International Accounting Standard Board (“IASB”).

The preparation of separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The preparation of financial statements also requires management to exercise its judgment in applying the accounting policies of the Fund. The areas involving a higher degree of judgment or complexity, as well as areas where assumptions and estimates are significant to the separate financial statements are disclosed in *Note 4*.

Foreign currency translation*Functional and presentation currency*

These separate financial statements are presented in tenge, which is functional and presentation currency of the Fund’s separate financial statements.

Transactions and balances

Transactions in foreign currency are initially recorded at the functional currency rate effective at the date of transaction. Monetary assets and liabilities denominated in the foreign currency are translated to the functional currency using exchange rate effective at the balance sheet date. All translation differences are taken to the separate statement of comprehensive income. Non-monetary items measured on a historical cost basis in a foreign currency are translated using the exchange rates at the date of initial transactions. Non-monetary items measured at the fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)**Foreign currency translation (continued)***Exchange rates*

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange (“KASE”) are used as official currency exchange rates in Kazakhstan.

As at 31 December 2016 the currency exchange rate of KASE was 333.29 tenge to 1 US dollar. This rate was used to translate monetary assets and liabilities denominated in US dollars as at 31 December 2016 (as at 31 December 2015: 340.01 tenge to 1 US dollar). The currency exchange rate of KASE as at 31 March 2017 was 313.73 tenge to 1 US dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**New and amended standards and interpretations**

The accounting policies applied in preparation of these separate financial statements are consistent with those applied in preparation of the separate financial statements for the year ended 31 December 2015, except for the adoption of new and amended Standards and Interpretations.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual separate financial statements of the Fund. The nature and the impact of each new standard or amendment is described below:

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity’s rate-regulation and the effects of that rate-regulation on its financial statements. Since the Fund is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Fund as there has been no interest acquired in a joint operation during the period.

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

The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Fund, given that it has not used a revenue-based method to depreciate its non-current assets.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**New and amended standards and interpretations (continued)***Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 *Agriculture*. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are applied retrospectively and do not have any impact on the Fund as it does not have any bearer plants.

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively.

These amendments do not have any impact on the Fund's separate financial statements.

Annual improvements 2012-2014 cycle

These improvements include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

*IFRS 7 Financial Instruments: Disclosures**(i) Servicing contracts*

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

These amendments do not have any impact on the Fund.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**New and amended standards and interpretations (continued)***Annual improvements 2012-2014 cycle (continued)**Amendments to IAS 1 Disclosure Initiative*

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Fund.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements*. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Fund as the Fund does not apply the consolidation exception.

Investments in subsidiaries, joint ventures and associates

The Fund's investments in its subsidiaries, joint ventures and associates are accounted for at cost, less any accumulated impairment losses. Associate is an entity in which the Fund has significant influence and which is neither a subsidiary nor joint venture of the Fund.

Impairment of non-financial assets

At each reporting date, the Fund assesses non-financial assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the Fund makes an estimate of its recoverable amount. An asset group's recoverable amount is the higher of its fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

At each reporting date an assessment is made to identify any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated by the Fund. A previously recognized impairment losses are reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. That increased amount cannot exceed the recoverable amount or the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the separate statement of comprehensive income.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Impairment of non-financial assets (continued)**

The following criteria are also applied in assessing impairment of specific assets:

Investments in subsidiaries, joint ventures and associates

The Fund determines at each reporting date whether there is any objective evidence that the investment in subsidiaries, associates and joint ventures are impaired. If impairment indicators exist, the Fund conducts impairment test and calculates impairment loss as the difference between the recoverable amount and carrying amount of investments.

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets, or as derivative instruments. The Fund determines the classification of its financial assets at initial recognition.

Financial assets are initially recognized at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e. the date when the Fund commits to purchase or sell the asset.

The Fund's financial assets include cash and cash equivalents, bank deposits, loan issued, amounts due from credit institutions, investments available for sale and other receivables. The subsequent measurement of financial assets depends on their classification as follows:

Amounts due from credit institutions, loans issued and other receivables

Amounts due from credit institutions, bank deposits, loans issued and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement such financial assets are carried at amortized cost using the effective interest rate (EIR) method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the separate statement of comprehensive income. Losses arising from impairment are recognized as a separate line in the separate statement of comprehensive income.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Fund has the positive intention and ability to hold them to maturity. After initial measurement held-to-maturity investments are measured at amortized cost determined using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the separate statement of comprehensive income. The losses arising from impairment are recognized as a separate line in the separate statement of comprehensive income.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity securities classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which the Fund intends to hold for an indefinite period and which may be sold for the purpose of providing liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investments revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in income from disposal of financial assets, or determined to be impaired, at which time the cumulative loss is reclassified to impairment loss in the separate statement of comprehensive income and removed from the available-for-sale investment revaluation reserve.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial assets (continued)***Fair value determination*

The fair value of financial instruments that are traded in active market at each reporting date is determined by reference to quoted market prices or dealers price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For other financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques include cash flow discounting model, reference to the current fair value of another instrument that is substantially the same, option valuation models or other valuation models.

Derecognition*Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized on the separate balance sheet when:

- The rights to receive cash flows from the asset have expired;
- The Fund either transfers its rights to receive cash flows from the asset, or has assumed an obligation to pay in full without material delay to a third party under a "pass through" arrangement; or the Fund has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retains substantially all the risks and rewards of the asset, but has transferred control over the asset.

When the Fund has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Fund's continuing involvement in the asset.

In that case, the Fund also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Impairment of financial assets*Amounts due from credit institutions, loans to customers and bank deposits*

For amounts due from credit institutions, loans and bank deposits carried at amortized cost the Fund first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The present value of estimated future cash flows is discounted at the financial assets' original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Impairment of financial assets (continued)***Amounts due from credit institutions, loans to customers and bank deposits (continued)*

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the separate statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. The interest income is recorded as part of revenue in the separate line of the separate statement of comprehensive income.

Loans issued together with the associated allowance are written off when there are no realistic prospects of future recovery and all collateral has been sold or has been transferred to the Fund. If, in a subsequent year, the amount of the estimated impairment losses increases or decreases because of an event occurring after the impairment losses were recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit and losses in the separate statement of comprehensive income.

Investments available-for-sale

If there is objective evidence that the initial cost may not be recovered, an available-for-sale equity security is considered to be impaired. Objective evidence that the initial cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below the initial cost.

If an available-for-sale equity security is impaired, according to qualitative and quantitative impairment criteria, determined by the Fund, any further declines in the fair value at subsequent reporting dates are recognized as impairment. Therefore, at each reporting date, for an equity security that was determined to be impaired according to the impairment criteria of the Fund, impairment is recognized for the difference between the fair value and the original cost basis, less any previously recognized impairment.

Non-current assets classified as held for distribution to the Shareholder

Assets are classified as non-current assets held for transfer to the Shareholder if they meet the following criteria:

- Are available for immediate transfer in their current condition;
- There is a firm intention to ensure their planned transfer;
- Actions have been undertaken to complete the plan;
- There is a high probability of making a transfer, and it is expected that the transfer will be completed within 1 (one) year from the date of classification.

Non-current assets classified as held for transfer to the Shareholder have been presented separately within current assets category in the separate balance sheet.

Non-current assets (or disposal groups) classified as held for transfer to the Shareholder are measured at the lower of carrying amount and fair value less costs to transfer.

Non-current asset that ceases to be classified as held for transfer to the Shareholder is measured at the lower of:

- Its carrying amount before the asset (or disposal group) was classified as held for transfer to the Shareholder, adjusted for any depreciation, amortization or revaluation that would have been recognized had the asset (or disposal group) not been classified as held for transfer to the Shareholder; and
- Its recoverable amount at the date of the subsequent decision not to transfer.

Value added tax (VAT)

The tax authorities permit the settlement of sales and purchases VAT on a net basis. VAT receivable represents VAT on domestic purchases net of VAT on domestic sales. Export sales are zero-rated.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash on demand deposits, other short-term highly liquid investments with original maturities not greater than 3 (three) months.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial liabilities***Initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate. The Fund determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Fund's financial liabilities include trade and other payables, borrowings, loans from the Government of the Republic of Kazakhstan, financial guarantee contracts and other liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Borrowings and loans from the Government of the Republic of Kazakhstan

After initial recognition, interest bearing loans and borrowings are measured at amortized cost using the effective interest rate method. Gains and losses on such financial liabilities are recognized in the separate statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process. Amortized cost is calculated by taking into account discounts or premiums on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in interest expenses in the separate statement of comprehensive income.

