

“Sovereign Wealth Fund “Samruk-Kazyna” JSC

Separate financial statements

*For the year ended December 31, 2018,
with independent auditor’s report*

CONTENTS

Independent auditor’s report

Separate financial statements

Separate balance sheet 1
Separate statement of comprehensive income 2
Separate statement of cash flows 3-4
Separate statement of changes in equity 5
Notes to the separate financial statements 6-49



«Эрнст энд Янг» ЖШС
Әл-Фараби д-лы, 77/7
«Есентай Тауэр» ғимараты
Алматы қ., 050060
Қазақстан Республикасы
Тел.: +7 727 258 5960
Факс: +7 727 258 5961
www.ey.com

ТОО «Эрнст энд Янг»
пр. Аль-Фараби, 77/7
здание «Есентай Тауэр»
г. Алматы, 050060
Республика Казахстан
Тел.: +7 727 258 5960
Факс: +7 727 258 5961

Ernst & Young LLP
Al-Farabi ave., 77/7
Esentai Tower
Almaty, 050060
Republic of Kazakhstan
Tel.: +7 727 258 5960
Fax: +7 727 258 5961

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 (hereinafter - the Fund), which comprise the separate balance sheet as at 31 December 2018, 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 separate financial position of the Fund as at 31 December 2018 and its separate financial performance and its separate 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 (hereinafter - 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* (hereinafter - 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 the matter below, our description of how our audit addressed this 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 this matter. 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 matter below, provide the basis for our audit opinion on the accompanying separate financial statements.

Key audit matters

How our audit addressed the key audit matters

Compliance with loan covenants

In accordance with the terms of the loan agreement, the Fund should maintain and comply with certain financial and non-financial covenants.

Due to fact that compliance with covenants is largely based on management assessment and estimates and since non-compliance may result in the loans becoming payable on demand we consider compliance with covenants requirements as one of the key audit matters.

Information on compliance with covenants is disclosed in Note 17 to the separate financial statements.

We examined the terms of the loan covenants. We compared data used in the calculations with the financial statements. We assessed arithmetic accuracy of financial covenants calculations. In addition, we analysed non-financial covenants, such as limitations on disposals and acquisitions, retaining control over assets and absence of insolvency proceedings.

We analysed communication with creditors in respect of compliance with financial and non-financial covenants as at 31 December 2018.

We also assessed the information disclosed in the financial statements.

Other information included in the Fund's 2018 Annual Report

Other information consists of the information included in the Fund's 2018 Annual Report other than the separate financial statements and our auditor's report thereon. Management is responsible for the other information. The Fund's 2018 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

050060, Republic of Kazakhstan, Almaty
Al-Farabi ave., 77/7

4 April 2019



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

For the year ended December 31, 2018

<i>In millions of tenge</i>	Notes	2018	2017
Assets			
Non-current assets			
Property, plant and equipment	5	10,294	266
Investment property	5	8,738	-
Intangible assets	6	2,270	16,675
Investments in subsidiaries	7	4,173,192	4,152,759
Investments in joint venture	8	1,538,636	1,494,941
Loans issued	9	388,420	383,417
Amounts due from credit institutions	10	300,954	439,120
Other non-current financial assets	11	1,101	1,164
Other non-current assets	12	25,547	31,134
		6,449,152	6,519,476
Current assets			
Income tax prepaid		3,954	4,969
Loans issued	9	246,655	215,626
Amounts due from credit institutions	10	80,987	178,425
Other current assets	13	78,875	52,108
Cash and cash equivalents	14	357,602	354,577
		768,073	805,705
Assets classified as held for sale	15	17,986	18,455
Total assets		7,235,211	7,343,636
Equity and liabilities			
Equity			
Share capital	16	5,133,766	5,133,476
Revaluation reserve of investments at fair value through other comprehensive income		(1,423)	(1,498)
Retained earnings		482,936	274,055
Total equity		5,615,279	5,406,033
Non-current liabilities			
Borrowings	17	814,451	577,375
Loans from the Government of the Republic of Kazakhstan	18	630,433	776,141
Financial guarantee liabilities	20	29,290	33,443
Deferred tax liability	27	263	238
Other non-current liabilities	19	10,734	7,553
		1,485,171	1,394,750
Current liabilities			
Borrowings	17	8,774	507,892
Loans from the Government of the Republic of Kazakhstan	18	22,973	5,907
Financial guarantee liabilities	20	7,592	7,461
Other current liabilities	19	95,422	21,593
		134,761	542,853
Total liabilities		1,619,932	1,937,603
Total equity and liabilities		7,235,211	7,343,636

Managing Director for Economy and Finance – member of the Management Board


 Beibit Karymsakov


 Almaz Abdrahmanova



Chief accountant

The accounting policies and notes on pages 6 to 49 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2018

<i>In millions of tenge</i>	Notes	2018	2017
Interest income	21	69,755	220,137
Interest expense	22	(124,531)	(184,577)
Dividend income	23	299,793	138,970
Gross profit		245,017	174,530
General and administrative expenses	24	(23,684)	(34,103)
Finance income	25	131,439	66,192
Finance expenses	26	(30,008)	(29,553)
Gain on disposal of subsidiaries' share	7	140,023	-
Reversal of impairment on expected credit loss, net		1,054	-
Loss on impairment of financial and other current assets, net		-	(12,686)
Loss on impairment and sale of securities		-	(12,828)
Foreign exchange (loss)/income, net		(875)	1,483
Other (loss)/income, net		(65,611)	2,610
Profit before income tax		397,355	155,645
Income tax expenses	27	(5,722)	(9,948)
Net profit for the year		391,633	145,697
Other comprehensive loss on for the year, net of tax			
Revaluation of financial assets available-for-sale		-	(12,175)
Net change in fair value of debt instruments measured at fair value through other comprehensive income		(246)	-
Realized loss on available-for-sale investments		-	6,659
Other comprehensive loss to be reclassified to profit or loss in subsequent periods, net of income tax		(246)	(5,516)
Total comprehensive income for the year, net of tax		391,387	140,181

Managing Director for Economy and Finance – member of the Management Board

Beibit Karymsakov

Beibit Karymsakov

Chief accountant



Almaz Abdрахmanova

Almaz Abdрахmanova

SEPARATE STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

<i>In millions of tenge</i>	Notes	2018	2017
Cash flows from operating activities			
Dividend received	23	296,194	138,969
Loans received	17	52,293	47,020
Repayment of loans issued	9	304,078	97,168
Redemption of amounts due from credit institutions, net		46,465	254,702
Receipt from issued bonds		–	25,000
Redemption of financial assets		–	5,985
Other cash receipts		2,298	2,059
Redemption of issued bonds purchased by National bank	18	(123,604)	(239,771)
Repayment of loans received	17	(81,000)	(74,995)
Redemption of loans received from the Government		(1,011)	–
Loans given to subsidiaries	9	(146,271)	(29,779)
Loans given to third-party organizations	9	(5,328)	–
Acquisition of bonds issued by third-party organizations and related parties	9	(110,299)	(21,000)
Acquisition of bonds issued by credit institutions	10	(38,487)	–
Acquisition of bonds issued by subsidiaries		–	(25,000)
Payments to suppliers		(10,413)	(10,370)
Payroll payments		(3,593)	(4,199)
Sponsorship	24	(5,559)	(15,000)
Withholding income tax	27	(5,697)	(9,716)
Other taxes and payments		(7,753)	(4,442)
Interest received		58,584	77,886
Interest paid		(68,061)	(74,255)
Net cash flows received from operating activities		152,836	140,162
Cash flows from investing activities			
Withdrawal of bank deposits, net		197,591	23,203
Contributions to subsidiaries and joint venture	7	(66,154)	(107,899)
Proceeds of receivables from sale of BTA	13	5,000	51,211
Sales revenue from disposal of assets held for sale	15	182	–
Purchase of property, plant and equipment	5	(20,850)	(76)
Purchase of intangible assets		(406)	(7,378)
Purchase of subsidiaries and joint ventures	7	(17,942)	–
Purchase of debt instruments, issued by subsidiaries	9	(120,000)	–
Net cash flows used in investing activities		(22,579)	(40,939)

SEPARATE STATEMENT OF CASH FLOWS (continued)

<i>In millions of tenge</i>	Notes	2018	2017
Cash flows from financing activities			
Contributions to the share capital		–	74,552
Distributions to the Shareholder	19	(47,616)	(44,094)
Dividends paid to the Shareholder	16	(12,732)	(11,899)
Loans received	17	20,580	–
Repayment of loans received	17	(307,348)	–
Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control	7	160,423	–
Issued bonds received	17	74,748	–
Redemption of issued bonds	18	(38,057)	–
Net cash flows (used in) / received from financing activities		(150,002)	18,559
Net (decrease)/increase in cash and cash equivalents		(19,745)	117,782
Net foreign exchange difference		22,770	249
Cash and cash equivalents, at the beginning of the period		354,577	236,546
Cash and cash equivalents, at the end of the period		357,602	354,577

Managing Director for Economy and Finance – member of the Management Board



Beibit Karymsakov

Chief accountant



Almaz Abdrakhmanova

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2018

<i>In millions of tenge</i>	Notes	Share capital	Revaluation reserve of investments at fair value through other comprehensive income	Retained earnings / (accumulated loss)	Total
Balance as at December 31, 2016		5,058,658	4,018	205,360	5,268,036
Net profit for the year		-	-	145,697	145,697
Other comprehensive loss		-	(5,516)	-	(5,516)
Total comprehensive income for the year		-	(5,516)	145,697	140,181
Issue of shares	16	74,818	-	-	74,818
Other transactions with the Shareholder		-	-	(10,684)	(10,684)
Dividends	16	-	-	(11,899)	(11,899)
Other distributions to the Shareholder	16	-	-	(54,419)	(54,419)
Balance as at December 31, 2017		5,133,476	(1,498)	274,055	5,406,033
Effect of IFRS 9 adoption	2	-	321	(39,872)	(39,551)
Balance as at January 1, 2018 (adjusted)		5,133,476	(1,177)	234,183	5,366,482
Net profit for the year		-	-	391,633	391,633
Other comprehensive loss		-	(246)	-	(246)
Total comprehensive income for the year		-	(246)	391,633	391,387
Issue of shares	16	290	-	-	290
Discount on loans from the Government	16	-	-	(10,477)	(10,477)
Other transactions with the Shareholder	16	-	-	(31,340)	(31,340)
Dividends	16	-	-	(12,732)	(12,732)
Other distributions to the Shareholder	16	-	-	(88,331)	(88,331)
Balance as at December 31, 2018		5,133,766	(1,423)	482,936	5,615,279

Managing Director for Economy and Finance – member of the Management Board



Beibit Karymsakov

Chief accountant

Almaz Abdrakhmanova

The accounting policies and notes on pages 6 to 49 are an integral part of these separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**For the year ended December 31, 2018**

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 7 and 8*.

