

REPORT ARCHIVE COPY

**JOINT STOCK COMPANY
UNIFIED ACCUMULATIVE
PENSION FUND**

Financial Statements and
Independent Auditor's Report
For the year ended 31 December 2018

Joint Stock Company Unified Accumulative Pension Fund

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Joint Stock Company Unified Accumulative Pension Fund

Statement of Management's Responsibilities For the Preparation and Approval of the Financial Statements For the year ended 31 December 2018

Management of Joint Stock Company Unified Accumulative Pension Fund ("the Fund") is responsible for the preparation of the financial statements that present fairly the financial position of the Fund as at 31 December 2018, and the related statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the financial statements ("the financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

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

The financial statements of the Fund for the year ended 31 December 2018 were authorised for issue by the Management of the Fund on 15 March 2019.

On behalf of the Management Board:



Nauryzhan Nurzibi Serekkhazhiyevna
Chairperson of the Management Board

15 March 2019
Almaty





Sarinova Amankul Zhaksylykovna
Chief Accountant - Own Assets
Accounting Department Director

15 March 2019
Almaty

Independent Auditor's Report

To the Shareholder of Joint Stock Company Unified Accumulative Pension Fund

Opinion

We have audited the accompanying financial statements of Joint Stock Company Unified Accumulative Pension Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2018, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the 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. Those charged with governance are responsible for overseeing the Fund's financial reporting process.


Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



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

15 March 2019
Almaty



Nurlan Bekenov
Engagement Partner
Qualified Auditor of the
Republic of Kazakhstan
Qualification certificate №0082
dated 13 June 1994
General Director
Deloitte LLP



Joint Stock Company Unified Accumulative Pension Fund

Statement of Profit or Loss and Other Comprehensive Income For the year Ended 31 December 2018 (in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2018	Year ended 31 December 2017
Commission income	5, 27	60,076,680	46,779,334
Commission expense	6, 27	(8,192,785)	(17,158,694)
Net commission income		51,883,895	29,620,640
Interest income	7, 27	8,174,306	5,917,654
Net gain on financial assets at amortized cost		1,195,531	-
Recovery of provision/(provision) for impairment losses	22	404,486	(10,543)
Net foreign exchange gain/(loss)		469	(153,629)
Other operating income/(expense), net	27	491,107	(16,224)
Operating income		62,149,794	35,357,898
Personnel expenses	8, 27	(7,917,825)	(8,255,944)
General administrative expenses	9, 27	(4,308,062)	(3,923,043)
Profit before income tax		49,923,907	23,178,911
Income tax expense	10, 27	(8,632,391)	(4,939,485)
Net profit		41,291,516	18,239,426
Other comprehensive profit/(loss), net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net loss on revaluation of financial assets available-for-sale, net of tax		n/a	(142,519)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Gain on revaluation of property and equipment, net of tax		27,544	-
Other comprehensive profit/(loss)		27,544	(142,519)
Total comprehensive income		41,319,060	18,096,907

On behalf of the Management Board:


Narynzhayeva Shymul Serekkhazhiyevna
Chairperson of the Management Board

15 March 2019
Almaty




Sarinova Amankul Zhaksylykovna
Chief Accountant – Own Assets
Accounting Department Director

15 March 2019
Almaty

The notes on pages 3-42 form an integral part of these financial statements.

Joint Stock Company Unified Accumulative Pension Fund

Statement of Financial Position As at 31 December 2018 (in thousands of Kazakhstani Tenge)

	Notes	31 December 2018	31 December 2017
ASSETS			
Cash and deposits with the National Bank of the Republic of Kazakhstan			
Financial assets at amortised cost	11, 27	7,572,852	27,434,003
Financial assets available-for-sale	12, 27	109,673,955	n/a
Amounts receivable under reverse repurchase agreement	13, 27	n/a	59,549,660
Commission receivable	14	-	8,022,904
Current tax asset	15, 27	6,729,407	1,831,433
Property, equipment and intangible assets		302,091	1,081,078
Investment property	16	3,321,852	2,562,158
Deferred tax assets	17	7,647,811	19,080
Other assets	10	287,328	2,222,535
	18	876,275	431,152
Total assets		136,411,571	103,154,003
LIABILITIES AND EQUITY			
Commission payable to NBRK for fiduciary management of the Plan	19, 27	571,088	10,302,298
Other liabilities	20, 27	1,661,813	1,572,105
Total liabilities		2,232,901	11,874,403
EQUITY			
Share capital	21	7,114,244	7,114,244
Statutory reserve	21	4,056,517	4,056,517
Revaluation deficit of financial assets available-for-sale		n/a	(1,595,294)
Revaluation reserve for property and equipment		27,976	2,807
Retained earnings		122,979,933	81,701,326
Total equity		134,178,670	91,279,600
Total liabilities and equity		136,411,571	103,154,003

On behalf of the Management Board:


 Nauryzbayeva Nurzhan Serekkhazhiyevna
 Chairperson of the Management Board

15 March 2019
 Almaty

The notes on pages 2-42 form an integral part of these financial statements.




 Sarinova Amankul Zhaksylykovna
 Chief Accountant – Own Assets
 Accounting Department Director

15 March 2019
 Almaty

Joint Stock Company Unified Accumulative Pension Fund

Statement of Changes in Equity
For the year ended 31 December 2018
(in thousands of Kazakhstani Tenge)

	Share capital	Statutory reserve	Revaluation deficit of available-for-sale financial assets	Revaluation reserve for property and equipment	Retained earnings	Total
As at 31 December 2016	7,114,244	4,056,517	(1,452,775)	16,296	63,448,411	73,182,693
Profit for the year	-	-	-	-	18,239,426	18,239,426
Transfer from revaluation reserve for property and equipment, net tax	-	-	-	(13,489)	13,489	-
Other comprehensive loss	-	-	(142,519)	-	-	(142,519)
As at 31 December 2017	7,114,244	4,056,517	(1,595,294)	2,807	81,701,326	91,279,600
The effect of applying IFRS 9*	-	-	1,595,294	-	(15,284)	1,580,010
Restated opening balance in accordance with IFRS 9	7,114,244	4,056,517	-	2,807	81,686,042	92,859,610
Profit for the year	-	-	-	-	41,291,516	41,291,516
Transfer from revaluation reserve for property and equipment, net tax	-	-	-	(2,375)	2,375	-
Other comprehensive income	-	-	-	27,544	-	27,544
As at 31 December 2018	7,114,244	4,056,517	-	27,976	122,979,933	134,178,670

*The effect of applying IFRS 9 includes the impact on provisions as disclosed in Note 22 and the effect of reclassification of financial assets available-for-sale to financial assets at amortised cost.