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Fund having an obligation either to deliver cash or other financial assets, or to satisfy the obligation other than by the exchange of a fixed amount of cash or other financial assets for a fixed number of own equity instruments. Such instruments include amounts due to the Government and loan due to credit institutions, which are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

Subsequently, amounts received are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the separate statement of comprehensive income over the period of the borrowings using the effective interest method. If the Fund purchases its own debt, it is then removed from the separate balance sheet and the difference between the carrying amount of the liability and the consideration paid is recognized in interest income.

Debt securities issued

Debt securities issued represent bonds issued by the Fund. They are accounted for according to the same principles used for borrowings and loans from the Government of the Republic of Kazakhstan.

Financial guarantee contracts

Financial guarantee contracts issued by the Fund represent those contracts that require a payment to be made to reimburse the holder for losses the party incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the following measures: best estimate of the expenditures required to settle the present obligation at the reporting date and the amount of liability recognized less cumulative amortization.

Options arising on investments acquisition

If at acquisition of the investments the Fund issues to a seller a call option on acquired interest in the business, the Fund assesses whether being a party to such option gives to a third party access to benefits and risks associated with ownership of such interest.

If a call-option does not provide a holder of the option with access to benefits and risks of acquired interest, this call option is not accounted for the purpose of determination of Fund's significant influence.

Fair value of the liability for the Fund under the option is recognized as a part of acquired investments. The financial liability is subsequently measured in accordance with the requirements of IAS 39. Changes in the fair value of a financial liability as well as any gains or losses related to the settlement of these options are recorded directly in separate statement of comprehensive income.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Derivative financial instruments**

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Total gain or loss is recognized in the separate statement of comprehensive income unless the derivative is designated and effective as a hedging instrument, in such event the timing of the recognition in the separate statement of comprehensive income depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is classified as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 (twelve) months and it is not expected to be realized or settled within 12 (twelve) months. Other derivatives are classified as current assets or current liabilities.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Fund and the amount of revenue can be reliably measured.

Interest and similar income and expenses

Interest income on financial instruments, except for interest income on placement of temporarily excess cash, represent income from operating activity of the Fund and is disclosed as interest income. Interest income on placement of temporarily excess cash is disclosed as finance income.

For all financial instruments measured at amortized cost and interest bearing securities classified as available-for-sale, interest income or expense is recorded at the effective interest rate. This rate allows exact discounting of estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, early repayment) and includes any fees or incremental costs that are directly attributable to the instrument, which are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if there is reassessment of payments and cash receipts by the Fund. The adjusted carrying amount is calculated based on the original effective interest rate and the change in the carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss in the separate financial statements, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Dividends

Dividends income is recognized when the Fund’s right to receive the payment is determined.

Government grants

Due to the fact that the Government of the Republic of Kazakhstan is the sole shareholder of the Fund, the Fund analyses all transactions with the Government to assess its role: where the Government acts primarily in its capacity of the Shareholder or where it acts as a regulator. If it is determined that in a specific transaction the Government acts in capacity of the Shareholder any gains or losses incurred by the Group as a result of such transaction are reflected directly in equity as either a contribution or withdrawal of equity by the Shareholder.

If it is determined that in a specific transaction the Government does not act in capacity of the Shareholder such transactions are accounted for using provisions of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. In such circumstances, government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the separate statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments. Grants related to income are presented separately in the separate statement of comprehensive income within revenues from operating activities.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Expense recognition**

Expenses are recognized as incurred and are recorded on the accrual basis in the separate financial statements in the period to which they relate.

Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognized in the separate statement of comprehensive income except to the situations when it relates to items charged or credited directly to the equity, in which case it is recognized in equity.

Current income tax expenses are the expected taxes payable on the taxable profit for the year and any adjustments to tax payable in respect of previous years.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements, except where the deferred income tax arises as a result of the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, which at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted (or substantively enacted) at the reporting date.

Equity*Share capital*

Common shares are classified as equity. Expenses payable for services to third parties directly attributable to the issue of new shares, other than on a business combinations, are shown as a deduction from the proceeds of this issuance in equity. Any excess of the fair value of consideration received over the par value of shares issued is charged to retained earnings.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or at the reporting date. Information on dividends is disclosed in the separate financial statements when they are proposed before the reporting date or proposed and declared after the reporting date but before the separate financial statements are authorised for issue.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the separate financial statements of the Fund requires management to make judgments, estimates and assumptions that affect the reported in the separate financial statements amounts of revenue, expenses, assets and liabilities, and disclosure of contingent liabilities and assets as at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the separate balance sheet cannot be derived from active markets, it is determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value of financial instruments reported in the separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**Allowance for impairment of loans issued, amounts due from credit institutions and deposits**

The Fund reviews its individually significant loans issued, amounts due from credit institutions and deposits at each reporting date to assess the need of recognizing impairment loss in the profit and losses. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating such cash flows, the Fund makes judgment about the borrower’s financial position and the net realizable value of collateral if applicable. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Taxation

In assessing tax risks, management considers the known areas of non-compliance with tax legislation as a possible obligation which the Fund would not appeal or does not believe it could successfully appeal, if additional taxes will be accrued by tax authorities. Such determination requires significant judgments and is subject to changes as a result of changes in tax legislation and regulations, amendments to the taxation terms, the determination of expected outcomes from pending tax proceedings and current outcome of ongoing compliance audits by tax authorities.

Deferred tax assets

Deferred tax assets were recognized for all allowances on provisions and other liabilities to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved, as well as successful application of tax planning strategies. The unrecognized deferred tax assets were equal to 34,846 million tenge as at 31 December 2016 (as at 31 December 2015: 23,799 million tenge) (*Note 23*).

Impairment of investments in subsidiaries

Impairment exists when the carrying amount of an investment in subsidiary exceeds its recoverable amount, which is the higher of the following: its fair value less costs to sell and its value in use. In 2016, the Fund did not recognize any impairment of investments in subsidiaries.

Impairment of assets classified as held for sale

Non-current assets classified as held for sale should be measured at the lower of the following: their carrying amount or fair value less costs to sell. Fair value is determined as 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. Costs to sell are determined as the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

In 2016 the Fund did not recognize any impairment losses on assets classified as held for sale.

5. INTANGIBLE ASSETS

In 2015 the Fund concluded a long-term agreement with SAP Kazakhstan LLP for acquisition of licenses and maintenance of the SAP software for the purposes of automation of business processes. Acquisition is divided into four phases. As at 31 December 2016 the Fund completed the first and second phases of the project for the total amount of 13,172 million tenge (31 December 2015: the first phase for the total amount of 6,586 million tenge). The Fund concluded a trust management agreement with no transfer of control with subsidiary “Samruk-Kazyna Business-Service” LLP that will carry the distribution of the licenses to the companies within the group of the Fund.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

6. INVESTMENTS IN SUBSIDIARIES

The following table represents investments in subsidiaries of the Fund, their activity, country of incorporation or location, as well as the Fund’s share in these subsidiaries:

<i>In millions of tenge</i>	Activity	Country	Carrying amount		Ownership	
			31 December 2016	31 December 2015	31 December 2016	31 December 2015
	"National Company "Kazakhstan Temir Zholy" JSC	Kazakhstan	1,382,683	1,250,684	100.00%	100.00%
	"National Company "KazMunayGas" JSC	Kazakhstan	1,187,542	1,187,544	90.00% – 1	90.00% – 1
	"Samruk-Energy" JSC	Kazakhstan	452,608	434,050	100.00%	100.00%
	"National Mining Company "Tau-Ken Samruk" JSC	Kazakhstan	293,135	284,161	100.00%	100.00%
	"United Chemical Company" LLP	Kazakhstan	233,516	195,429	100.00%	100.00%
	"National Atomic Company "KazAtomProm" JSC	Kazakhstan	147,368	147,275	100.00%	100.00%
	"Kazakhstan Electricity Grid Operating Company" JSC	Kazakhstan	120,648	120,648	90.00% + 1	90.00% + 1
	"Kazakhtelecom" JSC	Kazakhstan	93,212	88,733	51.00%	51.00%
	"Real Estate Fund "Samruk-Kazyna" JSC	Kazakhstan	31,849	31,851	100.00%	100.00%
	"Kazpost" JSC	Kazakhstan	29,362	18,028	100.00%	100.00%
	"National Company "Kazakhstan Engineering" JSC	Kazakhstan	23,595	23,595	100.00%	100.00%
	"Samruk-Kazyna Invest" LLP	Kazakhstan	19,258	11,320	100.00%	100.00%
	"Air Astana" JSC	Kazakhstan	7,276	7,276	51.00%	51.00%
	"International Airport Aktobe" JSC	Kazakhstan	6,029	6,029	100.00%	100.00%
	"Airport Pavlodar" JSC	Kazakhstan	1,454	1,454	100.00%	100.00%
	"Samruk-Kazyna Contract" LLP	Kazakhstan	1,284	1,284	100.00%	100.00%
	"International Airport Atyrau" JSC	Kazakhstan	1,196	1,196	100.00%	100.00%
	"KOREM" JSC	Kazakhstan	161	161	100.00%	100.00%
	"Aviation Company "Air Kazakhstan" JSC	Kazakhstan	136	136	53.55%	53.55%
	"Qazaq Air" JSC	Kazakhstan	120	120	100.00%	100.00%
	"Kazakh nuclear power stations" JSC	Kazakhstan	-	93	-	100.00%
	"Samruk-Kazyna Business Service" LLP (former "Samruk-Kazyna Finance" LLP)	Kazakhstan	-	-	100.00%	100.00%
			4,032,432	3,811,067		

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

6. INVESTMENTS IN SUBSIDIARIES (continued)

Changes in investments in subsidiaries

“National Company “Kazakhstan Temir Zholy” JSC (“KTZh”)

In 2016 the Fund made contributions to the share capital of KTZh in the amount of 128,009 million tenge including 127,923 million tenge in cash and 86 million tenge in the form of property (Note 14). In addition, in 2016 the Fund provided loan with interest rate below market rate (Note 8), discount in the amount of 3,990 million tenge, estimated as the difference between the fair value of the loan at the date of recognition and its nominal amount, was recognised as an increase in the investment in subsidiary.

“Samruk-Energy” JSC (“Samruk-Energy”)

In 2016 the Fund made contribution to the share capital of Samruk-Energy in the amount of 18,558 million tenge, including 17,664 million tenge in cash and 894 million tenge due to the recognition of financial guarantee liability.

“National Mining Company “Tau Ken Samruk” JSC (“Tau Ken Samruk”)

In 2016 the Fund made cash contribution to the share capital of Tau Ken Samruk in the amount of 8,974 million tenge.

“United Chemical Company” LLP (“UCC”)

In 2016 the Fund made contribution to the share capital of UCC in the amount of 38,087 million tenge including 33,675 million tenge in cash and 4,412 million tenge of property contribution in the form of design estimate documentation of gas-turbine station (Note 14). Upon further transfer of property the Fund recognized loss from revaluation of property in the amount of 54 million tenge.

National Atomic Company “KazAtomProm” JSC (“KazAtomProm”)

In 2016 the Fund made contribution to the share capital of KazAtomProm in the amount of 93 million tenge in the form of 100% of shares of “Kazakh nuclear power stations” JSC.

“Kazakhtelecom” JSC (“Kazakhtelecom”)

In 2016 the Fund made contribution to share capital of “Kazakhtelecom” in the amount of 4,479 million tenge through the recognition of obligations on guarantee provided.

Kazpost” JSC and “Samruk-Kazyna Invest” LLP

In 2016 the Fund made cash contributions to the share capital of “Kazpost” JSC and “Samruk-Kazyna Invest” LLP in the amount of 11,334 million tenge and 7,938 million tenge, respectively.

7. INVESTMENTS IN JOINT VENTURE

As at 31 December investments in joint venture were presented as follows:

<i>In millions of tenge</i>	31 December 2016	31 December 2015
“KMG Kashagan B.V.” PLLC	1,494,941	1,335,215
	1,494,941	1,335,215

Activities of joint venture, country of residence and the Fund’s share is presented as follows:

Company	Activity	Country	Ownership	
			31 December 2016	31 December 2015
“KMG Kashagan B.V.” PLLC	Oil and gas industry	Netherlands	50.00%	50.00%

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN JOINT VENTURE (continued)

“KMG Kashagan B.V.” PLLC

In 2016 the Fund made additional cash contributions to the charter capital of “KMG Kashagan B.V.” PLLC in the amount of 469,556 thousand US dollars (equivalent to 159,726 million tenge at the exchange rate as at the date of payment).

In September 2016 production on Kashagan field was launched. In accordance with resolution of Management Committee of Contracting companies Consortium for North Caspian project; 1 November 2016 was announced as start date of commercial production on Kashagan field (daily production more than 75 thousand barrels of crude oil). 957 thousand tones of crude oil and 588 million cubic meters of gas were produced in 2016.

8. LOANS ISSUED

As at 31 December loans issued comprised the following:

<i>In millions of tenge</i>	31 December 2016	31 December 2015
Loans issued to subsidiaries	391,418	367,719
“Real Estate Fund “Samruk-Kazyna” JSC	141,177	103,155
“Samruk-Energy” JSC	81,670	79,564
“National Company “Kazakhstan Temir Zholy” JSC	76,614	94,835
“Kaztemirtrans” JSC	60,000	60,000
“Lokomotiv” JSC	15,000	15,000
“Qazaq Air” JSC	13,304	4,729
“National Company “KazMunayGas” JSC	–	7,338
Other	3,653	3,098
Loans issued to third parties and related parties	210,319	218,018
“Eurasian Resources Group” (former “Eurasian Natural Resources Corporation” PLC)	166,645	170,005
“Elorda Damu” LLP	16,613	19,556
“Doszhan Temir Zholy” JSC	8,396	8,118
“Ayt Housing Complex” LLP	6,937	7,313
“Kazakhstan Petrochemical Industries Inc.” LLP	6,477	6,337
Other	5,251	6,689
Bonds issued by third parties and related parties	2,873	2,083
Interest receivable	10,768	10,880
Less: impairment provision	(14,869)	(8,810)
Total loans issued	600,509	589,890
Less: current portion	(227,721)	(139,757)
Non-current portion	372,788	450,133

Loans issued comprised of the following currencies:

<i>In millions of tenge</i>	31 December 2016	31 December 2015
Loans denominated in tenge	430,288	416,237
Loans denominated in US dollars	170,221	173,653
	600,509	589,890

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

8. LOANS ISSUED (continued)**Loans issued to subsidiaries***“Real Estate Fund “Samruk-Kazyna” JSC*

In 2012 the Fund concluded a revolving credit facility agreement (with a limit of facility to 99,053 million tenge) with “Real Estate Fund “Samruk-Kazyna” JSC (“Real Estate Fund”). In accordance with this credit line, in 2016 the Fund provided additional tranches in the total amount of 20,802 million tenge with maturity till 30 June 2032 and interest rate of 2% to finance housing construction projects under the program “Affordable housing – 2020”, approved by the Resolution of the Government of the Republic of Kazakhstan dated 21 June 2012. This loan was provided using the funds of the National Fund. As at 31 December 2016 principal amount under this revolving credit line amounts to 72,328 million tenge (at 31 December 2015: 55,817 million tenge).

On 31 March 2016 the Fund concluded a loan agreement with the Real Estate Fund for 29,000 million tenge with maturity till 31 March 2034 and annual interest rate of 2% for financing the implementation of “Green quarter” administrative-residential complex construction project. The loan was provided using the funds of the National Fund.

In accordance with the credit agreements terms, the Fund has a right to demand an early repayment of the loans from Real Estate Fund at any time, and Real Estate Fund is obliged to make an early repayment on demand of the Fund. Due to these terms, the Fund classifies the above loans provided to the Real Estate Fund as current.

In addition, on 27 May 2016 the Fund concluded loan agreement with Real Estate Fund for the total amount of 97,000 million tenge, according to which in August 2016 the Fund provided a loan in the amount of 42,876 million tenge with maturity on 1 April 2026 and rate of 0.15% for financing of commercial housing construction within the framework of the program “Nurly Zhol”. The loan was provided using the resources of the National Fund.