The administrative address of the Fund: the Republic of Kazakhstan, Nur-Sultan, E-10 Street, 17/10.

These separate financial statements were authorized for issue by the Managing Director for Economy and Finance – member of the Management Board and Chief accountant of the Fund on 4 April 2019.

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 Managing Director for Economy and Finance - member of the Management Board and Chief accountant of the Fund on 4 April 2019.

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 December 31, 2018 the currency exchange rate of KASE was 384.2 tenge to 1 US dollar. This rate was used to translate monetary assets and liabilities denominated in US dollars as at December 31, 2018 (as at December 31, 2017: 332.33 tenge to 1 US dollar). The currency exchange rate of KASE as at 4 April 2019 was 378.29 tenge to 1 US dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**New standards, interpretations and amendments adopted by the Fund**

The Fund applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2018. The nature and the impact of each amendment is described below:

The Fund applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed separate financial statements of the Fund.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue and Related Interpretations* and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. However, the standard does not apply to revenue associated with financial instruments and leases, and therefore, does not impact the majority of the Group’s revenue including interest income, gains/(losses) on operations with securities, lease income which covered by IFRS 9 *Financial Instruments* and IAS 17 *Leases*.

The adoption of IFRS 15 did not have a significant impact on the condensed financial statements of the Fund.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Company applied retrospectively, the Company has applied IFRS 9 retrospectively, with the initial application date of January 1, 2018.

The Fund did not recalculate comparative information for the annual period beginning on January 1, 2017, and recognized the adjustment of the balance of retained earnings as of January 1, 2018, as disclosed below.

(a) Classification and measurement

Under IFRS 9, the Group initially evaluate financial assets at fair value increased in the case of financial assets that are not measured at fair value through profit or loss for the amount of transaction costs.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**New standards, interpretations and amendments adopted by the Fund (continued)***IFRS 9 Financial Instruments (continued)**(a) Classification and measurement (continued)*

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Fund’s business model for managing the assets; and whether the instruments’ contractual cash flows represent ‘solely payments of principal and interest’ on the principal amount outstanding.

The new classification and measurement of the Fund’s debt financial assets in accordance with new requirements are, as follows:

- *Debt instruments at amortized cost* for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flow that meet the criterion of solely payments of principal and interest. This category includes the Fund’s trade and other receivables, loans due from related parties and amounts due from credit institutions.
- *Debt instruments at FVOCI* for financial assets that are held within a business model whose objective order to collect contractual cash flows that meet the criterion of solely payments of principal and interest and selling financial assets. This category includes debt securities included in other financial assets. Under IAS 39, the Fund’s quoted debt instruments were classified as available for sale (AFS) financial assets.
- *Debt instruments at FVPL*. The Fund does not have financial assets accounted at FVPL.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Fund’s accounting for impairment losses for financial assets by replacing IAS 39’s incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Fund to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are calculated as a difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive. The shortfall is then discounted at an approximation to the asset’s original effective interest rate

For trade and other receivables, the Fund has applied the standard’s simplified approach and has calculated ECLs based on lifetime expected credit losses. The Fund has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors, which are specific to the debtors and the economic environment.

For other debt financial assets (i.e., loans issued and bank deposits), the ECL is calculated for the 12-month period. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Fund considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Fund may also consider a financial asset to be in default when internal or external information indicates that the Fund is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Fund.

The adoption of the ECL requirements of IFRS 9 resulted in increase in impairment allowances of the Fund’s debt financial assets. As a result of this increase, the Fund adjusted the balance of retained earnings and non-controlling interest as at January 1, 2018 in this separate statement of changes in equity for ECL for financial assets at amortized cost.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****New standards, interpretations and amendments adopted by the Fund (continued)***IFRS 9 Financial instruments (continued)**(b) Impairment (continued)*

Impact on the separate balance sheet as at January 1, 2018, is as follows:

<i>In millions of tenge</i>	December 31, 2017 (audited)	Effect of IFRS 9 adoption	1 January 2018 (audited)
Assets			
Non-current assets			
Loans issued	383,417	(7,057)	376,360
Amounts due from credit institutions	439,120	(12,475)	426,645
Other non-current assets	31,134	(5)	31,129
Current assets			
Loans issued	215,626	(16,322)	199,304
Amounts due from credit institutions	178,425	(1,642)	176,783
Other current assets	52,108	(2,016)	50,092
Cash and cash equivalents	354,577	(34)	354,543
Equity and liabilities			
Equity			
Revaluation reserve of investments at fair value through other comprehensive income	(1,498)	321	(1,177)
Retained earnings	274,055	(39,872)	234,183

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Fund’s separate financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Fund’s separate financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Fund’s accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Fund has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Fund’s separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**New standards, interpretations and amendments adopted by the Fund (continued)***Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 *Insurance Contracts*, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Fund.

Amendments to IAS 28 Investments in Associates and Joint Ventures – clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. This election is made separately for each investment at initial recognition. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Fund's separate financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Fund's separate financial statements.

Standards that have been issued but not yet effective*IFRS 16 Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Fund has performed a detailed assessment of IFRS 16 impact and does not expect a significant impact on its separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Standards that have been issued but not yet effective (continued)***IFRS 17 Insurance Contracts*

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a new comprehensive standard for financial reporting for insurance contracts that addresses the recognition and measurement, presentation and disclosure of information. When IFRS 17 enters into force, it will replace IFRS 4 *Insurance Contracts*, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (that is, life insurance and insurance other than life insurance, direct insurance and reinsurance), regardless of the type of organization that issues them, as well as certain guarantees and financial instruments with conditions discretionary participation. There are several exceptions to the scope of application.

The main purpose of IFRS 17 is to provide a model for accounting for insurance contracts, which is more efficient and consistent for insurers. Unlike IFRS 4, which is mainly based on previous local accounting policies, IFRS 17 provides a comprehensive model for accounting for insurance contracts, covering all relevant aspects of accounting.

IFRS 17 is based on a general model, supplemented by the following:

- Certain modifications for insurance contracts with direct participation in investment income (variable compensation method);
- Simplified approach (award-based approach) mainly for short-term contracts.

IFRS 17 becomes effective for accounting periods beginning on or after January 1, 2021, and comparative information is required. Earlier application is permitted provided that the organization also applies IFRS 9 and IFRS 15 at the date of the first application of IFRS 17 or before it. This standard is not applicable to the Fund.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an organization should transfer real estate objects, including real estate in the process of construction or development, into a category or from the category of investment real estate. The amendments state that a change in the nature of use occurs when a property starts or ceases to comply with the definition of investment property and there is evidence of a change in the nature of its use. The change in management’s intentions regarding the use of the property itself does not indicate a change in the nature of its use. Organizations should apply these amendments prospectively for changes in the nature of use that occur at the commencement date of the annual reporting period in which the organization applies the amendments for the first time, or after that date. The organization shall re-analyze the classification of the real estate held at that date and, if applicable, effect the transfer of the property to reflect the conditions that exist on that date. Retrospective application is permitted in accordance with IAS 8, but only if possible without the use of more recent information. The amendments become effective for annual periods beginning on or after 1 January 2018. Early application is permitted subject to disclosure.

Considering the fact that the Fund acquired its own building in 2018, the Fund estimates the impact of this standard and, by taking into account the intentions of the Management, classifies the part of the building as an investment property in the amount of KZT 8,738 million.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

The Interpretation specifically addresses the following:

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Standards that have been issued but not yet effective (continued)***IFRIC Interpretation 23 Uncertainty over Income Tax Treatment (continued)*

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Fund will apply the interpretation from its effective date. Since the Fund operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements. In addition, the Fund may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the separate financial statements of the Fund.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors’ interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Fund will apply these amendments when they become effective.

Amendments to IAS 28: Long-term interests in associates and joint ventures

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

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

The amendments should be applied retrospectively and are effective on or after 1 January 2019. Earlier application permitted. These amendments have no impact on the separate financial statements of the Fund.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

IFRS 3 Business Combinations

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

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application permitted. These amendments will apply on future business combinations of the Fund.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Standards that have been issued but not yet effective (continued)***Annual Improvements 2015-2017 Cycle (issued in December 2017) (continued)**IFRS 11 Joint Arrangements*

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

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Fund but may apply to future transactions.

IAS 12 Income Taxes

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

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Fund’s separate financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after:

- (i) The beginning of the reporting period in which the entity first applies the interpretation
- (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Fund’s current practice is in line with the Interpretation, the Fund does not expect any effect on its separate financial statements.

Investment in subsidiaries, joint ventures and associates

Investments of the Fund in its subsidiaries, joint ventures and associates is initially recognized at cost less impairment. An associate – is an entity over which the Fund has significant influence, but is not the subsidiary, nor joint venture.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

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

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.

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*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Fund has applied the practical expedient, the Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

For purposes of subsequent measurement financial assets are classified in two categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

This is the category most relevant to the Fund. The Fund measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial assets (continued)*****Initial recognition and measurement (continued)******Financial assets at amortized cost (debt instruments) (continued)***

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Fund’s financial assets at amortized cost includes trade and other receivables, as well as loans issued, and loans provided to related parties and amounts due from credit institutions.

Financial assets at fair value through profit or loss

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets measured at fair value through profit or loss are carried in the separate statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized from the statement of financial position where:

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

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, wherein it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognize the transferred asset to the extent of the Fund’s continuing involvement. 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.

Impairment of financial assets

The Fund recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

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

For trade receivables and contract assets, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Fund has established a provision matrix that is based on its historical credit loss experience and forward looking factors specific to the economic environment.