On behalf of the Management Board:


Nauryzbayeva Mombul Serekkhazhiyevna
Chairperson of the Management Board

15 March 2019
Almaty




Sarinova Amankul Zhaksylykovna
Chief Accountant – Own Assets
Accounting Department Director

15 March 2019
Almaty

The notes on pages 9-42 form an integral part of these financial statements.

Joint Stock Company Unified Accumulative Pension Fund

Statement of Cash Flows For the year ended 31 December 2018 (in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2018	Year ended 31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		49,923,907	23,178,911
<i>Adjustments for:</i>			
Depreciation and amortisation	9, 16	1,162,971	1,001,985
(Gain)/loss on disposal of financial assets at amortised cost (2017: financial assets available-for-sale)		(12,055)	39,163
Loss on disposal of property, equipment and intangible assets		8,291	230
(Gain)/loss on revaluation of investment property	17	(13,457)	3,681
Other reserves		505,124	938,701
(Recovery)/provision for impairment loss	22	(404,486)	10,543
Net foreign exchange (gain)/loss		(469)	153,629
Interest income	7	(8,174,306)	(5,917,654)
(Increase)/decrease in operating assets			
Commission receivable		(4,897,974)	1,081,294
Other assets		(545,407)	(604,415)
(Decrease)/increase in operating liabilities			
Commission payable to NBRK for fiduciary management		(9,731,210)	9,731,013
Other liabilities		(418,094)	107,537
Cash inflow from operations before income taxes		27,402,835	29,724,618
Income tax paid		(5,918,197)	(3,169,910)
Net cash inflow from operating activities		21,484,638	26,554,708
CASH FROM INVESTING ACTIVITIES			
Placements of deposits in the NBRK		(1,273,857,899)	(24,115,000)
Proceeds from bank deposits		1,291,619,000	30,807,921
Acquisition of financial assets at amortised cost		(918,373,543)	n/a
Maturity of financial assets at amortised cost		865,558,571	n/a
Purchase of reverse repurchase agreements		(28,260,011)	(124,070,040)
Sale of reverse repurchase agreements		36,260,011	116,070,040
Purchases of property, equipment and intangible assets	16	(923,463)	(1,296,462)
Interest received		4,308,375	8,235,159
Acquisition of financial assets available-for-sale		n/a	(48,781,374)
Sale and redemption of financial assets available-for-sale		n/a	7,932,430
Net cash outflow from investing activities		(23,668,959)	(35,217,326)
Net decrease in cash and cash equivalents		(2,184,321)	(8,662,618)
Effect of changes in exchange rates on cash and cash equivalents		3,246	(66,954)
Cash and cash equivalents as at the beginning of the year	11	3,297,361	12,026,933
Cash and cash equivalents as at the end of the year	11	1,116,286	3,297,361

On 1 January 2018, due to transition to IFRS 9 the Fund made a reclassification of all financial assets available-for-sale in the amount of KZT 59,549,660 thousand to financial assets at amortised cost. This non-cash transfer was excluded from the statement of cash flows.

JSC Astana Finance redeemed its bonds by transferring investment property to the Fund (Note 17). This transfer was excluded from the statement of cash flows.

On behalf of the Management Board:

Nauryzbayeva Nurbulat Serekkhazhiyevna
Chairperson of the Management Board

15 March 2019
Almaty



Sarinova Amankul Zhaksylykovna
Chief Accountant – Own Assets
Accounting Department Director

15 March 2019
Almaty

The notes on pages 7-12 form an integral part of these financial statements.

Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements For the year ended 31 December 2018 (Continued) (in thousands of Kazakhstani Tenge)

In 2018, the Fund received commission income of 0.015% per month on pension plan assets (2017: 0.0225% per month). The calculation is performed on a monthly basis and for the calculation the Plan uses the value of the pension plan assets as at the first day of the month preceding the month for which the calculation and accrual of commission income is made. In the calculation, the Plan uses the value of pension plan assets without accrual of investment income from pension plan assets estimated in accordance with the Rules "On accounting and valuation of pension assets" developed by the NBRK in Decree No. 24 dated 26 February 2014 (hereinafter - "the Valuation Rules").

Commission income rates on pension plan assets and on investment income from pension plan assets for 2018 were determined in accordance with Regulation #199 of the Management Board of the NBRK dated 2 November 2017.

Besides management of the Plan's assets, the Fund conducts operations with its own assets, which are reflected in the current financial statements. The Plan's assets are disclosed in the financial statements of the Plan's pension assets and are not reflected in these financial statements.

The Fund's legal address is 223 Nazarbayev Avenue, Almaty, Republic of Kazakhstan. As at 31 December 2018 and 2017, the Fund had 18 branches operating in the Republic of Kazakhstan.

As at 31 December 2018 and 2017, the Fund hired 1,574 and 1,834 employees, respectively.

Shareholder

As at 31 December 2018 and 2017, the sole shareholder of the Fund was the Government of the Republic of Kazakhstan represented by the CSPP.

2. Significant accounting policies

Statement of compliance

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

These financial statements have been prepared assuming that the Fund is a going concern and will continue operation for the foreseeable future.

These financial statements are presented in thousands of Kazakhstani tenge ("KZT thousand"), unless otherwise indicated.

Basis of preparation

These financial statements have been prepared on the historical cost basis except for certain properties and financial instruments.

Exchange rates for the currencies in which the Fund transacts were as follows:

	31 December 2018	31 December 2017
KZT/1 US Dollar (USD)	384.20	332.33
KZT/1 Euro (EUR)	439.37	398.23
KZT/1 Russian Ruble (RUR)	5.52	5.77

Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements For the year ended 31 December 2018 (Continued) (in thousands of Kazakhstani Tenge)

The same accounting policies, presentation and methods of computation have been followed the year ended 31 December 2018 as were applied in the preparation of the Fund's financial statements for the year ended 31 December 2017, except for IFRS 9 *Financial instruments*.

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Fund has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow Fund not to restate comparatives. Corresponding information was not restated, as the modified retrospective approach was applied on transition, which allows recognition of differences to be accounted for in the opening retained earnings at the beginning of the period. Additionally, the Fund adopted consequential amendments to *IFRS 7 Financial Instruments: Disclosures* that were applied to the disclosures for 2018.

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities,
2. Impairment of financial assets, and
3. General hedge accounting.

Net interest income

Interest income for all financial instruments except for those classified as held for trading or those measured or designated as at fair value through profit or loss (FVTPL) are recognised as Interest income in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period, see Net gain/(loss) on financial assets at FVTPL.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets purchased or originated credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

Fee and commission income/expense

Fee and commission income and expense include fees other than those that are an integral part of EIR (see above). Fee and commission expenses with regards to services are accounted for as the services are received.