At initial recognition the loan was measured at a fair value of 19,169 million tenge using appropriate market interest rates. The difference between the nominal amount of the loan and its fair value at the date of recognition in the amount of 23,707 million tenge was recognized as a decrease in other liabilities in amount of 23,126 million tenge (*Note 16*) and loss from initial recognition of the financial instrument at a rate below market in amount of 581 million tenge through other expenses.

In 2016, the Real Estate Fund made a partial early repayment of loans in the amount of 31,625 million tenge (2015: 5,415 million tenge). As at 31 December 2016, the total carrying amount of the principal and interest receivable was equal to 142,266 million tenge (2015: 104,001 million tenge).

“National Company “Kazakhstan Temir Zholy” JSC

In July 2016 the Fund provided KTZh loan of 5,500 million tenge to finance renewal of railway carriers of “Passenger Transportation” JSC with maturity till 10 June 2046 and interest rate of 0.075%.

At initial recognition this loan was measured at fair value of 1,510 million tenge using appropriate market interest rates. The difference between the nominal amount of the loan and its fair value at the date of recognition in the amount of 3,990 million tenge was recognized as an increase of the Fund’s investments in KZTh (*Note 6*).

In December 2016 an agreement was concluded between the Ministry of Finance of the Republic of Kazakhstan, the Fund and KTZh, according to which KTZh transferred and the Ministry of Finance accepted property of KTZh as early repayment of budgetary loans provided to the Fund. The total book value of the principal of six loans at the maturity date was equal to 47,833 million tenge. The write-off of unamortized discount in the amount of 25,410 million tenge was recognized in separate statement of changes in equity within Other transactions with the Shareholder (*Note 16*).

As of 31 December 2016, the total carrying amount of the principal and interest receivable for all KTZh loans was equal to 77,719 million tenge (2015: 95,939 million tenge).

“Qazaq Air” JSC

In 2015 the Fund provided an interest-free loan to “Qazaq Air” JSC of 4,729 million tenge. In 2016 the Fund signed an Addendum to the financial aid agreement with “Qazaq Air” JSC to finance its working capital. Under the addendum the amount of the additional tranches of interest-free loan amounted to 8,575 million tenge.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**8. LOANS ISSUED (continued)****Loans issued to third parties and related parties**

In July 2014 the Fund provided a loan to “Elorda Damu” LLP of 20,000 million tenge to finance pilot project on demolition of old housing in Astana with maturity till 30 July 2016 and interest rate of 0.02% per annum.

On 14 June 2016 the Fund concluded an addendum to extend maturity of the loan agreement till 29 July 2018. The principal amount and interest rate on the loan remained unchanged. The loan was re-measured at fair value as at the date of addendum, using the discounted cash flows method at the respective market interest rate.

The difference between the nominal amount of the loan issued and its fair value at the date of recognition of 4,298 million tenge was recognized as a loss on discounting in the statement of comprehensive income. As at 31 December 2016 carrying value of the principal and interest receivable amounted to 16,615 million tenge (31 December 2015: 19,557 million tenge).

As of 31 December 2016 due to delay in repayment of the principal and uncertainty regarding loans provided to “Ayt Housing Complex” LLP, the Fund recognized an impairment provision of 6,937 million tenge.

9. AMOUNTS DUE FROM CREDIT INSTITUTIONS

As at 31 December amounts due from credit institutions comprised the following:

<i>In millions of tenge</i>	31 December 2016	31 December 2015
10 largest local banks	526,533	554,000
Other local credit institutions	268,279	276,917
Interest accrued	8,735	8,675
Less: impairment provision	(7,598)	-
Total amounts due from credit institutions	795,949	839,592
Less: current portion	(194,751)	(246,801)
Non-current portion	601,198	592,791

<i>In millions of tenge</i>	31 December 2016	31 December 2015
Rating from BBB+(Baa1) to BBB(Baa2)	-	47,596
Rating from BBB-(Baa3) to BB-(Ba3)	93,257	78,553
Rating from B+(B1) to B-(B3)	325,212	554,373
Rating from CCC+(Caa1) to CC(Ca)	214,293	-
Rating from C(C) to D(D)	-	-
No rating	170,785	159,070
Less: impairment provision	(7,598)	-
	795,949	839,592

No ratings are assigned to “BTA Bank” JSC, “Zhilstroyberbank” JSC and “Kazinvestbank” JSC as at 31 December 2016 (2015: “BTA Bank” JSC and “Zhilstroyberbank” JSC).

Amounts due from credit institutions are mainly represented by funds placed in banks and other financial institutions for financing activities within the framework approved by the Government (targeted loans), as well as bank deposits placed under the policy of temporary available cash:

<i>In millions of tenge</i>	31 December 2016	31 December 2015
Bank deposits placed under the policy of temporary available cash	432,699	492,142
Funds for financing activities within the framework approved by the Government	363,250	347,450
Total amounts due from credit institutions	795,949	839,592
Less: current portion	(194,751)	(246,801)
Non-current portion	601,198	592,791

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**9. AMOUNTS DUE FROM CREDIT INSTITUTIONS (continued)****Bank deposits placed under the policy of temporary available cash**

In accordance with the policy of temporary available cash management, the Fund places the deposits in Kazakhstani Tier 2 banks. As of 31 December 2016 the weighted average interest rate on long-term bank deposits amounts to 5.36% per annum (31 December 2015: 5.29%), weighted average interest rate on short-term bank deposits amounts to 8.8% per annum (31 December 2015: 11.5%).

Funds placed with “Kazinvestbank” JSC

In December 2016 according to the order of Management Board of the National Bank of the Republic of Kazakhstan, the license of Kazinvestbank JSC to conduct bank operations was recalled and a temporary administrator was appointed. Recoverability of balances with Kazinvestbank JSC will depend on the actions taken by the temporary administrators and the National Bank. As a result of the assessment the Fund has accrued a provision for impairment of 75% of the outstanding balances in the amount of 1,898 million tenge in the separate financial statements representing their best estimate of future recoverability of these assets.

Funds placed with “Delta Bank” JSC

As at 31 December 2016 the Fund also held a deposit of 19,000 million tenge in “Delta Bank” JSC. On 30 December 2016 the Standard & Poor’s long-term and short-term counterparty credit rating was downgraded from “B/B” to “CCC+/C” then to “D/D” on 16 February 2017 following its default on the repayment of bond obligations. Based on the most recently published financial information of “Delta Bank” JSC, actions taken by the state bodies of the Republic of Kazakhstan to date and expected future actions of those state bodies, the Fund made an analysis and recognized an impairment provision for deposits in the amount of 30% of deposits balances which equaled 5,700 million tenge.

Funds for financing activities within the framework approved by the Government (targeted loans)

As at 31 December 2016 amounts placed with banks and other financial organizations, for purposes of financing approved by the Government, were mainly represented by loans denominated in tenge issued to the following banks and other financial entities:

- “Entrepreneurship Development Fund “Damu” JSC of 25,279 million tenge (31 December 2015: 25,117 million tenge) in order to finance small and medium businesses. Interest on these loans was charged at rates from 2% to 5.5% per annum.
- “Development Bank of Kazakhstan” JSC to decrease financing costs of investment projects in priority segments of economy and to decrease funding costs on finance leases and to stimulate export of Kazakhstani locomotives of 2,908 million tenge, 17,020 million tenge and 3,746 million tenge, respectively (31 December 2015: 2,773 million tenge, 16,115 million tenge and 3,591 million tenge, respectively). Interest on these loans was charged at rates from 0.2% to 0.6% per annum.
- To the second tier banks for refinancing mortgage loans, student loans, construction of housing in Astana and Almaty and provision of intermediary housing loans in the amount of 88,614 million tenge, 38,250 million tenge and 29,634 million tenge, respectively (as at 31 December 2015: 95,651 million tenge, 45,132 million tenge and 28,485 million tenge, respectively). Interest on these loans was charged at rates from 1% to 7.28% per annum.
- “BTA Bank” JSC of 138,621 million tenge (31 December 2015: 130,586 million tenge) for the purpose of the restructuring of the financial liabilities of the BTA bank. Interest rate for the loan provided was equal to 4%.

In addition, on 2 August 2016 the Fund placed a bank deposit in “Development Bank of Kazakhstan” JSC of 20,000 million tenge with maturity on 30 June 2017 and interest rate of 0.15% per annum. The placement was made by allocating temporarily unused resources of the National Fund for the implementation of the State infrastructure development program “Nurly Zhol” for the years 2015-2019.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

9. AMOUNTS DUE FROM CREDIT INSTITUTIONS (continued)

Funds for financing activities within the framework approved by the Government (targeted loans) (continued)

At initial recognition bank deposit was measured at a fair value of 18,527 million tenge using appropriate market interest rates. The difference between the nominal amount of deposit and its fair value at the date of recognition in the amount of 1,473 million tenge was recognized in the statement of comprehensive income.