The Fund considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Fund may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Fund. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Available-for-sale financial investments

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 extended 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”)

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Cash and cash equivalents**

Cash and cash equivalents are defined as cash on hand, demand deposits, short-term and highly liquid investments with original maturity of not more than 3 (three) months readily convertible to known amounts of cash and subject to insignificant risk of change in value.

Financial liabilities***Initial recognition and measurement***

Financial liabilities within the scope of IFRS 9 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

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

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.

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 Fund as a result of such transaction are reflected directly in equity as either a contribution or withdrawal of equity by the Shareholder.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Government grants (continued)**

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. When 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.

Expense recognition

Expenses are recognized as incurred and are reported in the consolidated statement of comprehensive income in the period to which they relate on the accrual basis.

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 utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period when the asset is realized 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. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess or deficiency of the fair value of consideration received over the par value of shares issued is recognized as an increase or decrease in the retained earnings.

Dividends

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Accounting policy until January 1, 2018*****Financial assets******Initial recognition and measurement***

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 investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company classifies its financial assets upon their initial recognition.

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

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 that the Company 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 and receivables

Amounts due from credit institutions, loans and 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 subsequently measured at amortized cost using the effective interest rate method (EIR), 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 finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Accounting policy until January 1, 2018 (continued)*****Financial assets (continued)******Derecognition***

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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

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.

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 34,447 million tenge as at December 31, 2018 (as at December 31, 2017: 18,991 million tenge) (*Note 27*).

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 2018, the Fund did not recognize any impairment of investments in subsidiaries.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**Estimation of expected credit losses**

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Fund’s ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Fund’s credit grading model, which assigns PDs to the individual grades;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as oil price with one year lag, and the effect on PDs, EADs and LGDs.

5. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY**Purchase of building**

On December 7, 2018 the Fund acquired administrative building Green Quarter, with a carrying value of 18,171 million tenge located on E-10 street, 17/10, with the total area of 32,706.8 square meters. The building represents a property occupied by the Fund for use in the ordinary business activities and property, which in the future is planned to be provided to subsidiaries for rent under operating lease agreements. The Fund classified leased areas as an investment property in the amount of 8,738 million tenge.

6. INTANGIBLE ASSETS

In 2015, in order to automate the business processes of the Group, the Fund entered into long-term agreement with “SAP Kazakhstan” LLP on the acquisition of perpetual rights to use and provide SAP software maintenance services (hereinafter – “Agreement”). The Fund in 2017 entered into trust management agreement with its subsidiary “Samruk-Kazyna Business-Service” LLP, which distributes licenses to the portfolio companies of the Fund. In accordance with long-term contracts for granting the rights to use software for lease to subsidiaries and on the basis of acts granting rights to use SAP software as of December 31, 2018 the Fund recognized a partial disposal of intangible assets for 3,700 million tenge and re-classified SAP licenses from intangible assets to other current and non-current assets for 12,204 million tenge (*Note 12*).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

7. 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	Ownership	
			December 31, 2018	December 31, 2017
"National Company "Kazakhstan Temir Zholy" JSC	Cargo and passengers railway transportation	Kazakhstan	1,449,825	1,449,535
"National Company "KazMunayGas" JSC	Oil and gas industry	Kazakhstan	1,187,621	1,187,541
"Samruk-Energy" JSC	Production and transportation of heat and electricity	Kazakhstan	452,608	452,608
"United Chemical Company" LLP	Development of chemical industry of RK	Kazakhstan	311,246	274,119
"National Mining Company "Tau-Ken Samruk" JSC	Development of mining industry of RK	Kazakhstan	293,135	293,135
"National Atomic Company "KazAtomProm" JSC	Uranium production	Kazakhstan	125,489	147,634
"Kazakhstan Electricity Grid Operating Company" ("KEGOC") JSC	Electricity transmission	Kazakhstan	120,648	120,648
"Kazakhtelecom" JSC	Fixed line telecommunication	Kazakhstan	93,212	93,212
"Kazpost" JSC	Postal and financial services	Kazakhstan	38,183	38,183
"Samruk-Kazyna Construction" JSC (former – "Real Estate Fund "Samruk-Kazyna" JSC)	Stabilization of real estate market	Kazakhstan	31,849	31,849
"Samruk-Kazyna Invest" LLP	Professional services on investment projects	Kazakhstan	23,388	23,088
"MAEK-KazAtomProm" LLP	Production of electricity and heat, drinking and industrial water	Kazakhstan	18,287	–
"Samruk-Kazyna Contract" LLP	Project management	Kazakhstan	8,585	21
"Air Astana" JSC	Passengers air transportation	Kazakhstan	7,276	7,276
"International Airport Aktobe" JSC	Airport services	Kazakhstan	6,029	6,029
"Samruk-Kazyna Business Service" LLP (former "Samruk-Kazyna Finance" LLP)	Implementation of transformation	Kazakhstan	2,055	1,219
"Airport Pavlodar" JSC	Airport services	Kazakhstan	1,454	1,454
"International Airport Atyrau" JSC	Airport services	Kazakhstan	1,196	1,196
"Kazakhstan atomic electricity stations" JSC	Realization the construction projects of nuclear power plants	Kazakhstan	689	–
"Qazaq Air" JSC	Passengers air transportation	Kazakhstan	256	120
"KOREM" JSC	Operator of electricity market	Kazakhstan	161	161
"National Company "Kazakhstan Engineering" JSC	Mechanical and defense engineering	Kazakhstan	–	23,595
"Aviation company "Air Kazakhstan" JSC	Passengers air transportation	Kazakhstan	–	136
			4,173,192	4,152,759

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN SUBSIDIARIES (continued)**Changes in investments in subsidiaries***“National Company “Kazakhstan Temir Zholy” JSC (“KTZh”)*

On 29 December 2018 the Fund made contribution to the share capital of KTZh in the amount of 290 million tenge in the form of property contribution (Note 16).

“United Chemical Company” LLP (“UCC”)

In 2018 the Fund made contributions to the share capital of UCC in the amount of 16,561 million tenge. Contributions were made in cash 16,535 million tenge, including 5,940 million tenge received from National Fund and 26 million tenge related to recognition of an issued guarantee.

On 14 June 2018 the Fund provided a loan to UCC in the amount of 56,700 million tenge with an interest rate below market rate, the discount in the amount of 20,566 million tenge calculated as the difference between fair value at the date of loan issue and its nominal value, was recognized as an increase in investments (Note 9).

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

As part of the implementation of Comprehensive privatization plan for the years 2016-2020, the Fund placed 15% of KazAtomProm shares by IPO on the Kazakhstan AIFC Exchange, as well as the London Stock Exchange. As a result, the total income from sale of shares equaled 167,267 million tenge. As a result of this transaction, the Fund recognized a disposal of investment in a subsidiary in the amount of 22,145 million tenge, income on disposal of the share in a subsidiary of 140,023 million tenge in the separate comprehensive income statement.

“MAEK-KazAtomProm” LLC

On 3 July 2018, the Fund acquired a 100% share in the charter capital of “MAEK-KazAtomProm” LLP from the KazAtomProm for the total amount of 17,853 million tenge in cash.

On 11 December 2018 the Fund made a contribution to the share capital of “MAEK-KazAtomProm” in the amount of 434 million tenge in cash.

“Samruk-Kazyna Contract” LLP

On 28 December 2018 the Fund made a contribution to the share capital of “Samruk-Kazyna Contract” LLP in the amount of 8,564 million tenge, including 7,300 million tenge in cash and 1,264 million tenge by converting receivables to investments.

“Samruk-Kazyna Business Service” LLP

In 2018 the Fund made a contribution to the share capital of “Samruk-Kazyna Business Service” LLP of 836 million tenge in cash.

“Qazaq Air” JSC

In July 2018, in accordance with the terms of the trust management agreement control over stock management of “Aviation company “Air Kazakhstan” JSC was transferred to the “Qazaq Air” JSC.

“Kazakhstani Atomic Electrical Stations” JSC (“KAES”)

On 29 June 2018 in accordance with the purchase and sale agreement dated 25 June 2018 the Fund purchased a 100% share of KAES from the NAC KAP for the total amount of 89 million tenge in cash.

On 30 October 2018 the Fund made a contribution to the share capital of KAES of 600 million tenge in cash.

National Company “Kazakhstan Engineering” JSC

In accordance with the Resolution of the Government of the Republic of Kazakhstan dated 3 July 2018, on 16 July 2018 the Fund transferred 100% shares of “National Company Kazakhstan Engineering” JSC to the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan.

Registration on the disposal of shares was carried out on 19 July 2018. Disposal of subsidiary in the amount of 23,595 million tenge was recognized as distribution to the Shareholder (Note 16).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

8. INVESTMENTS IN JOINT VENTURE

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

<i>In millions of tenge</i>	December 31, 2018	December 31, 2017
“KMG Kashagan B.V.” PLLC	1,494,941	1,494,941
“Astana Gas KMG” JSC	43,695	–
	1,538,636	1,494,941

Activities of joint venture, country of residence and the Fund’s share in these companies as of December 31, is presented as follows:

Company	Activity	Country	Ownership	
			December 31, 2018	December 31, 2017
“KMG Kashagan B.V.” PLLC	Oil and gas industry	Netherlands	50.00%	50.00%
“Astana Gas KMG” JSC	Gas transportation	Kazakhstan	50.00%	–

On 18 June 2018, in accordance with the purchase and sale agreement dated 7 June 2018 the Fund acquired 50% shares of “AstanaGasKMG” JSC from the “KazTransGas” JSC for 120.5 thousand tenge. “AstanaGazKMG” JSC is the project company that will implement the project of construction of “Saryarka” main gas pipeline along the route “Kyzylorda-Zhezkazgan-Karaganda-Temirtau-Astana”.

On 30 October 2018 the Fund made contribution to the share capital of “AstanaGasKMG” JSC in the amount of 40,150 million tenge in cash and 3,545 million tenge by recognition of an issued guarantee.