Net gain/(loss) on financial assets at FVTPL

Net gain/(loss) on financial assets at FVTPL includes all gains and losses from changes in the fair value of financial assets.

Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements
For the year ended 31 December 2018 (Continued)
(in thousands of Kazakhstani Tenge)

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI;
- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

Debt instruments at amortized cost or at FVTOCI

The Fund assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Fund's business model for managing the asset.

For an asset to be classified and measured at amortized cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model is applied retrospectively to all financial assets existing at the date of initial application of IFRS 9. The Fund determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Fund's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements For the year ended 31 December 2018 (Continued) (in thousands of Kazakhstani Tenge)

The Fund has more than one business model for managing its financial instruments that reflect how the Fund manages its financial assets in order to generate cash flows. The Fund's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Fund considers all relevant information available when making the business model assessment. However, this assessment is not performed based on scenarios that the Fund does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Fund takes into account all relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Fund determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Fund reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current reporting period, the Fund has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity. Debt instruments that are subsequently measured at amortized cost or at FVTOCI are subject to impairment.

Financial assets at FVTPL

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not solely SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognized in profit or loss.

Reclassifications

If the business model under which the Fund holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Fund's financial assets. Changes in contractual cash flows are considered under the accounting policy on *Modification and derecognition of financial assets* described below.

Impairment

The Fund recognizes loss allowances for expected credit losses (ECLs) on the following financial instruments that are not measured at FVTPL:

- Cash and deposits with the National Bank of the Republic of Kazakhstan;
- Financial assets at amortised cost;
- Other assets.

Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements For the year ended 31 December 2018 (Continued) (in thousands of Kazakhstani Tenge)

No impairment loss is recognized on equity investments.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Fund under the contract and the cash flows that the Fund expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead; the combined effect of several events may have caused financial assets to become credit-impaired. The Fund assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Fund considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

Significant increase in credit risk

The Fund monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Fund will measure the loss allowance based on lifetime rather than 12-month ECL.

Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements For the year ended 31 December 2018 (Continued) (in thousands of Kazakhstani Tenge)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Fund compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Fund's historical experience and expert credit assessment including forward-looking information.

The Fund allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- The remaining lifetime PD at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward looking and the Fund uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Fund still considers separately some qualitative factors to assess if credit risk has increased significantly.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

When a financial asset is modified the Fund assesses whether this modification results in derecognition. In accordance with the Fund's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Fund considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants.

If these do not clearly indicate a substantial modification, then:

- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

In the case where the financial asset is derecognized the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition.

Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements For the year ended 31 December 2018 (Continued) (in thousands of Kazakhstani Tenge)

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Fund determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- The remaining lifetime PD at the reporting date based on the modified terms.

The Fund derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognize the financial asset.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Fund retains an option to repurchase part of a transferred asset), the Fund allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain/loss allocated to it that had been recognized in OCI is recognized in profit or loss. A cumulative gain/loss that had been recognized in OCI is allocated between the part that continues to be recognized and the part that is no longer recognized based on the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- For debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve.

Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

Derecognition of financial liabilities

The Fund derecognizes financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements For the year ended 31 December 2018 (Continued) (in thousands of Kazakhstani Tenge)

When the Fund exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Fund accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Effect of transition

The following table set out the classification and measurement impact of adopting IFRS 9 on the statement of financial position and retained earnings including the effect of replacing IAS 39 incurred credit loss calculations with IFRS 9 expected credit loss calculations. Remeasurement represents changes in the carrying amount of the financial assets due to changes in their measurement. A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as at 1 January 2018 is as follows:

	IAS 39 Measurement category	As at 31 December 2017, IAS 39 Carrying Amount	Reclassifi- cation	Remeasu- rement	As at 1 January 2018, IFRS 9 Carrying Amount	IFRS 9 Measurement category
Cash and deposits with the NBRK	Amortized cost	27,434,003	-	(87)	27,433,916	Amortized cost
Financial assets available-for-sale	Available-for-sale	59,549,660	(59,549,660)	-	-	FVOCI
Financial assets at amortized cost	Held-to-maturity	-	59,549,660	(15,197)	59,534,463	Amortized cost

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements For the year ended 31 December 2018 (Continued) (in thousands of Kazakhstani Tenge)

In the current year, the Fund has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Functional currency

Items included in the financial statements are measured using the currency of the primary of the economic environment in which the entity operates ("the functional currency"). The presentational currency of the financial statements of the Fund is the Kazakhstani tenge ("KZT"). All values are rounded to the nearest thousand tenge, except when otherwise indicated.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Fund.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Fund as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Fund's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Fund's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Fund as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, unrestricted balances on corresponded and term deposits with the National Bank of the Republic of Kazakhstan with original maturity of less or equal to 3 months and amounts due from credit institutions with original maturity of less or equal to 3 months and are free from contractual encumbrances.

Property and equipment

Buildings and vehicles held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements For the year ended 31 December 2018 (Continued) (in thousands of Kazakhstani Tenge)

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such buildings and vehicles is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings and vehicles is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Land owned by the Fund is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis at the following annual rates:

Buildings and other real estate	2.5%
Furniture and computer equipment	14.3-33.3%
Other fixed assets	4.0-100.0%
Intangible assets	10%-100.0%

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets

Intangible assets created by own forces - research and development work. Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements For the year ended 31 December 2018 (Continued) (in thousands of Kazakhstani Tenge)

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets

At the end of each reporting period, the Fund reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Fund estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Investment property

Investment property is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Taxation

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

Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements For the year ended 31 December 2018 (Continued) (in thousands of Kazakhstani Tenge)

Current tax

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

Deferred tax

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

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Fund expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Fund management reviewed the Fund's investment property portfolios and concluded that none of the Fund's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the Fund's management has determined that the 'sale' presumption set out in the amendments to IAS 12 *Income Taxes* is not rebutted. As a result, the Fund has not recognised any deferred taxes on changes in fair value of the investment properties as the Fund is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements For the year ended 31 December 2018 (Continued) (in thousands of Kazakhstani Tenge)

Operating taxes

The Republic of Kazakhstan, where the Fund operates also have various taxes, other than income tax, which are applied to the Fund's activities. These taxes are included as a component of operating expenses in the statement of profit or loss and other comprehensive income.

Provisions

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

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

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

Foreign currencies

In preparing the financial statements of the Fund, transactions in currencies other than the Fund's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Equity reserves

The reserves recorded in equity on the Fund's statement of financial position includes:

- revaluation reserve for financial assets available-for-sale which comprises changes in fair value of financial assets available-for-sale;
- revaluation reserve for property and equipment.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Fund's accounting policies the Fund management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements
For the year ended 31 December 2018 (Continued)
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Critical accounting judgements

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Fund determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Fund monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Fund's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk

As explained in Note 2, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Fund takes into account qualitative and quantitative reasonable and supportable forward looking information.