As at 31 December 2016 the Fund had no past due amounts due from credit institutions.

10. OTHER FINANCIAL ASSETS

As at 31 December other financial assets comprised the following:

<i>In millions of tenge</i>	31 December 2016	31 December 2015
Financial assets available-for-sale		
Equity securities of “Kazkommertsbank” JSC (KKB)	18,643	20,011
Equity securities of “Halyk Bank of Kazakhstan” JSC	-	-
Debt securities	6,788	7,357
Equity securities of “Astana Finance” JSC	6,516	6,516
Less: impairment provision	(6,516)	(6,516)
Total other financial assets	25,431	27,368
Less: current portion	(5,784)	(1,068)
Non-current portion	19,647	26,300

Equity securities of KKB

As at 31 December 2016 and 31 December 2015 the remaining balance of KKB shares owned by the Fund was equal to 85,517,241 shares.

Equity securities of “Halyk Bank of Kazakhstan” JSC (“Halyk Bank”)

On 10 June 2016 the registration of conversion of 100 (one hundred) preferred shares of Halyk Bank in 400 (four hundred) common shares was carried out at the offer price of 10 tenge per share in the amount of 4,000 tenge.

Thus, as at 31 December 2016 the remaining balance of common shares of Halyk Bank was equal to 400 shares (31 December 2015: 100 preferred shares).

Fair value of equity securities of KKB and Halyk Bank as at 31 December 2016 and 31 December 2015 was determined based on published quotations from the active market. Changes in revaluation reserve of shares of KKB and other equity securities amounted to 1,368 million tenge and 225 million tenge respectively

11. OTHER NON-CURRENT ASSETS

As at 31 December other non-current assets comprised the following:

<i>In millions of tenge</i>	31 December 2016	31 December 2015
Non-current receivables	17,374	84,184
Property held for sale	1,717	7,837
Other	7,040	10,654
Less: impairment provision	(471)	(471)
	25,660	102,204

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

11. OTHER NON-CURRENT ASSETS (continued)

Non-current receivables

As at 31 December 2016 non-current receivables presented as discounted value of deferred payments from Mr. Utemuratov for the shares of the following banks:

- For the shares of “Temirbank” JSC in the amount of 13,391 million tenge until 15 May 2019 (as at 31 December 2015: 12,148 million tenge);
- For the shares of “Alliance Bank” JSC in the amount of 3,983 million tenge until 3 March 2020 (as at 31 December 2015: 3,530 million tenge), respectively.

As at 31 December 2015 non-current receivables also contained receivable from “Kazkommertsbank” JSC and Mr. Rakishev for the 97.26% of shares of BTA Bank in the amount of 68,506 million tenge with maturity until 30 June 2017. This receivable was reclassified to other current assets and amounted to 76,751 million tenge as at 31 December 2016 (Note 12).

Property held for sale

On 5 May 2014 the Fund received property in the form of real estate in residential complexes in Almaty as repayment of loans issued to “Ayt Housing Complex” LLP. As at 31 December 2016 the carrying amount of the property is 1,717 million tenge (as at 31 December 2015: 7,837 million tenge). All the property is transferred to the Fund’s subsidiary Real Estate Fund for the trust management that acts as agent for the sales of real estate on behalf of the Fund.

12. OTHER CURRENT ASSETS

As at 31 December other current assets comprised the following:

<i>In millions of tenge</i>	31 December 2016	31 December 2015
Current receivables (Note 11)	76,751	–
Dividends receivable	16,600	46,794
Other trade receivables	7,614	6,273
Other	1,986	1,113
Less: impairment provision	(4,600)	(3,821)
	98,351	50,359

13. CASH AND CASH EQUIVALENTS

As at 31 December cash and cash equivalents comprised the following:

<i>In millions of tenge</i>	31 December 2016	31 December 2015
Current accounts with banks in tenge	130,295	111,836
Current accounts with banks in euro	2,718	1
Current accounts with banks in US dollars and other foreign currency	335	235
Term bank deposit with National bank in tenge	27,001	27,001
Term bank deposits with banks in tenge	76,197	1,502
	236,546	140,575

As at 31 December 2016 the weighted average interest rate on current accounts is equal to 0.001% per annum (as at 31 December 2015: 0.001%), the weighted average interest rate on term deposits with banks is equal to 11.93% per annum (as at 31 December 2015: 15.07%).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

14. EQUITY

Share capital

During 2016 and 2015 the Fund issued common shares which were contributed as follows:

	Number of shares authorized and issued	Par value per share, in tenge	Share capital in millions of tenge
Payment for shares			
As at 31 December 2014	3,481,623,734		4,620,562
Cash contributions	12,000	11,619,075; 12,700,435 20,648,187	149,539
Property contributions	31,477	4,171,027; 10,466,896; 13,456,258; 19,354,725;	142,443
Contribution of state-owned shares	297	12,542,000	3,725
As at 31 December 2015	3,481,667,508		4,916,269
Cash contributions	3,000	36,400,000; 20,000,000; 81,523,000	137,923
Property contributions	250	17,862,160	4,466
As at 31 December 2016	3,481,670,758		5,058,658

As at 31 December 2016 3,481,670,758 shares of the Fund were fully paid (as at 31 December 2015: 3,481,667,508 shares).

Issue of shares

2016

Cash contributions

In 2016 the Shareholder made cash contribution to the Fund’s share capital in the amount of 137,923 million tenge. These amounts were aimed to finance projects implemented by the subsidiaries of the Fund (*Note 6*).

Property contributions

In May 2016 the State property and privatization committee made in-kind contribution to the Fund’s share capital in the form of design estimate documentation of gas-turbine station, which has been developed for implementation of strategic investment project “Construction of the infrastructure of the first integrated gas chemical complex in Atyrau region” in the amount of 4,466 million tenge. This property was transferred to the charter capital of subsidiary UCC. Accordingly, the Fund classified this asset as investments in subsidiary (*Note 6*).

2015

Cash contributions

In 2015, the Shareholder made cash contribution to the Fund’s share capital in the amount of 149,539 million tenge. These amounts are aimed to finance projects implemented by the subsidiaries of the Fund.

Property contributions

In 2015, the Shareholder made the property contribution to the Fund’s share capital in the form of a transfer of the right to claim the payment on the “Kazakhstani promissory note” in accordance with an agreement between the Government of the Republic of Kazakhstan and “Caspian Pipeline Consortium-K” in the amount of 126,591 million tenge.

In 2015, the Shareholder made the property contribution to the Fund’s share capital: gas pipelines in 6 regions of the Republic of Kazakhstan for the total amount of 13,456 million tenge, the railway station Karabatan valued at 2,323 million tenge and other property totaling to 73 million tenge.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

14. EQUITY (continued)

Issue of shares (continued)

2015 (continued)

Contribution of state-owned shares

In 2015, the Shareholder transferred to the Fund 35% of the shares of “Kazakh Academy of Transport and Communications named after M.Tynysbaev” JSC, the fair value of which amounted to 3,725 million tenge for further transfer to KTZh.

Dividends

On 10 November 2016 the Fund paid dividends to the Shareholder in the amount of 10,393 million tenge based on results for 2015 according to the Resolution of the Government dated 1 November 2015 (2015: 34,713 million tenge).

Other distributions to the Shareholder

In 2016 in accordance with the orders of the Shareholder, the Fund financed various social projects for the total amount of 39,525 million tenge (2015: 22,600 million tenge). This financing was recognised as other distributions to the Shareholder in separate statement of changes in equity.

Book value of shares

In accordance with the decision of the Exchange Board of the “Kazakhstan Stock Exchange” JSC (“KASE”) dated 4 October 2010 financial statements shall disclose book value per share (common and preferred) as at the reporting date, calculated in accordance with the KASE rules.