9. LOANS ISSUED

As at December 31 loans issued comprised the following:

<i>In millions of tenge</i>	December 31, 2018	December 31, 2017
Loans issued to subsidiaries	405,006	354,259
“Samruk-Kazyna Construction” JSC (former – “Real Estate Fund “Samruk-Kazyna” JSC)	119,827	163,756
“Samruk-Energy” JSC	85,234	83,435
“National Company “Kazakhstan Temir Zholy” JSC	80,475	79,086
“United Chemical Company” LLP	39,372	1,454
Other	80,098	26,528
Loans issued to third parties and related parties	23,619	210,003
“National Company “Kazakhstan Engineering” JSC	4,920	6,000
“Eurasian Resources Group” LLP (former “Eurasian Natural Resources Corporation” PLC)	–	166,165
“Elorda Damu” LLP	–	18,691
Other	18,699	19,147
Bonds issued by subsidiaries	145,000	25,000
“Kazakhtelecom” JSC	100,000	–
“National Company “Kazakhstan Temir Zholy” JSC	25,000	25,000
“Samruk-Kazyna Construction” JSC	20,000	–
Bonds issued by third parties and related parties	94,173	13,680
“NMH Baiterek” JSC	50,710	10,596
“Baiterek Venture Fund” JSC	40,150	–
Other	3,313	3,084
Interest receivable	9,804	10,828
Less: provision for expected credit losses	(42,527)	(14,727)
Total loans issued	635,075	599,043
Less: current portion	(246,655)	(215,626)
Non-current portion	388,420	383,417

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

9. LOANS ISSUED (continued)

The movement in the allowance for impairment are as follows:

<i>In millions of tenge</i>	2018	2017
As at January 1	14,727	14.869
Effect of IFRS 9 adoption (<i>Note 3</i>)	23,379	-
Charge/(Reversal) for the year, net	4,421	(142)
As at December 31	42,527	14,727

Loans issued comprised of the following currencies:

<i>In millions of tenge</i>	December 31, 2018	December 31, 2017
Loans denominated in tenge	635,075	429,313
Loans denominated in US dollars	-	169,730
	635,075	599,043

Loans issued to subsidiaries

“Samruk-Kazyna Construction” JSC (former – “Real Estate Fund “Samruk-Kazyna” JSC)

On 27 May 2016 the Fund entered into a loan agreement with “Samruk-Kazyna Construction” JSC for 97,000 million tenge. According to this agreement, in 2018 the Fund provided additional tranches in the amount of 18,658 million tenge for the purpose of financing construction of commercial housing within the framework of the program “Nurly Zher” with maturity on 1 April 2026 and 0.15% interest rate. Funding was provided from the National Fund.

At initial recognition the loan was recognized at a fair value of 17,847 million tenge using appropriate market interest rates. The difference between the nominal value and the fair value of the loan in the amount of 811 million tenge at the date of recognition was recognized as decrease in other liabilities (*Note 19*).

In accordance with the terms of the addendum dated 20 September 2017 to the loan agreement dated 27 May 2016, in the event Samruk-Kazyna Construction receives repayments of the funds invested for its intended purpose, the Samruk-Kazyna Construction should, on a quarterly basis, use these funds for early repayment of the loan. In accordance with the schedule of expected cash flows in 2018 Samruk-Kazyna Construction repaid the loan in the amount of 69,642 million tenge.

Additionally, in 2012 Fund entered into a revolving credit line agreement (with line limit of 99,053 million tenge) with Samruk-Kazyna Construction, according to which in 2018 the Fund provided additional tranches to Samruk-Kazyna Construction in the amount of 15,870 million tenge with maturity on 5 September 2032 and 2% interest rate for the purpose of financing housing construction projects within the framework of “Affordable Housing – 2020” Program approved by the Resolution of the Government of the Republic of Kazakhstan on 21 June 2012.

In accordance with the credit line agreement terms, the Fund has a right to demand an early repayment of the loans from Samruk-Kazyna Construction at any time, and Samruk-Kazyna Construction is obliged to make an early repayment on demand of the Fund. Due to these terms, the Fund classifies all loans provided under this credit line agreement to the Samruk-Kazyna Construction as current.

In 2018 Samruk-Kazyna Construction made partial repayment of loans in the total amount of 81,245 million tenge (2017: 9,773 million tenge).

As at December 31, 2018, the total carrying amount of principal and interest receivable on all loans issued to Samruk-Kazyna Construction equaled 121,362 million tenge (as at December 31, 2017: 165,076 million tenge).

“United Chemical Company” (“UCC”) JSC

On June 13, 2018 the Fund entered into a loan agreement with UCC, according to which the Fund provided a loan of 56,700 million tenge in the first half of 2018 with maturity date by June 13, 2043, and 0.1% interest rate for the grace period (up to December 31, 2023), after grace period rate will be determined six months before the end of the grace period by the decision of the Management Board of the Fund.

The purpose of the loan is to acquire a 48% share in the charter capital of “KPI” LLP.

At initial recognition the loan was evaluated at fair value of 36,134 million tenge, using appropriate market interest rates. The difference between the nominal value and the fair value of the loan at the date of recognition in the amount of 20,566 million tenge was recognized as an increase in investments in a subsidiary (*Note 7*).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

9. LOANS ISSUED (continued)**Loans issued to subsidiaries (continued)***“Qazaq Air” JSC*

On March 29, 2017, the Fund and “Qazaq Air” JSC signed a loan agreement to finance working capital, including the costs of operating leases and the maintenance of engineering and technical support for aircraft, aviation insurance and the hiring of flight personnel. In 2018 the Fund provided four additional tranches in the total amount of 5,043 million tenge (2017: 6,523 million tenge).

According to the terms of addendums to the loan agreements with “Qazaq Air” JSC in December 2018 loans’ maturity dates were extended to December 31, 2030, interest rate on all loans is 0.01%.

“National Mining Company “Tau-Ken Samruk” JSC

On April 3, 2018, the “National Mining Company “Tau-Ken Samruk” JSC made an early repayment of the loan with the interest of 7,752 million tenge.

Due to the early repayment of the loan by “National Mining Company “Tau-Ken Samruk” JSC, the Fund recognized income from amortization of discount of 4,592 million tenge in its separate statement of comprehensive income.

Loans issued to third and related parties*“National Company “Kazakhstan Engineering” JSC (Kazakhstan Engineering)*

On July 27, 2017 the Fund provided an interest-free financial aid of 6,000 million tenge to Kazakhstan Engineering to finance repayment of the principal amount of the loan due to “Halyk bank of Kazakhstan” JSC. Financial aid was repaid by 672 million tenge in cash and by providing a loan using the funds of the National Fund in the amount of 5,328 million tenge.

Loan was provided in accordance with the minute of the State Commission for the Modernization of the Economy of the Republic of Kazakhstan dated November 23, 2017 with maturity on December 31, 2021 and interest rate of 4%.

Eurasian Resources Group (previously as Eurasian Natural Resources Corporation PLC)

On October 26, 2018 Eurasian Resources Group made an early redemption of the loan of 500 million US dollars (equivalent to 184,270 million tenge as at the date of repayment) issued in 2010 with maturity on September 20, 2020 and interest rate of 7.5%.

“Elorda Damu” LLP

On June 27, 2018, “Elorda Damu” LLP repaid a loan of 20,000 million tenge issued in July 2014 to finance a pilot project for the demolition of emergency housing in Astana with maturity on July 29, 2018.

Bonds issued by subsidiaries*“Kazakhtelecom” JSC*

On November 6, 2018 the Fund acquired 75,000,000 coupon bonds issued by “Kazakhtelecom” JSC with nominal value of 1,000 tenge each for the total amount of 75,000 million tenge with maturity until November 1, 2024 and coupon rate of 11.5% per annum.

On December 13, 2018 the Fund acquired 25,000,000 coupon bonds issued by “Kazakhtelecom” JSC with nominal value of 1,000 tenge each for the total amount of 25,000 million tenge with maturity until November 1, 2024 and coupon rate of 11.5% per annum.

Bonds were purchased using the available funds of the Fund.

“Samruk-Kazyna Construction” JSC (former – “Real Estate Fund “Samruk-Kazyna” JSC)

On December 27, 2018 the Fund purchased 20,000,000 coupon bonds issued by “Samruk-Kazyna Construction” JSC with nominal value of 1,000 tenge each for the total amount of 20,000 million tenge with maturity on June 25, 2019 and coupon rate of 10% per annum.

Bonds were purchased using the available funds of the Fund.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

9. LOANS ISSUED (continued)

Bonds issued by subsidiaries (continued)

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

On 24 October 2017, the Fund acquired 25,000,000 coupon bonds issued by KTZh, with a nominal value of 1,000 tenge each for a total of 25,000 million tenge maturing on 24 July 2027 with a coupon rate of 11% per annum.

“National Management Holding “Baiterek” JSC

In 2018, the Fund purchased 3 bonds of “National Managing Holding” Baiterek” JSC in the amount of 70,149 million tenge with maturity in March 2026 and interest rate of 0.15%. The funds from the bonds placement are provided for granting a loan to the subsidiary of the issuer, “Baiterek Development” JSC, for the acquisition of debt securities of local executive bodies of regions, Astana and Almaty cities, issued for financing housing construction and completion of problematic housing projects in the Astana city. Financing is carried out using the funds of the National fund.

Upon initial recognition, this bond was assessed at a fair value of 38,809 million tenge, using appropriate market interest rates. The difference between the nominal value and the fair value of the loan at the date of recognition of 31,340 million tenge was recognized as Transactions with the Shareholder (Note 16).

“Baiterek Venture Fund” JSC

On October 25, 2018 the Fund purchased bonds of “Baiterek Venture Fund” JSC in the amount of 40,150 million tenge with maturity date on October 25, 2033 and interest rate of 0.01%.

The bonds were purchased for the purpose of acquisition of “Astana Gas KMG” JSC shares for financing its business activities. “Astana Gas KMG” JSC implements the project of construction of “Saryarka” main gas pipeline along the route “Kyzylorda-Zhezkazgan-Karaganda-Temirtau-Astana” within the framework of “Five social initiatives of the President”. In accordance with the terms of the agreement the Fund has a right to demand an early repayment of the loan, thus the loan is classified as current.