Models and assumptions used

The Fund uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Useful lives of property, plant and equipment

As described above, the Fund reviews the estimated useful lives of property and equipment at the end of each annual reporting period.

Recoverability of deferred tax assets

The management of the Fund is confident that no valuation allowance against deferred tax assets at the reporting date is considered necessary, because it is more likely than the deferred tax asset will be fully realized. The carrying value of deferred tax assets amounted to KZT 287,328 thousand and KZT 2,222,535 thousand as at 31 December 2018 and 2017, respectively.

Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements
For the year ended 31 December 2018 (Continued)
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4. Application of new and revised International Financial Reporting Standards (IFRSs)

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16	<i>Leases</i>
IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to IAS 28	<i>Long-term interests in Associates and Joint Ventures</i>
Annual Improvements to IFRS Standards 2015-2017 Cycle	<i>Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs</i>
Amendments to IAS 19 Employee Benefits	<i>Plan Amendment Curtailment or Settlement</i>
IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to IFRS 3	<i>Definition of Business</i>
Amendments to IAS 1 and IAS 8	<i>Definition to Material</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>

The management of the Fund do not expect that the adoption of the Standards listed above will have a significant impact on the financial statements of the Fund in future periods.

5. Commission income

	Year ended 31 December 2018	Year ended 31 December 2017
Commission from investment income on Plan assets	45,427,644	28,128,788
Commission on Plan assets	14,649,036	18,650,546
Total commission income	60,076,680	46,779,334

In accordance with the Law on pensions, the Fund is authorised to receive a commission from the Plan not exceeding 7.5% of investment income from pension plan assets and not exceeding 0.025% per month of total pension assets.

In 2018, the Fund received commission income on investment income from pension plan assets of 5.25% (2017: 5.25%). The calculation is performed on a monthly basis and for the calculation the Plan uses the value of the investment income from pension plan assets as at the first day of the month preceding the month for which the calculation and accrual of commission income is made.

In 2018, the Fund received commission income of 0.015% per month on pension plan assets (2017: 0.0225% per month). The calculation is performed on a monthly basis and for the calculation the Plan uses the value of the pension plan assets as at the first day of the month preceding the month for which the calculation and accrual of commission income is made. In the calculation, the Plan uses the value of pension plan assets without accrued investment income.

Commission expenses rates on pension plan assets and on investment income from pension plan assets for 2018 were determined in accordance with regulation No. 199 of the Management Board of the NBRK dated 2 November 2017.

Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements
For the year ended 31 December 2018 (Continued)
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6. Commission expense

	Year ended 31 December 2018	Year ended 31 December 2017
Fiduciary management of pension assets by the NBRK	5,221,493	14,258,442
Custody operations	2,384,785	1,949,239
Bank services	544,491	855,646
Other	42,016	95,367
Total commission expense	8,192,785	17,158,694

In 2018, the Fund paid base commission income to the NBRK, which was differentiated based on the financial instrument portfolio group (from 0 to 0.06% per month), in accordance with Appendix 1 to the State Procurement Agreement for the Fiduciary Management of the Fund No. 362NB dated 26 August 2013. According to Resolution of the Board of Directors of the NBRK No. 22 dated 19 March 2018, the payment of commission on success fee was cancelled.

In 2017, the Fund paid base commission income to the NBRK, which was differentiated based on the financial instrument portfolio group (from 0 to 0.06% per month), in accordance with Appendix 1 to the State Procurement Agreement for the Fiduciary Management of the Fund No. 362NB dated 26 August 2013, and charged a commission on success fee in the amount of KZT 9,927,136 thousand, calculated as 10% of the excess of investment income on pension assets of the Plan over the level of official inflation rate.

7. Interest income

	Year ended 31 December 2018	Year ended 31 December 2017
Interest income comprises:		
Financial assets recorded at amortized cost:		
- unimpaired financial assets	8,174,306	2,106,480
Financial assets at fair value	-	3,811,174
Total interest income	8,174,306	5,917,654
Financial assets recorded at amortized cost comprises:		
Bonds at amortized cost	6,638,935	n/a
Bank deposits	1,481,525	999,365
Amounts receivable under reverse repurchase agreement	53,782	212,116
Cash and deposits with the National Bank of the Republic of Kazakhstan	64	894,999
Total interest income on financial assets recorded at amortized cost	8,174,306	2,106,480
Financial assets at fair value comprises:		
Financial assets available-for-sale	n/a	3,811,174
Total interest income on financial assets at fair value	-	3,811,174
Net interest income before impairment losses on interest bearing financial assets	8,174,306	5,917,654

8. Personnel expenses

	Year ended 31 December 2018	Year ended 31 December 2017
Employee compensation	7,230,653	7,552,107
Payroll related taxes	687,172	703,837
Total personnel expenses	7,917,825	8,255,944

Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements
For the year ended 31 December 2018 (Continued)
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9. General administrative expenses

	Year ended 31 December 2018	Year ended 31 December 2017
Depreciation and amortisation	1,162,971	1,001,985
Operating lease expenses	782,813	862,702
Communications and information services	390,911	309,503
Advertising and marketing	277,318	195,123
Post and information services for clients	255,941	267,811
Software support services	224,489	207,012
Repairs and maintenance	150,772	111,445
Utilities	122,979	42,093
Professional services	102,023	70,197
Transportation	95,177	85,308
Travel expenses	89,556	73,550
Taxes other than income tax	73,797	214,136
Insurance	71,609	55,780
Security	65,243	42,948
Stationery	43,206	43,704
Costs related to property, equipment and intangible assets	34,679	21,487
Bank services	32,143	33,897
Membership fees	17,942	27,949
Fuel	5,446	2,166
Hospitality	2,199	1,837
Other	306,848	252,410
Total general administrative expenses	4,308,062	3,923,043

10. Income tax expense

The Fund calculates income tax for the current period on the basis of the tax accounting data that is carried out in accordance with the requirements of the tax legislation of the Republic of Kazakhstan in which the Fund operates, and these requirements may differ from IFRS.

Due to the fact that some types of the expenses are not taken into account for the tax purposes, and due to the availability of non-taxable income, the Fund has certain permanent tax differences.

The deferred tax reflects the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts determined for the tax purposes. The temporary differences as at 31 December 2018 and 2017 are mainly related to different methods of income and expense recognition, as well as temporary differences arising from differences in the carrying value and tax value of certain assets.