<i>In millions of tenge</i>	31 December 2016	31 December 2015
Total assets	7,349,837	6,929,328
Intangible assets	(13,960)	(567)
Total liabilities	(2,081,801)	(1,843,255)
Net assets for common shares	5,254,076	5,085,506
Number of common shares as at 31 December	3,481,670,758	3,481,667,508
Book value per common share (tenge)	1,509	1,461

15. BORROWINGS

As at 31 December borrowings, including interest payable, comprised the following:

<i>In millions of tenge</i>	31 December 2016	31 December 2015
Loans received	689,374	536,702
Bonds issued and purchased by other companies	357,477	353,565
Bonds issued and purchased by subsidiaries:		
- KMG	42,624	42,319
- “Samruk Energy” JSC	223	223
Total borrowings	1,089,698	932,809
Less: amounts due for settlement within 12 months	(88,342)	(44,482)
Amounts due for settlement after 12 months	1,001,356	888,327

Borrowings comprised the following currencies:

<i>In millions of tenge</i>	31 December 2016	31 December 2015
Borrowings, denominated in tenge	592,642	428,334
Borrowings, denominated in US dollars	497,056	504,475
	1,089,698	932,809

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

15. BORROWINGS (continued)**Loans received***Financial aid from NC KazMunayGas JSC*

In 2015 the Fund received interest-free financial aid from KMG in the amount of 36,950 million tenge due in one year. Financial aid was received to finance the Fund's commitments to increase the share capital of "KMG Kashagan B.V." PLLC and to refinance loans attracted by the Fund for the purchase of shares of "KMG Kashagan B.V." PLLC.

On 30 May 2016 the Fund signed an addendum to the financial aid agreement to increase principal amount to 700,000 million tenge and extend maturity of the loan till 25 December 2018. Financial aid can be further extended till the repurchase of KMG Kashagan B.V. shares from the Fund. The loan is issued without security, commissions and with zero interest rate. After 1 January 2018 financial aid may be repaid via settling-off counter claims to the KMG or Cooperative KazMunayGas U.A. upon repurchase of shares of "KMG Kashagan B.V." PLLC from the Fund.

In 2016 the Fund received additional tranches in the amount of 203,888 million tenge including 159,726 million tenge to finance share in "KMG Kashagan B.V." PLLC. The difference between the nominal amount of principal and its fair value at the dates of the loan tranches in the amount of 51,870 million tenge was recognized as finance income in the separate statement of comprehensive income.

As at 31 December 2016 total amount of the principal equaled to 192,318 million tenge (31 December 2015: 32,226 million tenge).

Loan from the Bank "Tokyo-Mitsubishi UFJ, LTD"

On 30 October 2015 the Fund entered into a loan agreement with the Bank "Tokyo-Mitsubishi UFJ, LTD" in the amount of 1,500 million US dollars (equivalent to 466,350 million tenge converted using the exchange rate as at the payment date) to acquire a 50% of shares of "KMG Kashagan B.V." PLLC. The loan is issued for a period of 5 years with a grace period of 3.5 years at annual rate of 1.8% + 6 month Libor. The loan issued in cash in two tranches.

As at 31 December 2016 total amount of the principal and interest payable equaled to 497,056 million tenge (31 December 2015: 504,476 million tenge).

Loan received from the Bank "Tokyo-Mitsubishi UFJ, LTD" is subject to certain financial covenants, which have been met during the twelve months ended 31 December 2016.

Bonds issued and purchased by other companies*Bonds issued to finance acquisition of share in "KMG Kashagan B.V." PLLC*

In 2015, the Fund issued 6% coupon bonds with nominal value of 210 billion tenge and yield to maturity of 8% per annum through specialized trades, open to all market participants. The Fund received 197 billion tenge in cash as a result of bonds issue. These funds were used to finance the acquisition of shares and further investments in "KMG Kashagan B.V." PLLC. As at 31 December 2016 the principal amount of bonds and interest payable amounted to 202,307 million tenge.

Other bonds issued

In 2010 the Fund placed bonds on the open market for the total amount of 75,000 million tenge. The bonds have a maturity of 10 years and the interest rate of 6.5% per annum. As of 31 December 2016 the carrying value of these bonds and interest payable amounted to 76,332 million tenge.

In 2011 the Fund has placed bonds on the open market for a total amount of 75,000 million tenge. The bonds have a maturity of 7 years and the interest rate of 5.9% per annum. As of 31 December 2016 the carrying value of these bonds and payable interest amounted to 76,185 million tenge.

Bonds issued and purchased by subsidiaries

In 2009 KMG acquired bonds issued by the Fund in total amount of 111 billion tenge. Bonds have a maturity of 35 years and coupon rate of 4% per annum. These bonds were discounted at a rate of 12.5%, which was approximately equal to the market interest rate applied to KMG as at the transaction date.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

16. LOANS FROM THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

As at 31 December loans from the Government of the Republic of Kazakhstan comprised the following:

<i>In millions of tenge</i>	31 December 2016	31 December 2015
Bonds repurchased by the National Bank of the Republic of Kazakhstan using the funds of the National Fund	796,273	727,882
Bonds repurchased by the National Bank of the Republic of Kazakhstan	62,101	61,306
Other loans from the Government	60,037	77,249
Total amounts due to the Government of the Republic of Kazakhstan	918,411	866,437
Less: current portion	(6,231)	(6,722)
Non-current portion	912,180	859,715

2016

Bonds, purchased by the National Bank of the Republic of Kazakhstan using the funds of the National Fund

In May 2016 the Fund issued 0.1% 10-year bonds for the total amount of 97,000 million tenge to finance low interest rate loans to be given to construction companies under “Nurly Zhol” State infrastructure development program through its subsidiary Real Estate Fund.

The fair value of the funds received amounted to 44,681 million tenge at the date of bonds placement. The difference between the nominal value and fair value of the bonds in the amount of 52,319 million tenge was recognised as other liabilities with a long-term portion of 10,787 million tenge and a short-term portion in the amount of 41,532 million tenge. The difference is to be amortised through profit and loss when accounting for the loans to the Real Estate Fund (Note 8).

Other loans received from the Government

In July 2016 the Fund received a loan from the Ministry of Finance of the Republic of Kazakhstan in the amount of 5,500 million tenge with the interest rate of 0.05% and maturity of 30 years with 10 year grace period for repayment of principal. The loan was received for further transfer to KTZh in the amount of 5,500 million tenge. The interest rate on that loan should not exceed 0.075% (Note 8).

The fair value of the loan amounted to 1,493 million tenge at the date of receipt. The difference between the nominal amount of the loan and its fair value in the amount of 4,007 million tenge was recognised as Discount on loans from the Government in the separate statement of changes in equity.

In December 2016 in accordance with the Decree of the Government of the Republic of Kazakhstan and the agreement between the Ministry of Finance of the Republic of Kazakhstan, the Fund and KTZh, the Fund made an early repayment of six loans received from the Government for the purpose of financing renewal of railway carriers of “Passenger Transportations” JSC of 47,833 million tenge with the property of KTZh. The repayment of loans received from the Government was settled by offsetting loans issued to KTZh. The amortization of the discount in the amount of 26,048 million tenge was recognized in the separate statement of changes in equity within Other transactions with the Shareholder (Note 8).

2015

On 15 October 2015 the Fund made a registration of bonds in the amount of 769,500 million tenge with coupon rate of 3% per annum. The bonds were purchased by the National Bank of the Republic of Kazakhstan using the funds of the National Fund. In the period from 20 to 29 October 2015 there was a placement of Fund’s bonds in the amount of 751,631 million tenge. Proceeds from the sale of these bonds were used to finance the acquisition of shares of KMG Kashagan B.V. PLLC.

The fair value of funds received amounted to 432,967 million tenge. The difference between the nominal value and fair value in the amount of 318,664 million tenge was recognized as Discount on loans from the Government in the separate statement of changes in equity.

In July 2015 the Fund received a loan from the Ministry of Finance of the Republic of Kazakhstan in the amount of 8,862 million tenge with an interest rate of 0.05%. The loan was obtained for a period of 30 years with a 10 year grace period on repayment of principal for the purpose of providing KTZh with a loan in the amount of 8,862 million tenge.

The interest rate on this loan should not exceed 0.075%.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

16. LOANS FROM THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN (continued)

2015 (continued)

The fair value of this loan on the date of receiving amounted to 2,408 million tenge. The difference between the nominal value and fair value in the amount of 6,454 million tenge was recognized as Discount on loans from the Government in the separate statement of changes in equity.