10. AMOUNTS DUE FROM CREDIT INSTITUTIONS

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

<i>In millions of tenge</i>	December 31, 2018	December 31, 2017
10 largest local banks	339,773	528,740
Other local credit institutions	45,451	84,616
Interest accrued	2,658	4,189
Less: provision for expected credit losses	(5,941)	-
Total amounts due from credit institutions	381,941	617,545
Less: current portion	(80,987)	(178,425)
Non-current portion	300,954	439,120

The movement in the provision for expected credit losses was as follows:

<i>In millions of tenge</i>	2018	2017
At January 1	-	7,598
Effect of IFRS 9 adoption (Note 3)	14,117	-
Reversal for the year, net	(7,145)	-
Reclassification to other current assets (Note 13)	(1,031)	(7,598)
At December 31	5,941	-

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

10. AMOUNTS DUE FROM CREDIT INSTITUTIONS (continued)

<i>In millions of tenge</i>	December 31, 2018	December 31, 2017
Rating from BBB-(Baa3) to BB-(Ba3)	97,697	63,898
Rating from B+(B1) to B-(B3)	258,251	520,455
No rating	31,934	33,192
Less: provision for expected credit losses	(5,941)	-
	381,941	617,545

Amounts due from credit institutions were denominated in the following currencies:

<i>In millions of tenge</i>	December 31, 2018	December 31, 2017
Amounts due from credit institutions, in tenge	362,210	581,909
Amounts due from credit institutions, in US dollars	19,731	35,636
	381,941	617,545

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>	December 31, 2018	December 31, 2017
Bonds placed with “Forte Bank” JSC	176,196	-
Funds for financing activities within the framework approved by the Government	157,832	193,826
Bank deposits placed under the policy of temporary available cash	53,854	423,719
Less: provision for expected credit losses	(5,941)	-
Total amounts due from credit institutions	381,941	617,545
Less: current portion	(80,987)	(178,425)
Non-current portion	300,954	439,120

Bonds placed with “Forte Bank” JSC

In September 2018 the Group acquired 220,000 million coupon bonds issued by “Forte Bank” JSC maturing on December 15, 2024 with a coupon rate of 4% per annum.

Upon initial recognition, these bonds were assessed at a fair value of 173,682 million tenge, using appropriate market interest rates. As the bond purchase was made by using the funds released from bank deposit, previously placed with “Forte Bank” JSC, the discount on initial recognition of bonds in the amount of 46,318 million tenge and amortization of discount on deposit recognized due to early withdrawal in the amount of 46,021 million tenge were accounted for on a net basis within finance expenses in the consolidated statement of comprehensive income.

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 second tier banks. As of December 31, 2018 the weighted average interest rate on short-term bank deposits denominated in tenge amounts to 9.82% per annum (as of December 31, 2017: 8.41%), weighted average interest rate on short-term bank deposits denominated in dollar amounts to 2% per annum (as of December 31, 2017: 2.66%).

As of December 31, 2018 there is no long-term bank deposit repayments (as of December 31, 2017: 5.12%).

Funds placed with “Kazkommertsbank” JSC

On May 24, 2018 the Fund made an early withdrawal of a deposit placed with “Kazkommertsbank” JSC in the amount of 100,950 million tenge by prior agreement with the bank.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**10. AMOUNTS DUE FROM CREDIT INSTITUTIONS (continued)****Bank deposits placed under the policy of temporary available cash (continued)***Funds placed with “Kazpost” JSC*

On July 4, 2017 the Fund entered into agreement of the Assignment of the Right of Claim (Cession) and novation (“Agreement”) of 3,150 million tenge with “Delta bank” JSC, “Kazpost” JSC and “Leader Invest Company” LLP (“Partnership”) getting the guarantee from shareholder of the “Delta bank” JSC and “Corporation “APK-Invest” LLP. As of the date of entering into the Agreement, the amount of the bank deposit was transferred to bank deposits in “Kazpost” JSC. Payments for this transaction were made until March of the current year. On June 27, 2018 “Kazpost” JSC sent a notification to the Fund on the debt relief of the Partnership from the subject matter of the pledge under the terms of the agreement. On July 10, 2018 the Fund agreed to write off the main debt of “Leader Invest Company” LLP in the amount of 2,013 million tenge.

As a result of the entry into force of the recourse claim, the Partnership became the debtor of the Fund, the Guarantees (Shareholder of “Delta bank” JSC Tleubayev N.S. and “APK-Invest” Corporation” LLP), by accepting a full joint liability to the Fund for the fulfillment of the Partnership obligations, at the first written request from the Fund, the Guarantees must unconditionally fulfill all necessary payments within five working days from the date of receipt of the claim.

Due to the ongoing work on the reimbursement of funds and the available uncertainties regarding the recoverability of funds, as well as taking into account the indicators of financial position and the continuing non-performance of obligations by the Partnership and Guarantees, the Fund recognized a provision for impairment of 100% and reclassified cash in the amount of 2,013 million tenge and accrued impairment and other current assets (*Note 13*).

Funds in credit institutions to finance events which are approved by Government (targeted loans)

As at December 31, 2018 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 19,416 million tenge to finance small and medium businesses (2017: 25,450 million tenge). Interest on this loan was charged 5.5% per annum;
On December 28, 2018 “Entrepreneurship development Fund “Damu” JSC made repayment of 6,000 million tenge.
- “Development Bank of Kazakhstan” JSC, to decrease funding costs on finance leases, to stimulate export of Kazakhstani locomotives and decrease financing costs of investment projects in priority segments of economy of 18,989 million tenge, 4,078 million tenge and 2,610 million tenge respectively (2017: 17,977 million tenge, 3,908 million tenge and 2,764 million tenge, respectively). Interest on these loans was charged at rates from 0.2% to 0.6% per annum;
- To the commercial banks for refinancing mortgage loans, student loans, construction of housing in Astana and Almaty and provision of intermediary housing loans of 71,587 million tenge, 1,825 million tenge and 31,934 million tenge, respectively (2017: 81,579 million tenge, 31,307 million tenge and 30,841 million tenge, respectively). Interest on these loans was charged at rates from 1% to 7.28% per annum;
- In 2018 “Kazkommertsbank” JSC by prior agreement with the Fund made an early repayment of deposits, which were placed for construction of housing in total amount 29,144 million tenge.

Bonds placed with “Tsesna Bank” JSC

In November 2018 Fund acquired bonds of “Tsesna Bank” JSC with nominal value of 38,487 million tenge with a maturity date on January 15, 2034 and 0.1% interest rate.

At initial recognition this bond was measured at fair value of 6,832 million tenge, using appropriate market interest rates. The difference between the nominal value and the fair value of the bond at the date of recognition of 31,655 million tenge was recognized as loss from discounting of financial assets at initial recognition in separate statement of comprehensive income (*Note 22*).

As of December 31, 2018 Fund has no overdue amounts placed in financial institutions.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**11. OTHER NON-CURRENT FINANCIAL ASSETS**

As at December 31, other financial assets comprised the following:

<i>In millions of tenge</i>	December 31, 2018	December 31, 2017
Financial investments measured at fair value through other comprehensive income		
Equity securities of “Astana Finance” JSC	6,516	6,516
Debt securities	1,101	1,164
Less: provision for expected credit losses	(6,516)	(6,516)
Total amount of other non-current financial assets	1,101	1,164

12. OTHER NON-CURRENT ASSETS

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

<i>In millions of tenge</i>	December 31, 2018	December 31, 2017
SAP licenses (Note 6)	12,204	-
Non-current receivables	6,026	23,118
Property held for sale	327	833
Other	6,994	7,183
Less: provision for expected credit losses	(4)	-
	25,547	31,134

As of December 31, 2018 non-current receivables are represented by the discounted value of deferred payments adjusted for indexation of receivables for shares of “Alliance Bank” JSC from Mr. Utemuratov in the amount of 6,026 million tenge until March 3, 2020 (as at December 31, 2017: 5,391 million tenge).

Other

On May 5, 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. All the property is transferred to the Fund’s subsidiary Samruk-Kazyna Construction for the trust management that acts as agent for the sales of real estate on behalf of the Fund. Other non-current assets include the amount of receivables for payment of payments for this property and amount to 6,643 million tenge as of December 31, 2018 (as of December 31, 2017: 6,791 million tenge).

13. OTHER CURRENT ASSETS

As at December 31 other current assets comprised the following:

<i>In millions of tenge</i>	December 31, 2018	December 31, 2017
Receivables from sales of bank shares	48,265	29,397
Dividends receivable	20,025	16,426
National Company “Kazakhstan Temir Zholy” JSC	16,425	16,425
National Mining Company “Tau-Ken Samruk” JSC	3,600	-
National Company “KazMunayGaz” JSC	-	1
Restricted cash	18,522	18,556
Other trade receivables	14,469	11,137
Other	6,367	997
Less: provision for expected credit losses	(28,773)	(24,405)
	78,875	52,108

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

13. OTHER CURRENT ASSETS (continued)

The movements in the provision for expected credit losses are as follows:

<i>In millions of tenge</i>	2018	2017
At January 1	24,405	4,600
Effect of IFRS 9 adoption (Note 3)	2,016	–
Charge for the year	1,321	12,207
Reclassification from amounts due from credit institutions (Note 10)	1,031	7,598
At December 31	28,773	24,405

Receivable from sale of banks’ shares

As at December 31, 2018 receivables from sale of banks’ shares are presented as discounted value of deferred payments adjusted for indexation of receivables for shares of following banks:

- 19,402 million tenge from Mr. Utemuratov for shares of “Temirbank” JSC due on May 15, 2019 (as of December 31, 2017: 18,454 million tenge);
- 28,863 million tenge from Mr. Rakishev for shares of “BTA Bank” JSC due on June 30, 2019 (as of December 31, 2017: 29,397 million tenge).

In December 2018 Mr. Rakishev made partial repayment of receivables of 5,000 million tenge.

14. CASH AND CASH EQUIVALENTS

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

<i>In millions of tenge</i>	December 31, 2018	December 31, 2017
Current accounts with banks in US dollars	261,132	20,081
Current accounts with banks in tenge	70,007	198,300
Term securities with National bank in tenge	25,997	–
Term bank deposits with banks in tenge	450	106,874
Term bank deposit with National bank in tenge	–	27,001
Current accounts with banks in other foreign currency	16	40
Current accounts with banks in euro	–	2,281
	357,602	354,577

As at December 31, 2018 the weighted average interest rate on current accounts is equal to 0.0003% per annum (as at December 31, 2017: 0.0001%), the weighted average interest rate on term deposits with banks is equal to 7.66% per annum (as at December 31, 2017: 8.91%).