	Year ended 31 December 2018	Year ended 31 December 2017
Current tax expense	(6,697,184)	(6,058,158)
Deferred taxation movement due to origination and reversal of temporary differences	(1,935,207)	1,118,673
Total income tax expense	(8,632,391)	(4,939,485)

In 2018 the applicable tax rate for current and deferred tax is 20% (2017: 20%).

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Reconciliation of effective tax rate:

	Year ended 31 December 2018	Year ended 31 December 2017
Profit before income tax	49,923,907	23,178,911
Income tax at the applicable tax rate (20%)	(9,984,781)	(4,635,782)
Tax effect of non-taxable income/(non-deductible expenses)	1,352,390	(303,703)
Income tax expense	(8,632,391)	(4,939,485)

Deferred tax assets as at 31 December 2018 and 2017 are presented as follows:

	31 December 2018	31 December 2017
Commission payable to NBRK for fiduciary management	114,218	2,107,942
Other liabilities	280,922	181,892
Property, equipment and intangible asset	(106,209)	(66,747)
Accrued costs	(1,603)	(552)
Net deferred tax assets	287,328	2,222,535

	2018	2017
Deferred tax assets	2018	2017
As at January 1	2,222,535	1,103,862
Change in deferred income tax balances recognized in profit or loss	(1,935,207)	1,118,673
As at 31 January	287,328	2,222,535

11. Cash and deposits with the National Bank of the Republic of Kazakhstan

	31 December 2018	31 December 2017
Current accounts with banks	1,116,315	3,297,361
Term deposits with the NBRK	6,456,569	24,136,642
	7,572,884	27,434,003
Less: allowance for expected credit losses (Note 22)	(32)	-
Total Cash and deposits with the National Bank of the Republic of Kazakhstan	7,572,852	27,434,003

As at 31 December 2018, cash and deposits with the NBRK included accrued interest income in the amount of KZT 7,569 thousand (31 December 2017: KZT 21,642 thousand).

Cash and cash equivalents for the purpose of the statement of cash flows comprise the following:

	31 December 2018	31 December 2017
Current accounts with banks:		
Halyk Bank JSC	1,115,509	3,267,735
Kazkommertsbank JSC	-	20,065
Other banks	806	9,561
	1,116,315	3,297,361
Less: allowance for expected credit losses	(29)	-
Total cash and cash equivalents	1,116,286	3,297,361

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Notes to the Financial Statements
For the year ended 31 December 2018 (Continued)
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12. Financial assets at amortized cost

	31 December 2018	31 December 2017
Debt securities	114,618,249	-
Less: allowance for expected credit losses (Note 22)	(4,944,294)	-
Total financial assets at amortized cost	109,673,955	-
	31 December 2018	31 December 2017
Debt securities		
Government bonds		
Bonds of the Ministry of Finance of the Republic of Kazakhstan	34,975,977	-
Notes of NBRK	29,964,093	-
Total government bonds	64,940,070	-
Corporate bonds		
Eurasian Development Bank	28,616,152	-
JSC Development Bank of Kazakhstan	6,047,250	-
JSC KazTransGaz Aimak	5,088,243	-
JSC National Managing Holding Baiterek	5,003,958	-
LLP Buzgul Aurum	4,922,576	-
Total corporate bonds	49,678,179	-
Total debt securities before allowance for expected credit losses	114,618,249	-
Less: allowance for expected credit losses (Note 22)	(4,944,294)	-
Total debt instruments	109,673,955	-

As at 31 December 2018, financial assets at amortised cost included accrued interest income in the amount of KZT 1,752,006 thousand.

13. Financial assets available-for-sale

	31 December 2018	31 December 2017
Debt securities	-	64,781,029
Equity securities	-	2,464
	-	64,783,493
Less: provision for impairment losses	-	(5,233,833)
Total financial assets available-for-sale	-	59,549,660

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	31 December 2018	31 December 2017
Debt securities		
Government bonds		
Notes of NBRK	-	31,973,182
Bonds of the Ministry of Finance of the Republic of Kazakhstan	-	16,625,051
Total government bonds	-	48,598,233
Corporate bonds		
JSC Development Bank of Kazakhstan	-	6,046,041
LLP Buzgul Aurum	-	5,222,635
JSC KazTransGaz Aimak	-	4,206,922
Eurasian Development Bank	-	696,000
JSC Astana Finance	-	11,198
Total corporate bonds	-	16,182,796
Total debt securities before provision for impairment losses	-	64,781,029
Less: provision for impairment losses	-	(5,233,833)
Total debt instruments	-	59,547,196
Equity securities		
Shares of JSC Kazakhstan Stock Exchange	-	2,464
Total equity securities	-	2,464
Total financial assets available-for-sale	-	59,549,660

As at 31 December 2017, financial assets available-for-sale included accrued interest income in the amount of KZT 616,263 thousand.

14. Amounts receivable under reverse repurchase agreement

	31 December 2018		31 December 2017	
	Carrying amount	Fair Value of collateral	Carrying amount	Fair Value of collateral
Discount Notes of the NBRK	-	-	8,022,904	8,256,246
Total amounts receivable under reverse repurchase agreement	-	-	8,022,904	8,256,246

As at 31 December 2017, amounts receivable under reverse repurchase agreement included accrued interest income in the amount of KZT 22,904 thousand.

15. Commission receivable

	31 December 2018	31 December 2017
Commission from investment income on Plan assets	5,364,384	149,381
Commission on Plan assets	1,365,023	1,682,052
Total commission receivable	6,729,407	1,831,433

As of the date these financial statements, the full amount of commission receivable from Plan was paid.

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16. Property, equipment and intangible assets

	Property and Equipment					Intangible Assets		Total
	Land	Building	Computer equipment	Office equipment	Vehicles	Licenses	Software	
Cost								
Balance at 1 January 2018	186	101,475	2,103,240	674,691	100,528	970,787	1,137,742	5,088,649
Additions	-	-	263,549	42,661	65,000	436,975	115,278	923,463
Transfer from Investment Property	-	980,049	-	-	-	-	-	980,049
Disposals	-	-	(97,006)	(44,957)	(5,400)	-	-	(147,363)
Revaluation	-	(8,287)	-	-	27,544	-	-	19,257
Write-off at revaluation	-	(9,090)	-	-	(35,974)	-	-	(45,064)
Impairment losses	-	-	(4)	-	-	-	-	(4)
Transfers	-	-	-	15,029	(15,029)	-	-	-
Balance at 31 December 2018	186	1,064,147	2,269,779	687,424	136,669	1,407,762	1,253,020	6,818,987
Depreciation and amortisation								
Balance at 1 January 2018	-	(7,822)	(1,120,286)	(215,138)	(27,275)	(371,779)	(784,191)	(2,526,491)
Depreciation and amortisation for the year	-	(14,021)	(357,293)	(121,384)	(21,946)	(446,492)	(201,834)	(1,162,970)
Disposals	-	-	96,988	44,875	5,400	-	-	147,263
Write-off at revaluation	-	9,089	-	-	35,974	-	-	45,063
Balance at 31 December 2018	-	(12,754)	(1,380,591)	(291,647)	(7,847)	(818,271)	(986,025)	(3,497,135)
Carrying amount								
At 31 December 2018	186	1,051,393	889,188	395,777	128,822	589,491	266,995	3,321,852