17. FINANCIAL GUARANTEE LIABILITIES

As at 31 December the financial guarantee liabilities comprised the following:

<i>In millions of tenge</i>	2016	2015
As at 1 January	32,498	38,825
Guarantees issued during the year	5,371	330
Amortization of financial guarantee liabilities	(3,813)	(6,657)
Effect of changes in foreign currency rates	-	-
As at 31 December	34,056	32,498
Less: current portion	(6,098)	(5,093)
Non-current portion	27,958	27,405

Financial guarantee liabilities include the Fund’s liabilities on guarantees issued to financial institutions for financing activities and significant contracts of its subsidiaries (*Note 6*). Financial guarantees are mainly free-of charge. Total outstanding amount of guarantees as at 31 December 2016 was equal to 2,125 million US dollars, 40,398 million tenge and 2,589 million Russian rubles (2015: 2,256 million US dollars, 14,230 million tenge and 2,589 million Russian rubles, respectively).

18. INTEREST INCOME

Interest income for the years ended 31 December comprised the following:

<i>In millions of tenge</i>	2016	2015
Interest on loans issued	45,326	52,910
Unwinding of discount on loans issued	27,882	17,972
Interest on bonds	11	11
	73,219	70,893

19. INTEREST EXPENSES

Interest expenses for the years ended 31 December comprised the following:

<i>In millions of tenge</i>	2016	2015
Interest on bonds issued	60,888	59,893
Unwinding of discount on financial liabilities	32,595	17,592
Interest on borrowings	17,192	4,631
Loss on discounting of financial assets at initial recognition	5,771	-
Other	581	-
	117,027	82,116

20. DIVIDEND INCOME

<i>In millions of tenge</i>	2016	2015
National Company “KazMunayGas” JSC	53,774	21,225
National Atomic Company “KazAtomProm” JSC	12,031	2,323
“Kazakhstan Electricity Grid Operating Company” JSC	5,834	9,952
“Air Astana” JSC	2,642	-
“Samruk-Energy” JSC	2,041	4,781
National Company “Kazakhstan Temir Zholy” JSC	-	4,560
Other subsidiaries	2,709	2,314
	79,031	45,155

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

21. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended 31 December comprised the following:

<i>In millions of tenge</i>	2016	2015
Sponsorship and charitable donations	15,000	9,221
Consulting (audit) services and information expenses	3,670	4,782
Personnel costs	2,362	2,769
Non-refundable VAT	2,069	900
Taxes, fines and penalties	380	18,571
Other	9,889	6,923
	33,370	43,166

Sponsorship and charitable donations

In 2016 the Fund made target donations in accordance with the Charity program in the total amount of 15 billion tenge. The target charity transfers were provided for financing the number of projects implemented through a single Operator – Corporate Fund “Samruk-Kazyna Trust”.

Other

Other expenses include other administrative expenses, including the compensation to the members of the management body – the Board of Directors in the total amount of 630 million tenge (in 2015: 576 million tenge), members of the International Consulting Board in the total amount of 798 million tenge (in 2015: 565 million tenge), transfers to subordinate organizations to sustain the operating activities in the total amount of 737 million tenge (in 2015: 601 million tenge) and other administrative expenses for maintaining operating activities of the Fund.

22. FINANCE INCOME

Finance income for the year ended 31 December comprised the following:

<i>In millions of tenge</i>	2016	2015
Discount on borrowings	51,870	4,760
Interest on bank deposits	45,359	38,887
Amortisation of discount on financial assets	14,541	12,583
Income from financial guarantees	5,616	7,115
Interest on current bank accounts	–	180
Other	453	801
	117,839	64,326

23. INCOME TAX EXPENSES

Income tax expenses for the years ended 31 December comprised the following:

<i>In millions of tenge</i>	2016	2015
Withholding tax expense	11,510	11,866
Deferred income tax expense	3,340	2,373
Corporate income tax expense	–	–
	14,850	14,239

As at 31 December 2016 the Fund used official current income tax rate of 20% (as at 31 December 2015: 20%).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

23. INCOME TAX EXPENSES (continued)

A reconciliation of income tax expenses applicable to its profit/loss before income tax at the statutory income tax rate to actual income tax expenses was as follows:

<i>In millions of tenge</i>	2016	2015
Profit before income tax	102,000	670,679
Statutory income tax rate	20%	20%
Theoretical income tax expenses	20,400	134,136
Change in unrecognized deferred tax assets	11,047	9,768
Adjustments for previous periods	3,035	2,681
Non-taxable income from dividends	(15,806)	(9,031)
Impairment of loans issued and amounts due from credit institutions	2,888	
Loss from tax penalties	-	3,629
Discounting and amortisation of discount on financial assets and financial liabilities	(9,094)	(3,544)
Charitable donations	3,000	1,779
Income from financial guarantees	(1,238)	(1,332)
Gain from sale of shares	-	(124,344)
Other permanent differences	618	497
Corporate income tax expenses presented in the separate statement of comprehensive income	14,850	14,239

Deferred income tax balances, calculated by applying the statutory tax rates effective at the reporting date to the temporary differences between the tax basis of assets and liabilities and the amounts reported in the separate financial statements, are comprised of the following:

<i>In millions of tenge</i>	2016	2015
Deferred tax assets		
Unrecognized deferred tax assets	34,846	23,799
Provisions on loans issued	-	2,620
Other liabilities	28	738
Less: unrecognized deferred tax assets	(34,846)	(23,799)
Deferred tax assets	28	3,358
Deferred tax liabilities		
Property, plant and equipment	(34)	(24)
Deferred tax liabilities	(34)	(24)
Net deferred tax assets	(6)	3,334

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

24. RELATED PARTY TRANSACTIONS

Related parties include entities of the Fund’s group and other entities controlled by the Government, the Fund’s key management personnel, and other related parties. Related party transactions were made on terms agreed between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs applicable to related and third parties.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**24. RELATED PARTY TRANSACTIONS (continued)**

The following tables provide the total amount of transactions that have been entered into with related parties during 2016 and 2015 and the balances as at 31 December 2016 and 31 December 2015, respectively:

<i>In millions of tenge</i>		Due from related parties	Due to related parties	Cash and deposits placed with related parties
Subsidiaries	31 December 2016	410,573	245,282	–
	31 December 2015	412,796	80,511	–
Associates and joint ventures of subsidiaries	31 December 2016	14,941	–	–
	31 December 2015	14,525	–	–
Other entities controlled by the Government	31 December 2016	268,763	1,072,374	156,423
	31 December 2015	276,500	1,022,629	138,218

<i>In millions of tenge</i>		Dividends income	Purchases from related parties	Sales to related parties
Subsidiaries	2016	79,031	4,389	2,204
	2015	45,155	2,684	149
Associates and joint ventures of subsidiaries	2016	–	–	–
	2015	–	–	–
Other entities controlled by the Government	2016	–	–	–
	2015	–	–	–

<i>In millions of tenge</i>		Interest accrued to related parties	Interest incurred to related parties	Finance income accrued to related parties	Finance expenses incurred to related parties
Subsidiaries	2016	25,053	4,757	52,795	8,074
	2015	24,831	4,759	6,815	–
Associates and joint ventures of subsidiaries	2016	876	–	–	–
	2015	2,028	–	–	–
Other entities controlled by the Government	2016	20,300	79,063	5,014	1,702
	2015	14,114	41,994	4,562	–

The nature of transactions entered into with related parties during 2016 and 2015 is disclosed in the respective notes to the separate financial statements.

Total compensation to key management personnel included in general and administrative expenses in the accompanying separate statement of comprehensive income was equal to 923 million tenge for year ended 31 December 2016 (2015: 885 million tenge). The indicated amount includes the compensation to the members of management personnel, the Management Board, in the total amount of 293 million tenge for year ended 31 December 2016 (2015: 309 million tenge). Compensation to key management personnel consists of salary expenses including taxes, pension contributions and other yearly performance based payments.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund’s principal financial liabilities consist of borrowings from credit institutions and the Government, bonds issued, financial guarantees and other accounts payable. The main purpose of these financial instruments is to raise financing for the Fund’s operations. The Fund’s financial assets comprise loans issued to subsidiaries and credit institutions, bank deposits, other financial assets, other accounts receivable, bonds and government securities acquired, cash and cash equivalents arising directly from its operating activity.