15. ASSETS CLASSIFIED AS HELD FOR SALE

As at December 31 assets classified as held for sale comprised the following:

<i>In millions of tenge</i>	December 31, 2018	December 31, 2017
Sekerbank	17,986	18,174
“Maikainzoloto” JSC	–	281
	17,986	18,455

In 2018, the Fund disposed 4.89% of common shares of “Maikainzoloto” JSC to the majority shareholder, Rence Enterprises Ltd for 550 thousand US dollars (the equivalent of 182 million tenge at the exchange rate on payment date). As a result of the transaction, the Fund recognized a loss from disposal of assets of 99 million tenge within other income/loss in the separate statement of comprehensive income.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**16. EQUITY****Share capital**

During 2018 and 2017 the Fund issued common shares which were paid as follows:

Payment for shares	Number of shares authorized and issued	Par value per share, in tenge	Share capital in millions of tenge
As of December 31, 2016	3,481,670,758		5,058,658
Cash contributions		16,852,000;	
	1,577	100,000,000	74,552
Property contributions	265,983	1,000	266
As of December 31, 2017	3,481,938,318		5,133,476
Property contributions	1,000	290,037	290
As of December 31, 2018	3,481,939,318		5,133,766

As at December 31, 2018 3,481,939,318 shares of the Fund were fully paid (2017: 3,481,938,318 shares).

2018*Property contributions*

On December 29, 2018 the State property and privatization committee contributed property of 290 million tenge to the Fund’s share capital. This property was transferred to the charter capital of subsidiary KTZh (*Note 7*).

2017*Cash contributions*

In 2017 the Shareholder made cash contribution to the Fund’s share capital of 74,552 million tenge. These amounts were aimed to finance projects implemented by the KTZh and UCC subsidiaries of the Fund.

Property contributions

On March 18, 2017 the State property and privatization committee contributed property of 266 million tenge to the Fund’s share capital. This property was transferred to the charter capital of subsidiary “National Company Kazatomprom” JSC.

Transactions with Shareholder

In 2018 in accordance with the Minutes of the meeting of the Council on the management of the National Fund of the Republic of Kazakhstan dated August 7, 2017, the Fund used available funds of 70,149 million tenge for the purchase of bonds of National holding company Baiterek JSC. The difference between the nominal value and the fair value of 31,340 million tenge was recognized as transaction with the Shareholder in the separate statement of changes in equity (*Note 9*).

In 2018 the Fund made partial early repayment of bond liabilities due to the National bank in the amount 38,057 million tenge, as a result of which recognized amortization of discount on loans from the Government of 10,477 million tenge in the separate statement of changes in equity (*Note 18*).

Dividends

On December 19, 2018 the Fund paid dividends to the Shareholder of 12,732 million tenge based on results of 2017 according to the Resolution of the Government of the Republic of Kazakhstan dated December 4, 2018 (in 2017: 11,899 million tenge).

Other distributions to the Shareholder

In 2018 on the basis of Shareholder’s resolutions, the Fund recognized liability the financing of various social projects for total amount of 64,736 million tenge (2017: 54,419 million tenge). This liability was recognized as other distributions to the Shareholder in the separate statement of changes in equity.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**16. EQUITY (continued)****Other distributions to the Shareholder (continued)**

On July 16, 2018 in accordance with the Resolution of the Government of Republic of Kazakhstan dated July 3, 2018 the Fund transferred 100% shares of “National Company “Kazakhstan Engineering” JSC with the book value of 23,595 million tenge to the State property and privatization committee. This transaction was recognized as distribution to the Shareholder in separate statement of changes in equity (*Note 7*).

Book value of shares

In accordance with the decision of the Exchange Council of Kazakhstan Stock Exchange (“KASE”) dated October 4, 2010 the financial statements should contain data on the book value of one share (common and preferred) at the reporting date calculated in accordance with the approved KASE rules.

<i>In millions of tenge</i>	December 31, 2018	December 31, 2017
Total assets	7,235,211	7,343,636
Intangible assets	(2,270)	(16,675)
Total liabilities	(1,619,932)	(1,937,603)
Net assets for common shares	5,613,009	5,389,358
Number of common shares as at 31 December	3,481,939,318	3,481,938,318
Book value per common share, tenge	1,612	1,548

17. BORROWINGS

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

<i>In millions of tenge</i>	December 31, 2018	December 31, 2017
Loans received	496,719	755,779
Bonds issued and purchased by other companies	284,670	310,638
Bonds issued and purchased by subsidiaries:	41,836	18,850
- “Kazakhstan Electricity Grid Operating Company” JSC (“KEGOC”)	26,468	-
- KMG	15,368	18,346
- “Samruk Energy” JSC	-	504
Total borrowings	823,225	1,085,267
Less: amounts due for settlement within 12 months	(8,774)	(507,892)
Amounts due for settlement after 12 months	814,451	577,375

Borrowings comprised the following currencies:

<i>In millions of tenge</i>	December 31, 2018	December 31, 2017
Borrowings, denominated in tenge	592,597	587,956
Borrowings, denominated in US dollars	230,628	497,311
	823,225	1,085,267

Loans received*Interest free loan from “National Company KazMunayGas” JSC (NC KMG)*

In 2015 the Fund and KMG concluded interest free loan agreement, accordingly to which the Fund received 287,858 million tenge during 2015-2017. The loan 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

17. BORROWINGS (continued)**Loans received (continued)***Interest free loan from “National Company KazMunayGas” JSC (NC KMG) (continued)*

In 2018, the Fund received additional tranches from NC KMG in the amount of 52,293 million tenge, which were used to repay the Fund’s coupon bonds obligations and syndicated loan. The difference between the nominal value and the fair value of the loan at the dates of tranches in the amount of 10,187 million tenge was recognized as finance income in separate statement of comprehensive income (*Note 25*).

In addition, in accordance with additional agreement signed on June 11, 2018 the loan amount can be increased to 800,000 million tenge and maturity was extended until December 25, 2022. Due to the extension of the loan maturity, the Fund recognized finance income of 77,538 million tenge in separate statement of comprehensive income (*Note 25*).

Extension of maturity of the loan and term of Agreement is allowed until the moment of share repurchase of “KMG Kashagan B.V.” from the Fund. The loan is issued without security, commissions and is interest free.

As at December 31, 2018 carrying value of the principal equaled to 245,556 million tenge net of the discount of 94,595 million tenge (as at December 31, 2017: 258,468 million tenge net of discount of 29,390 million tenge).

Loan from the Bank Tokyo-Mitsubishi UFJ, LTD

On October 30, 2015 the Fund entered into a loan agreement with the Bank Tokyo-Mitsubishi UFJ, LTD 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 “KMG Kashagan B.V.” PLLC shares (hereinafter – “loan agreement”).

On June 28, 2018 the Fund made early repayment of the loan from the Bank of Tokyo-Mitsubishi UFJ, LTD in the amount of 1,500 million US dollars (equivalent to 511,965 million tenge at the exchange rate on the date of payment), obtained in 2015 to finance the acquisition of 50% of KMG Kashagan BV. The repayment was made using the Fund’s own funds of 900 million US dollars (equivalent to 307,179 million tenge at the exchange rate on the date of payment) and a new loan of 600 million US dollars (equivalent to 204,786 million tenge at the exchange rate on the date of the transaction) from the syndicate of international and Kazakhstan banks – Bank of Tokyo Mitsubishi UFJ, Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, JSC “Halyk Bank of Kazakhstan”, “Commercial and Industrial Bank of China in Almaty” JSC and “Citibank Kazakhstan” JSC, “Jersey Branch”.

The new loan is due on till October 30, 2022 with a grace period until April 30, 2021, at an annual rate of 3 month Libor + 1.4%. The loan received from Bank Tokyo-Mitsubishi UFJ, LTD contains financial and non-financial covenants that were met, as at 31 December 2018.

As at December 31, 2018 the total amount of principal and interest equaled 230,628 million tenge (as at December 31, 2017: 497,311 million tenge).

Loans from “ATF Bank” JSC

On July 19, 2018 the Fund and “ATF Bank” JSC entered into a credit line agreement for the purpose of acquisition of “Green quarter” office building for own purposes, under which the loan in the amount of 20,580 million tenge was received with maturity on December 1, 2032 and 6.5% interest rate per annum. In accordance with the approved repayment schedule principal and interest on the loan are paid on a quarterly basis.

As at December 31, 2018 principal and interest on the loan amounted to 20,535 million tenge.

Bonds issued and purchased by third-party organizations*Bonds issued to finance internal loans to “KTZh” group*

In August 2017, the Fund placed bonds with a coupon of 10.5%, with a nominal value of 25 billion tenge. The received funds in the amount of 25 billion tenge were fully used to purchase KTZh bonds.

As at December 31, 2018 the carrying value of bonds and interest payable amounted to 26,079 million tenge (as at December 31, 2017: 26,079 million tenge).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

17. BORROWINGS (continued)

Bonds issued and purchased by third-party organizations (continued)

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 with maturity on March 13, 2020 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.

On May 25 and May 29, 2018 the Fund made an early redemption of the first and second bond issues for total amount 81,000 million tenge issued within first obligation program.

As at December 31, 2018 the carrying value of the principal of bonds and interest payable amounted to 128,617 million tenge (as at December 31, 2017: 205,642 million tenge).

Other bonds issued

On September 28, 2018 the Fund placed bonds with the nominal value of 75,000 million tenge, 9.25% coupon rate and yield to maturity of 9.31% per annum with maturity on November 18, 2024 through specialized trades, open to all market participants. The Fund received 74,748 million tenge in cash as a result of bonds issue.

Bonds issued and purchased by subsidiaries

In 2009 “NC “KazMunayGaz” JSC acquired bonds issued by the Fund of 111 billion tenge, with maturity of 35 years and 4% coupon rate per annum.

On December 25, 2017 changes were introduced in the prospectus of the second bond issue to reduce the interest rate from 4% to 0.5% of the nominal value.