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For the year ended 31 December 2018 (Continued)
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	Property and equipment					Intangible assets		Total
	Land	Building	Computer equipment	Office equipment	Vehicles	Licenses	Software	
Cost								
Balance at 1 January 2017	-	101,475	1,961,891	337,629	46,528	307,193	1,050,685	3,805,401
Additions	186	-	153,049	338,576	54,000	663,594	87,057	1,296,462
Disposals	-	-	(11,700)	(1,514)	-	-	-	(13,214)
Balance at 31 December 2017	186	101,475	2,103,240	674,691	100,528	970,787	1,137,742	5,088,649
Depreciation and amortisation								
Balance at 1 January 2017	-	(5,285)	(731,072)	(163,110)	(3,227)	(175,170)	(459,626)	(1,537,490)
Depreciation and amortisation for the year	-	(2,537)	(400,888)	(53,338)	(24,048)	(196,609)	(324,565)	(1,001,985)
Disposals	-	-	11,674	1,310	-	-	-	12,984
Balance at 31 December 2017	-	(7,822)	(1,120,286)	(215,138)	(27,275)	(371,779)	(784,191)	(2,526,491)
Carrying amount								
At 31 December 2017	186	93,653	982,954	459,553	73,253	599,008	353,551	2,562,158

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17. Investment Property

	31 December 2018	31 December 2017
Beginning balance		
Additions	19,080	22,761
Transfer to Property and equipment	8,490,323	-
Net gain/(loss) from revaluation	(875,049)	-
	13,457	(3,681)
Ending balance	7,647,811	19,080

As at 31 December 2017, the Fund owned bonds of JSC Astana Finance in the total amount of KZT 11,198 thousand (Note 13). During 2018, the Fund additionally purchased bonds of JSC Astana Finance from the Plan in the total of KZT 12,428,443 thousand.

As part of the main agreement on the redemption of bonds No. 18/479/28-02-18/R, JSC Astana Finance redeemed these bonds by transferring real estate in the amount of KZT 5,339,384 thousand and transferring cash to the ownership of the Fund. As part of the agreement on the basic terms of the agreement on the fulfillment of obligations No. 18/1564 / 05-09-18 /r with JSC Bank of Astana, property in the amount of KZT 3,150,939 thousand was transferred to the Fund to repay the debt.

The Fund owns investment property objects on the basis of property rights.

Due to changes in Management's plan for the property, the Fund transferred the property for KZT 875,049 thousand plus VAT for KZT 105,000 thousand into Property, equipment and intangible assets category.

Included into other income is investment property rental income for the year ended 31 December 2018 and 2017 in the amount of KZT 240,293 thousand and KZT nil, respectively.

Operating expenses arising from the investment property that generated rental income during the year ended 31 December 2018 and 2017 were KZT 99,078 thousand and KZT nil, respectively. Operating expenses arising from the investment property that did not generate rental income during the year ended 31 December 2018 and 2017 were KZT 9,745 thousand and KZT 14 thousand, respectively.

Investment property acquired in 2018 has not been revalued, since it is already recorded at fair value at the time of recognition.

As at 31 December 2018 and 2017, fair value of investment property was included in the Level 3 in the amount of KZT 7,647,811 thousand and KZT 19,080 thousand, respectively.

The fair value was performed by independent appraisers. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during 2018.

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18. Other assets

	31 December 2018	31 December 2017
Accounts receivable	71,197	-
Rent receivable	17,861	-
Other financial assets	11,200	4,717
Less: allowance for expected credit losses (Note 22)	100,258 (15,690)	4,717 (4,717)
Total other financial assets	84,568	-
Taxes other than income tax	403,833	389
Construction in progress	187,050	184,900
Inventory	89,585	114,440
Advances paid	17,587	15,740
Other non-financial assets	93,652	115,683
Total other non-financial assets	791,707	431,152
Total other assets	876,275	431,152

19. Commission payable to NBRK for fiduciary management of the Plan

	31 December 2018	31 December 2017
Commission payable to NBRK for fiduciary management of the Plan	571,088	10,302,298

As at 31 December 2018, the commission payable was recognised for the services received in December 2018 (Note 6), which was partially paid to NBRK in January 2019.

The commission payable as at 31 December 2017 was recognised for the services received in December 2017 (Note 6), and it was paid for in January 2018.

20. Other liabilities

	31 December 2018	31 December 2017
Vacation reserve	122,057	120,834
Accounts payable	28,744	187,582
Other financial liabilities	13,440	-
Total other financial liabilities	164,241	308,416
Bonus reserve	869,164	653,631
Custody services liabilities	187,604	236,062
Taxes payable other than income tax	182,590	205,730
Communications and information services liabilities	83,235	22,886
Consulting service liabilities	52,405	-
Other non-financial liabilities	122,574	145,380
Total other non-financial liabilities	1,497,572	1,263,689
Total other liabilities	1,661,813	1,572,105

21. Share capital

Issued capital

As at 31 December 2018 and 2017, the issued and outstanding share capital comprised of 9,489,248 ordinary shares in the amount of KZT 7,114,244 thousand. The ordinary shares of the Fund have no par value, and are valued at the cost of contributions to the share capital.

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Dividends

As a not-for-profit organisation in accordance with Kazakhstan legislation, the Fund does not declare and pay any dividends on its shares. In accordance with the current legislation and Charter of the Fund, the net profit of the Fund is used only for development of the Fund.

Statutory reserve

According to the Law of the Republic of Kazakhstan "On Joint Stock Companies" effective before amendments dated 8 July 2005, the Fund was required to maintain a reserve established from the net income of the Fund. Currently there is no requirement to continue to transfer from retained earnings to this statutory reserve. The statutory reserve is allowed to be distributed by the decision of the shareholder of the Fund.

Revaluation reserve for financial assets available-for-sale

The revaluation reserve for financial assets available-for-sale comprised of the cumulative net change in the fair value, until the assets are derecognised or impaired.