The Fund is exposed to market risk, interest rate risk, credit risk, currency risk and liquidity risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund’s exposure to interest rate risk relates primarily to the Fund’s loans received with floating interest rate (*Note 15*). Sensitivity of the Fund’s profit before income tax to the potential changes in interest rates with all other variables held constant. There is no impact on the Fund’s equity.

<i>In thousands of tenge</i>	Increase/decrease in basis points	Impact on profit before tax
2016		
US dollar	+0.6	(2,967)
	-0.08	396
2015		
US dollar	+0.5	(2,515)
	-0.12	604

Credit risk

Credit risk arising from the inability of parties to meet terms of the Fund’s financial instrument contracts is generally limited to the amounts, if any, by which the counterparties’ obligations exceed the obligations of the Fund to those parties.

It is the Fund’s policy to enter into financial instruments with a number of creditworthy parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The Fund considers that its maximum exposure is reflected by the amount of loans issued (*Note 8*), amount due from credit institutions (*Note 9*), other financial assets (*Note 10*), other current assets (*Note 12*), and cash and cash equivalents (*Note 13*), net of allowances for impairment recognized at the reporting date.

Concentration of credit risk may arise from exposure to a single debtor or to groups of debtors having similar characteristics such that their ability to meet their obligations is expected to be affected by changes in economic or other conditions.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may arise as a result of inability to sell a financial asset quickly at cost close to its fair value.

Liquidity requirements are monitored on a regular basis and management of the Fund ensures that sufficient funds are available to meet any commitments as they arise.

The table below summarizes the maturity profile of the Fund’s financial liabilities at 31 December 2016 and 2015 based on contractual undiscounted payments.

<i>In millions of tenge</i>	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	>5 years	Total
As at 31 December 2016						
Borrowings	4,440	7,313	97,732	987,731	330,642	1,427,858
Loans from the Government of the Republic of Kazakhstan	13	24	35,640	189,319	2,827,145	3,052,141
Total	4,453	7,337	133,372	1,177,050	3,157,787	4,479,999

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

<i>In millions of tenge</i>	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	>5 years	Total
As at 31 December 2015						
Borrowings	4,440	10,958	59,411	997,105	335,093	1,407,007
Loans from the Government of the Republic of Kazakhstan	13	24	36,168	166,616	2,831,991	3,034,812
Total	4,453	10,982	95,579	1,163,721	3,167,084	4,441,819

Currency risk

Except for current accounts with banks in foreign currency, the Fund attracts substantial amount of foreign currency denominated long-term loans and borrowings and is thus exposed to currency risk.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currencies' exchange rate, with all other variables held constant, of the Fund's profit/(loss) before income tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Fund's equity.

<i>In millions of tenge</i>	Increase/ (decrease) in currency rate	Effect on loss/profit before income tax
2016		
Euro	15.00% (15.00%)	402 (402)
US dollar	13.00% (13.00%)	(37,359) 37,359
2015		
Euro	60.00% (20.00%)	1,653 (551)
US dollar	60.00% (20.00%)	(182,276) 60,759

Capital management

The primary objective of the Fund's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize value of parties concerned. The Fund manages its capital structure and makes adjustments to structure and volume in light of changes in economic conditions. To maintain optimal structure of the capital, the Fund may issue new shares or attract borrowings.

The Fund performs capital management through attracting financial resources at optimally advantageous conditions for further financing of its activity and to invest it for achieving strategic tasks assigned to the Fund. The process of capital management also includes regular monitoring of current conditions at the capital market, of cost of borrowed funds and risks related to the each class of capital.

The Fund has established the debt to equity ratio which should not exceed a ratio of 4:1. This coefficient was satisfied during the reporting period and as at the reporting date. According to the Fund's Policy of debt management the cost of borrowed funds include fair value of obligations incurred due to receiving loans, issuing securities, financial leases, acquisition or sale of derivative financial instruments and deferred payables for non-current financial assets in accordance with IFRS, and nominal amounts of guaranteed principal of liabilities due to legal entities.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

Debt to equity ratio is presented as follows as at 31 December:

<i>In millions of tenge</i>	2016	2015
Share capital	5,058,658	4,916,269
Reserves	4,018	5,131
Accumulated loss	205,360	164,673
Total equity	5,268,036	5,086,073
Total borrowings	2,770,926	2,551,938
Total assets	7,349,837	6,929,328
Debt to equity ratio	0.5	0.5

Fair value hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted market prices in active markets (unadjusted) for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable in the market, either directly or indirectly.
- Level 3: techniques in which inputs used which have a significant effect on the recorded fair value that is not based on observable market data.

A comparison of all of the Fund’s financial instruments by category of carrying amounts and fair values (presented at fair value in the separate balance sheet) is set out below:

<i>In millions of tenge</i>	31 December 2016	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets available-for-sale (Note 10)	25,431	25,431	-	-
	31 December 2015	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets available-for-sale (Note 10)	27,368	27,368	-	-

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value of financial instruments

The carrying (current) amount of the financial instruments of the Fund as at 31 December 2016 and 2015 is a reasonable estimate of their fair value except for the financial instruments presented below:

<i>In millions of tenge</i>	Carrying amount	Fair value	2016		
			Fair value by level of assessment		
			Quotations in an active market (Level 1)	From the observed market (Level 2)	Based on the significant amount of unobserved (Level 3)
Financial assets					
Amounts due from credit institutions	624,051	608,983	-	608,983	-
Loans with fixed interest rate (Note 8)	600,509	553,524	-	553,524	-
Other non-current assets (Note 11)	94,125	92,174	-	-	92,174
Financial liabilities					
Borrowings with fixed interest rate/bonds issued (Note 15)	592,642	571,050	-	571,050	-
Loans from the Government of the Republic of Kazakhstan (Note 16)	918,411	729,061	-	729,061	-
Financial guarantee liabilities (Note 17)	34,056	42,780	-	42,780	-

<i>In millions of tenge</i>	Carrying amount	Fair value	2015		
			Fair value by level of assessment		
			Quotations in an active market (Level 1)	From the observed market (Level 2)	Based on the significant amount of unobserved (Level 3)
Financial assets					
Amounts due from credit institutions	615,878	596,292	-	596,292	-
Loans with fixed interest rate (Note 8)	589,890	557,995	-	557,995	-
Other non-current assets (Note 11)	84,184	82,150	-	-	82,150
Financial liabilities					
Borrowings with fixed interest rate/bonds issued (Note 15)	428,334	421,783	-	421,783	-
Loans from the Government of the Republic of Kazakhstan (Note 16)	866,437	849,567	-	849,567	-
Financial guarantee liabilities (Note 17)	32,498	92,499	-	92,499	-

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

26. FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES**Taxation**

Kazakhstan’s tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan’s tax laws are severe. Due to uncertainties associated with Kazakhstan’s tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at December 31, 2016.

As at December 31, 2016, Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Fund’s tax positions will be sustained, except as provided for or otherwise disclosed in these separate financial statements.

Commitments on secondary use of anti-crisis funds

In accordance with the decision of the State commission on economy modernization issues of the Republic of Kazakhstan dated 5 April 2012, dated 30 January 2013 and dated 7 October 2013 the Fund has commitment to finance certain remaining investment projects in the total amount of 31,514 million tenge.

As at 31 December 2016 Fund’s commitments included commitments to finance investment projects in the amount of 9,080 million tenge and commitments to finance the program “Affordable housing – 2020” in the amount of 22,434 million tenge.

Commitments under investment projects using the funds from Republican budget

As at 31 December 2016 Fund’s commitments on implementation of investment projects using funds from the Republican budget were equal to 2,030 million tenge (as at 31 December 2015: 2,030 million tenge).

25. SUBSEQUENT EVENTS**Loans issued**

In 2017, in accordance with corporate decision of the Fund, from 1 January 2017 the interest-free loan provided to “Qazaq Air” JSC was converted into loan agreement of 13,304 million tenge with maturity on 31 December 2017 and interest rate of 5.5%.

In accordance with the terms of the agreement and subject to approval, the financial aid can be converted into shares.

On 17 January 2017 “Kazakhstan Petrochemical Industries Inc.” LLP made early repayment of loan in the amount of 7,500 million tenge.

Financial guarantee liabilities

On 13 February 2017 a guarantee agreement was signed between the Fund and China Development Bank (CDB) in respect of the loan of “Kazakhstan Petrochemical Industries Inc.” LLP due to CDB under loan agreement. The amount of loan equals 2 billion US dollars with interest rate of 5.8% and maturity of 20 years.