As at December 31, 2018 book value of these bonds and interest payable equaled 15,368 million tenge (as at December 31, 2017: 14,813 million tenge).

18. LOANS FROM THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

Loans from the Government of the Republic of Kazakhstan comprised the following:

<i>In millions of tenge</i>	December 31, 2018	December 31, 2017
Bonds repurchased by the National Bank of the Republic of Kazakhstan using the funds of the National Fund	588,226	719,410
Other loans from the Government	65,180	62,638
Total amounts due to the Government of the Republic of Kazakhstan	653,406	782,048
Less: current portion	(22,973)	(5,907)
Non-current portion	630,433	776,141

2018

Bonds, purchased by the National Bank of the Republic of Kazakhstan

On November 13, 2018 the Fund successfully placed 15% shares of Kazatomprom on international stock exchanges of Astana and London (Note 7).

In accordance with the Rules on proceeds to the National Fund of the Republic of Kazakhstan from transfer of assets of national managing holdings, national holdings, national companies and their subsidiaries, affiliates and other legal entities affiliated with them to the competitive environment approved by the Resolution of the Government of the Republic of Kazakhstan №323 dated June 4, 2018, funds received from sale of national assets can be used for redemption of Fund’s liabilities due to the National Fund.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

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

2018 (continued)

Bonds, purchased by the National Bank of the Republic of Kazakhstan (continued)

Accordingly, on December 24, 2018 with regard to the corporate decisions of the Fund the following was carried out:

- Full redemption of obligations at their fair value of 123,604 million tenge issued within the framework of the tenth bond issue acquired earlier by the National Bank of the Republic of Kazakhstan using the funds of the National Fund;
- Partial early repayment of bonds at their nominal value of 38,057 million tenge issued within the framework of eleventh Fund’s bond issue acquired earlier by the National Bank of the Republic of Kazakhstan using the funds of the National Fund.

Due to abovementioned early redemption of obligations due to the National Bank of the Republic of Kazakhstan, the Fund recognized amortization of discount on loans from the Government of discount in the amount of 10,477 million tenge in separate statement of changes in equity.

2017

Bonds repurchased by the National Bank of the Republic of Kazakhstan

In accordance with the terms of the Master agreement dated 2 June 2017 signed between Ministry of Finance of the Republic of Kazakhstan acting on behalf of the Government of the Republic of Kazakhstan, the National Bank of the Republic of Kazakhstan, SWF Samruk-Kazyna JSC, the Fund of Problem Loans JSC, Kazkommertsbank JSC, BTA Bank JSC, Halyk Bank of Kazakhstan JSC and Mr. Rakishev, on 3 July 2017 BTA Bank JSC made an early repayment of the loan due to Samruk-Kazyna in amount of 239,771 million tenge . The Master agreement also specifies the Fund’s obligation to further repayment of current liabilities due to the National Bank using these funds.

In this connection, in accordance with the corporate decisions of the Fund, it was decided to implement the following:

- On July 5, 2017 to make a full early repayment of the bonds in the nominal amount of 70,196 million tenge within the eighth bond issue program of the Fund;
- On August 15, 2017 to make a full early repayment of the bonds in the nominal amount of 73,000 million tenge within the seventh bond issue program of the Fund;
- On August 15, 2017 to make a partial early repayment of the bonds at fair value in the amount of 96,575 million tenge within the tenth bond issue program of the Fund.

19. OTHER LIABILITIES

<i>In millions of tenge</i>	December 31, 2018	December 31, 2017
Liabilities under “Samruk Energy” JSC	69,156	–
Liabilities on financing of other social projects:	31,796	11,566
Construction of Athletics complex in Astana	21,174	–
Nazarbayev University	9,882	10,876
Other social projects	740	690
Liabilities on Government subsidy	–	11,282
Other liabilities	5,204	6,298
Total amount of other liabilities	106,156	29,146
Less: current portion	(95,422)	(21,593)
Non-current portion	10,734	7,553

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

19. OTHER LIABILITIES (continued)

Liability under “Samruk-Energy” JSC

As at 31 December 2018 the Fund has current liabilities to the subsidiary company “Samruk-Energy” JSC in amount of 69,156 million tenge.

Liabilities on financing of other social projects

In 2018 on the basis of the Shareholder’s resolution, the Fund recognized a provision for financing of various social projects in the amount of 64,736 million tenge (2017: 54,419 million tenge) (Note 16).

Actual amount of financing during 2018 totaled to 47,616 million tenge. Accordingly, as at December 31, 2018 the total carrying value of the liabilities for distribution to the Shareholder equaled 31,796 million tenge, including current liability of 21,062 million tenge and non-current liability of 10,734 million tenge, respectively.

Liabilities on Government subsidy

In addition, as at December 31, 2017 other liabilities of the Fund included liabilities related to the Government funds in the amount of 11,282 million tenge. The decrease in other liabilities is due to the recognition of government grant income in the amount of 10,471 million tenge occurred due to acquisition of “National Managing Holding “Baiterek” JSC bonds (Note 9) and reflected as interest income in separate statement of comprehensive income (Note 21) and to recognition of discount in the amount of 811 million tenge upon initial recognition of loans issued to the Samruk-Kazyna Construction.

20. FINANCIAL GUARANTEE LIABILITIES

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

<i>In millions of tenge</i>	December 31, 2018	December 31, 2017
As at 1 January	40,904	34,056
Guarantees issued during the year	3,571	12,946
Amortization of financial guarantee liabilities	(7,593)	(6,098)
As at 31 December	36,882	40,904
Less: current portion	(7,592)	(7,461)
Non-current portion	29,290	33,443

Financial guarantee liabilities include the Fund’s liabilities on guarantees issued to financial institutions for financing activities and significant contracts of its subsidiaries (Notes 7 and 8). Financial guarantees are mainly free-of charge. Total outstanding amount of guarantees as at December 31, 2018 was equal to 1,297 million US dollars, 83,989 million tenge and 2,589 million Russian rubles (December 31, 2017: 2,204 million US dollars, 45,188 million tenge and 2,589 million Russian rubles, respectively).

21. INTEREST INCOME

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

<i>In millions of tenge</i>	2018	2017
Unwinding of discount on loans issued	27,478	143,736
Interest on loans issued	24,983	36,481
Interest on bonds	6,823	530
Discounting of financial liabilities	–	24,569
Other	10,471	14,821
	69,755	220,137

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

22. INTEREST EXPENSES

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

<i>In millions of tenge</i>	2018	2017
Interest on bonds issued	47,199	57,880
Loss on discounting of financial assets at initial recognition	33,284	–
Unwinding of discount on financial liabilities	30,421	108,322
Interest on borrowings	13,627	18,375
	124,531	184,577

23. DIVIDEND INCOME

<i>In millions of tenge</i>	2018	2017
“National Atomic Company “KazAtomProm” JSC	161,661	65,849
“National mining company “Tau-Ken Samruk” JSC	60,000	5,617
“National Company “KazMunayGas” JSC	32,677	41,331
“Kazakhstan Electricity Grid Operating Company” JSC	28,234	17,908
“Kazakhtelecom” JSC	8,890	2,254
“Samruk-Energy” JSC	2,041	4,705
“National Company “Kazakhstan Temir Zholy” JSC	1,710	–
“Air Astana” JSC	1,961	–
Other subsidiaries	2,619	1,306
	299,793	138,970

24. GENERAL AND ADMINISTRATIVE EXPENSES

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

<i>In millions of tenge</i>	2018	2017
Sponsorship and charitable donations	5,559	15,000
Personnel costs	3,045	3,067
Non-refundable VAT	2,810	2,102
Consulting (audit) services and information expenses	1,610	2,308
Taxes, fines and penalties	395	494
Other	10,265	11,132
	23,684	34,103

Sponsorship and charitable donations

The Fund on an annual basis makes target donations in accordance with its Charity program. 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 of 787 million tenge (in 2017: 704 million tenge), members of the International Consulting Board of 880 million tenge (in 2017: 811 million tenge), transfers to subordinate organizations to sustain the operating activities of 1,219 million tenge (in 2017: 1,669 million tenge) and other administrative expenses for maintaining operating activities of the Fund.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

25. FINANCE INCOME

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

<i>In millions of tenge</i>	2018	2017
Discount on borrowings	87,725	5,719
Interest on bank deposits	21,943	37,081
Income from financial guarantees	7,678	6,192
Amortisation of discount on financial assets	3,077	13,688
Interest on current bank accounts	1,380	86
Other	9,636	3,426
	131,439	66,192

26. FINANCE EXPENSES

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

<i>In millions of tenge</i>	2018	2017
Unwinding of discount on loan from KMG	22,520	24,850
Other	7,488	4,703
	30,008	29,553

27. INCOME TAX EXPENSE

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

<i>In millions of tenge</i>	2018	2017
Withholding tax expense	5,697	9,716
Deferred income tax expense	25	232
Corporate income tax expense	-	-
	5,722	9,948

As at December 31, 2018 the Fund used official current income tax rate of 20% (as at December 31, 2017: 20%).