22. Allowances for expected credit losses

The movements in accumulated allowances of financial assets at amortised cost, financial assets available-for-sale, cash and deposits with NBRK, bank deposits, the allowances for impairment losses of interest bearing and other assets were as follows:

	Financial assets at amortised cost (Note 12)		Financial assets available for sale (Note 13)		Other assets (Note 18)	Cash and deposits with NBRK (Note 11)	Banks deposits	Total
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 1	Stage 1	
31 December 2017	-	-	-	(5,233,833)	(4,717)	-	(15,569,754)	(20,808,304)
Impact of Adopting IFRS 9	(15,197)	-	-	-	-	(87)	-	(15,284)
Restated opening balance under IFRS 9	(15,197)	-	-	(5,233,833)	(4,717)	(87)	(15,569,754)	(20,823,588)
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2 (Provision)/ recovery of provision	-	(5,233,833)	-	5,233,833	-	-	-	-
	(6,520)	311,256	-	-	(10,973)	55	110,668	404,486
31 December 2018	(21,717)	(4,922,577)	-	-	(15,690)	(32)	(15,459,086)	(20,419,102)

23. Risk management

Management of risk is fundamental to the business and is an essential element of the Fund's operations. The major risks faced by the Fund are those related to market risk, which includes price, interest and currency risks, credit risk and liquidity risk.

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Risk management policies and procedures

The Fund's risk management policies aim to identify, analyse and manage the risks faced by the Fund, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. In accordance with the Trust Management Agreement for own assets of the Joint Stock Company "Unified Accumulative Pension Fund" dated 28 March 2018, its own assets were transferred to trust management of the NBRK (Trustee). In accordance with paragraph 2.1. The Trustee independently makes investment decisions in accordance with the investment strategy of the Fund and within the limits of the approved investment limits that are an integral part of the Trust Management Agreement. The risk management system uses an integrated approach that establishes control systems aimed at the timely detection, assessment and prevention of events that may cause a violation of the normal operation of the Fund. The Fund carries out post-monitoring of its own assets in management reporting, in which methods for assessing investment risks using various instruments are detailed and widely used. Review of reporting on the condition and exposure of the portfolios of own assets to financial risks is carried out on a monthly basis.

The Board of Directors of the Fund approves the internal policies and procedures of the Plan and has overall responsibility for the proper functioning of the risk management and internal control system. The Board approves internal regulatory documents on the minimization of non-financial risks, which use tools for self-assessment of operational risks, methods for monitoring key risk indicators (KRI), which are leading indicators and reflect potential sources of operational risks, internal management practices that are the division of authority, the determination of the responsibility of subjects of internal control with subsequent monitoring of operations at each stage of the process and with hierarchy / consistency mandatory procedures for coordination by responsible persons / managers and in the continuous monitoring of the internal control system in the Fund. The Fund appoints responsible persons within each division, whose duties include developing and regularly updating the matrix of business processes, assessing the potential and identified risks inherent in these business processes. Based on the results of using the above tools, within the framework of the operational risk management system, a risk mitigation plan is developed and approved, aimed both at eliminating the causes of risk realization and minimizing the consequences in case of risk events.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices. The Fund periodically performs post-monitoring of market risks of financial instruments transferred to trust management.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities.

An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rates (interest rate risk) based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of financial assets available-for-sale existing as at 31 December 2018 and 2017 is as follows:

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An impact on profit before income tax:

	31 December 2018	31 December 2017
100 bp parallel fall	-	(18,566)
100 bp parallel rise	-	18,566

An impact on equity:

	31 December 2018	31 December 2017
100 bp parallel fall	-	864,153
100 bp parallel rise	-	(1,178,389)

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

As at 31 December 2018 and 2017, the Fund had no any financial assets and liabilities denominated in foreign currencies, except for current account in JSC Halyk Bank for KZT 6,046 thousand and KZT 33,037 thousand, respectively.

The following table presents an analysis of the Fund's sensitivity to a 10% increase and decrease in the Kazakhstani Tenge exchange rate against the US dollar and other currencies as at 31 December 2018, as well as a sensitivity analysis of the Fund to a 10% rise and fall of the tenge to the US dollar and other currencies as at 31 December 2017, respectively. The sensitivity level is used within the Fund in preparing currency risk reports for key management personnel of the Fund and is an estimate of the Guidance for the Fund for Possible Exchange Rate Changes.

An analysis of sensitivity of profit or loss for the year and equity to changes in foreign currency exchange rates based on positions existing as at 31 December 2018 and 2017 and a simplified scenario of a 10% and -10%, accordingly, change in USD to Kazakhstan Tenge exchange rates is as follows:

	31 December 2018
10% appreciation of USD against KZT	605
10% depreciation of USD against KZT	(605)

	31 December 2017
10% appreciation of USD against KZT	3,304
10% depreciation of USD against KZT	(3,304)

Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Fund has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limits on portfolio concentration for one counterparty or a group of counterparties.

The Fund continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its counterparties. The review is based on the counterparty's most recent financial statements and other information otherwise obtained by the Fund.

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The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	31 December 2018	31 December 2017
ASSETS		
Cash and deposits with the National Bank of the Republic of Kazakhstan	7,572,852	27,434,003
Financial assets at amortized cost	109,673,955	n/a
Financial assets available-for-sale	n/a	59,549,660
Amounts receivable under reverse repurchase agreement	-	8,022,904
Commission receivable	6,729,407	1,831,433
Other financial assets	84,568	-

As at 31 December 2018, the Fund has three counterparties (Ministry of Finance of the Republic of Kazakhstan, NBRK and Development Bank of Kazakhstan), credit risk exposure to whom exceeds 10% of maximum credit risk exposure (2017: two counterparties). The credit risk exposure for these counterparties as at 31 December 2018 is KZT 93,546,582 thousand (2017: KZT 80,758,181 thousand).

The following table details credit ratings of financial assets held by the Fund that are neither past due nor impaired:

	≥BBB	<BBB	Credit Rating undefined	Total
31 December 2018				
Cash and deposits with the NBRK	1,115,480	6,457,372	-	7,572,852
Financial assets at amortized cost	33,610,062	76,063,893	-	109,673,955
Commission receivable	-	6,729,407	-	6,729,407
Other financial assets	-	-	84,568	84,568
31 December 2017				
Cash and deposits with the NBRK	-	27,434,003	-	27,434,003
Financial assets available-for-sale	696,000	58,851,196	2,464	59,549,660
Amounts receivable under reverse repurchase agreement	-	8,022,904	-	8,022,904
Commission receivable	-	1,831,433	-	1,831,433

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Fund maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due.

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The liquidity management is performed by the Fund and involves:

- analysis of liquidity of assets and liabilities of the Fund by types of securities, financial instruments and currencies;
- oversight of cash inflows and outflows of the Fund;
- assessment and control of liquidity risk of the Fund to ensure that sufficient liquidity is maintained within the Fund as a whole.

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2018:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
Non-derivative financial assets							
Cash and deposits with the NBRK	7,572,852	-	-	-	-	-	7,572,852
Financial assets at amortized cost	30,090,977	197,817	1,583,572	45,587,589	32,214,000	-	109,673,955
Commission receivable	6,729,407	-	-	-	-	-	6,729,407
Other financial assets	2,562	18,394	14,555	49,057	-	-	84,568
Total financial assets	44,395,798	216,211	1,598,127				124,060,782
Non-derivative financial liabilities							
Commission payable to NBRK for fiduciary management of the Plan	457,688	-	113,400	-	-	-	571,088
Other financial liabilities	164,241	-	-	-	-	-	164,241
Total financial liabilities	621,929		113,400				
Net position	43,773,869	216,211	1,484,727				735,329
							123,325,453

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The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2017:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
Non-derivative financial assets							
Cash and deposits with the NBRK	27,434,003	-	-	-	-	-	27,434,003
Financial assets available-for-sale	31,973,182	145,799	313,256	13,097,475	14,017,484	-	59,549,660
Amounts receivable under reverse repurchase agreement	8,022,904	-	-	-	-	2,464	8,022,904
Commission receivable	1,831,433	-	-	-	-	-	1,831,433
Total financial assets	69,261,522	145,799	313,256	13,097,475	14,017,484	2,464	96,838,000
Non-derivative liabilities							
Commission payable to NBRK for fiduciary management	10,302,298	-	-	-	-	-	10,302,298
Other financial liabilities	308,416	-	-	-	-	-	308,416
Total financial liabilities	10,610,714	-	-	-	-	-	10,610,714
Net position	58,650,808	145,799	313,256	13,097,475	14,017,484	2,464	86,227,286

As at 31 December 2018 and 2017, the financial liabilities are short-term in nature and, thus, do not differ from the undiscounted amounts payable.

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24. Capital management

The Fund does not have any externally imposed capital requirements.

25. Operating leases

As at 31 December 2018 and 2017, the Fund did not have significant non-cancellable operating lease rentals payable.

During 2018, KZT 782,813 thousand was recognised as an expense in profit or loss in respect of operating leases (2017: KZT 862,702 thousand).

26. Contingencies

Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Fund does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the Fund obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position of the Fund.

Taxation contingencies

The taxation system in the Republic of Kazakhstan continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities who have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Republic of Kazakhstan suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Republic of Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant. The last tax inspection was performed by tax authorities for the period from 2009 to 2013 years, and was completed in 2016.

Operating environment

Emerging markets such as Republic of Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Republic of Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Republic of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Republic of Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

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Management of the Fund is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Fund's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Fund might be significant.

27. Related party transactions

As at 31 December 2018 and 2017, the ultimate controlling party of the Fund was the Government of the Republic of Kazakhstan, which owned 100% of shares of the Fund (Note 1).

Transactions with the members of the Management Board

Total remuneration included in personnel expenses for the years ended 31 December 2018 and 2017 is as follows:

	Year ended 31 December 2018	Year ended 31 December 2017
Short term employee benefits	173,557	86,708
Total short term employee benefits	173,557	86,708

The above amounts include cash and non-cash benefits in respect of the members of the Management Board and Board of Directors of the Fund.

Transactions with other related parties

The outstanding balances as at 31 December 2018 and related profit or loss amounts of transactions for the year then ended with related parties are as follows:

Statement of financial position	NBRK	Ministry of Finance of the Republic of Kazakhstan	Plan	Other	Total	Total per financial statements caption
Assets						
Cash and deposits with NBRK	6,457,372	-	-	-	6,457,372	7,572,852
Financial assets at amortised cost	29,964,068	34,259,096	-	43,855,497	108,078,661	108,078,661
Commission receivable	-	-	6,729,407	-	6,729,407	6,729,407
Current tax assets	-	-	-	-	-	-
Other assets	-	-	-	302,091	302,091	302,091
Liabilities						
Commission payable to NBRK for fiduciary management of the Plan	571,088	-	-	-	571,088	571,088
Other liabilities	190,505	-	-	124,603	315,108	1,661,813
Statement of profit or loss and other comprehensive income						
Commission income	-	-	60,076,680	-	60,076,680	60,076,680
Commission expense	(7,648,294)	-	-	-	(7,648,294)	(8,192,785)
Interest income	4,345,728	1,860,498	-	1,841,964	8,048,190	8,174,306
General administrative expenses	(16,374)	-	-	(616,589)	(632,963)	(4,308,062)
Other operating income	-	-	-	37,452	37,452	491,107
Current income tax expense	-	(6,697,184)	-	-	(6,697,184)	(8,632,391)

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The outstanding balances and the related average interest rates as at 31 December 2017 and related profit or loss amounts of transactions for the year then ended with other related parties are as follows:

	NBRK	Ministry of Finance of the Republic of Kazakhstan	Plan	Other	Total	Total per financial statements caption
Statement of financial position						
Assets						
Cash and deposits with NBRK	24,137,044	-	-	-	24,137,044	27,434,003
Financial assets available-for-sale	31,973,182	16,625,051	-	10,951,427	59,549,660	59,549,660
Amounts receivable under reverse repurchase agreements	8,022,904	-	-	-	8,022,904	8,022,904
Commission receivable	-	-	1,831,433	-	1,831,433	1,831,433
Current tax assets	-	-	-	1,081,078	1,081,078	1,081,078
Liabilities						
Commission payable to NBRK for fiduciary management of the Plan	10,302,298	-	-	-	10,302,298	10,302,298
Other liabilities	237,411	-	-	-	237,411	1,572,105
Statement of profit or loss and other comprehensive income						
Commission income	-	-	46,779,334	-	46,779,334	46,779,334
Commission expense	(16,313,891)	-	-	-	(16,313,891)	(17,158,694)
Interest income	1,106,706	2,686,132	-	779,594	4,572,432	5,917,654
General administrative expenses	-	-	-	-	-	-
Current income tax expense	-	-	-	(1,738,011)	(1,738,011)	(3,923,043)
	-	(6,058,158)	-	-	(6,058,158)	(4,939,485)

28. Fair values of financial instruments

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of the Fund's financial assets and financial liabilities measured at fair value on a recurring basis.

Some of the Fund's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key input
	31 December 2018	31 December 2017		
Non-derivative available-for-sale financial instruments	n/a	59,547,196	Level 1	Market comparative method

As at 31 December 2017, available-for-sale financial instruments included shares of JSC Kazakhstan Stock Exchange, which are carried at cost in the amount of KZT 2,464 thousand.

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During the years ended 31 December 2018 and 2017, there was no reclassification of financial instruments between the Level 1 and 2.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

Except as detailed in the following table, the Fund considers that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

	31 December 2018		31 December 2017	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at amortised cost	109,673,955	99,476,999	n/a	n/a

29. Events after the reporting period

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