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

<i>In millions of tenge</i>	2018	2017
Profit before income tax	397,355	155,645
Statutory income tax rate	20%	20%
Theoretical income tax expense	79,471	31,129
Change in unrecognised deferred tax assets	7,545	10,276
Charitable donations	1,112	3,000
Impairment of loans issued and amounts due from credit institutions	38	5,438
Non-taxable income from dividends	(59,959)	(27,794)
Non-taxable income from capital gain	(26,621)	-
Discounting and amortisation of discount on financial assets and financial liabilities	(10,826)	(13,093)
Income from financial guarantees	(1,519)	(1,220)
Other	16,481	2,212
Corporate income tax expense presented in the separate statement of comprehensive income	5,722	9,948

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

27. INCOME TAX EXPENSE (continued)

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>	As at December 31, 2018	Profit and loss	As at January 1, 2018	Effect of adoption of IFRS 9	As at December 31, 2017	Profit and loss	As at December 31, 2016
Deferred tax assets							
Excess of the amount of corporate income tax withheld at the source of payment from income in the form of remuneration, over the amount of corporate income tax calculated	50,259	5,697	44,562	-	44,562	9,716	34,846
Tax loss carryforward	-	(1,060)	1,060	-	1,060	1,060	-
Funds in credit institutions	16,536	13,712	2,824	2,824	-	-	-
Loans issued	5,564	632	4,932	4,611	321	(151)	472
Other assets	826	351	475	475	-	-	-
Property, plant and equipment	228	226	2	-	2	2	-
Other liabilities	37	13	24	-	24	(4)	28
Less: unrecognized deferred tax assets	(34,447)	(7,546)	(26,901)	(7,910)	(18,991)	(10,276)	(8,715)
Deferred tax assets	39,003	12,025	26,978	-	26,978	347	26,631

<i>In millions of tenge</i>	As at December 31, 2018	Profit and loss	As at January 1, 2018	Effect of adoption of IFRS 9	As at December 31, 2017	Profit and loss	As at December 31, 2016
Deferred tax liabilities							
Loans	(38,738)	(11,786)	(26,952)	-	(26,952)	(349)	(26,603)
Other accounts receivable	(528)	(264)	(264)	-	(264)	(264)	-
Property, plant and equipment	-	-	-	-	-	34	(34)
Deferred tax liabilities	(39,266)	(12,050)	(27,216)	-	(27,216)	(579)	(26,637)
Net deferred tax assets/(liabilities)	(263)	(25)	(238)	-	(238)	(232)	(6)

A deferred tax asset/liabilities 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/liabilities are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Investments in subsidiaries, associates and joint ventures will be recovered primarily through dividends. Dividends from subsidiaries, associates and joint ventures are not taxable, accordingly the Fund did not recognize deferred tax on undistributed earnings from investments.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

28. 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.

The following tables provide the total transactions that have been entered into with related parties during 2018 and 2017 and the balances as at December 31, 2018 and 2017, respectively:

<i>In millions of tenge</i>		Due from related parties	Due to related parties	Cash and deposits placed with related parties
Subsidiaries	December 31, 2018	553,499	356,593	17
	December 31, 2017	406,696	299,171	3,254
Associates and joint ventures of subsidiaries	December 31, 2018	6,431	-	-
	December 31, 2017	8,244	-	-
Other entities controlled by the Government	December 31, 2018	175,990	753,392	94,946
	December 31, 2017	283,375	889,866	243,826

<i>In millions of tenge</i>		Dividends income	Purchases from related parties	Sales to related parties	Other expenses accrued to related parties
Subsidiaries	2018	299,793	19,921	18,916	69,156
	2017	138,970	46,421	48,886	-
Associates and joint ventures of subsidiaries	2018	-	-	-	-
	2017	-	-	-	-
Other entities controlled by the Government	2018	-	-	-	-
	2017	-	-	-	-

<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	2018	28,226	3,685	87,806	22,520
	2017	41,150	4,741	6,933	24,850
Associates and joint ventures of subsidiaries	2018	577	-	-	-
	2017	592	-	-	-
Other entities controlled by the Government	2018	17,483	69,747	1,651	-
	2017	34,624	143,148	5,196	-

The nature of transactions entered into with related parties during 2018 and 2017 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 1,242 million tenge for year ended December 31, 2018 (2017: 1,244 million tenge). The indicated amount includes the compensation to the members of management personnel, the Management Board of 455 million tenge for year ended December 31, 2018 (2017: 541 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)

29. 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 17*).

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 millions of tenge</i>	Increase/ decrease in basis points	Impact on profit before tax
2018	+0.5	(1,563)
US dollar	-0.15	346
2017	+0.7	(3,461)
US dollar	-0.08	378

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 9*), amount due from credit institutions (*Note 10*), other financial assets (*Note 11*), other assets (*Note 12, 13*), and cash and cash equivalents (*Note 14*), net of allowances for impairment recognized at the reporting date. For the financial guarantee issued, the maximum credit risk exposure equals the nominal value of the guaranteed loan agreement as disclosed in liquidity risk section of this note.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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 December 31, 2018 and 2017 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 December 31, 2018						
Borrowings	-	10,931	21,136	915,548	320,551	1,268,166
Loans from the Government of the Republic of Kazakhstan	13	24	36,771	133,696	2,188,125	2,358,629
Financial guarantees	25,494	653	37,885	295,983	238,916	598,931
Other liabilities	-	-	3,842	7,684	-	11,526
Total	25,507	11,608	99,634	1,352,911	2,747,592	4,237,252

<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 December 31, 2017						
Borrowings	-	10,062	315,507	849,317	275,081	1,449,967
Loans from the Government of the Republic of Kazakhstan	13	24	29,026	171,752	2,474,807	2,675,622
Financial guarantees	22,126	-	31,543	505,760	227,434	786,863
Other liabilities	-	-	3,323	9,970	-	13,293
Total	22,139	10,086	379,399	1,536,799	2,977,322	4,925,745

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 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
2018		
Euro	14.00%	(35)
	(10.00%)	25
US dollar	14.00%	5,402
	(10.00%)	(3,859)
2017		
Euro	13.5%	289
	(9.5%)	(203)
US dollar	10.00%	(28,522)
	(10.00%)	28,522

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

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

<i>In millions of tenge</i>	2018	2017
Share capital	5,133,766	5,133,476
Reserves	(1,423)	(1,498)
Accumulated profit	482,936	274,055
Total equity	5,615,279	5,406,033
Total borrowings and financial guarantees	2,110,269	2,659,798
Total assets	7,235,211	7,343,636
Debt to equity ratio	0.38	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>	December 31, 2018	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets available-for-sale (Note 11)	1,101	1,101	-	-
	December 31, 2017	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets available-for-sale (Note 11)	1,164	1,164	-	-

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value of financial instruments

As at December 31, 2018 and 2017 the carrying amount of the following Fund’s financial instruments approximates their fair value:

<i>In millions of tenge</i>	2018				
	Carrying amount	Fair value	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 (Note 10)	381,941	368,141	-	368,141	-
Loans with fixed interest rate (Note 9)	635,075	615,692	-	615,692	-
Accounts receivable (Note 12, 13)	54,291	54,227	-	-	54,227
Financial liabilities					
Borrowings with fixed interest rate / bonds issued (Note 17)	823,225	827,304	-	827,304	-
Loans from the Government of the Republic of Kazakhstan (Note 18)	653,406	533,935	-	533,935	-
Financial guarantee liabilities (Note 20)	36,882	26,357	-	26,357	-
Other liabilities	100,211	100,467	-	-	100,467

<i>In millions of tenge</i>	2017				
	Carrying amount	Fair value	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 (Note 10)	617,545	602,995	-	602,995	-
Loans with fixed interest rate (Note 9)	599,043	555,486	-	555,486	-
Accounts receivable (Note 12, 13)	52,515	51,825	-	-	51,825
Financial liabilities					
Borrowings with fixed interest rate / bonds issued (Note 17)	1,085,267	1,079,162	-	1,079,162	-
Loans from the Government of the Republic of Kazakhstan (Note 18)	782,048	596,584	-	596,584	-
Financial guarantee liabilities (Note 20)	40,904	43,042	-	43,042	-
Other liabilities	11,167	10,876	-	-	10,876

Changes in liabilities arising from financing activities

<i>In millions tenge</i>	1 January 2018	Cash flows	Foreign exchange movement	New liabilities	Other	31 December 2018
Other liabilities	11,566	(47,616)	1,449	64,736	1,661	31,796
Dividends payable	-	(12,732)	-	12,732	-	-
Loans from the Government of the Republic of Kazakhstan	455,213	(38,057)	-	-	19,379	436,535
Borrowings	494,462	(212,020)	43,236	-	252	325,930
Total liabilities from financing activities	961,241	(310,425)	44,685	77,468	21,292	794,261

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

30. 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, 2018.

As at December 31, 2018, 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.

Legal proceedings

The proceedings initiated against Mr. Stati and his related parties on the suit of the Fund due to the arrest of shares KMG Kashagan B.V. belonging to the Fund

On September 14, 2017 the pre-judgement attachment in respect of the Fund’s rights on management of 50% KMG Kashagan B.V. shares was imposed with regard to the decision of Amsterdam Court (the “Pre-judgement Attachment”).

The named Pre-judgement Attachment was imposed as part of the claim for recognition and enforcement of arbitral award on the matter of Anatolie Stati, Gabriel Stati, Ascom Group SA and Terra Raf Trans Trading Ltd. against the Republic of Kazakhstan issued in 2013 by the Arbitration Tribunal at the Arbitration Institute of the Stockholm Chamber of Commerce.

On March 13, 2019 the Appeal Court in Amsterdam held a hearing on the Fund’s claim on cancellation of the decision of Amsterdam Court dated January 5, 2018. The decision of Appeal Court is pending.

Currently, the Fund makes all necessary arrangements to protect its interest in accordance with the established procedure and will continue to defend its rights.

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 April 5, 2012, dated October 7, 2013 and dated July 3, 2017 the Fund has commitment to finance certain remaining investment projects of 102,315 million tenge as of December 31, 2018.

As at December 31, 2018 Fund’s commitments included commitments to finance the program “Affordable housing – 2020” in the amount of 6,565 million tenge and commitments to finance investment projects of 95,750 million tenge, including the following:

- Financing the implementation of the investment project “Construction of an integrated gas and chemical complex in Atyrau region. The first phase” in the amount of not greater than 92,316 million tenge, including using funds previously allocated for the implementation of the investment project “Construction of an integrated gas and chemical complex in Atyrau region”. The second phase in the amount of 12,495 million tenge.
- Financing of the project “Creation of a special economic zone “Taraz Chemical Park” in the amount of 3,434 million tenge.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

31. SUBSEQUENT EVENTS

Loans issued

On February 28, 2019 the Fund issued a loan of 16,000 million tenge to “Qazaq Air” JSC for financing the purchase of 2 aircraft.

Bonds issued by subsidiaries

On January 10, 2019 the Fund acquired 150,000 coupon bonds issued by “Atyrau Refinery” LLP for 56,223 million tenge. The funds were provided to refinance existing liabilities.

Changes in investments in subsidiaries and Equity

On February 19, 2019 the Shareholder made contribution to the share capital of the Fund in the amount of 15,000 million tenge in cash.

On February 21, 2019, these funds were used to increase investments for financing the projects implemented by a subsidiary, “United Chemical Company” LLP.