LIMITED LIABILITY PARTNERSHIP MARSH (INSURANCE BROKERS)

Consolidated Financial Statements and
Independent Auditors' Report
For the year ended 31 December 2019

Limited Liability Partnership Marsh (Insurance Brokers)

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Limited Liability Partnership Marsh (Insurance Brokers)

Statement of Management's Responsibilities
For the Preparation and Approval of the Consolidated Financial Statements
For the year ended 31 December 2019

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of Limited Liability Partnership Marsh (Insurance Brokers) ("the Company") and its subsidiary (collectively - "the Group") as at 31 December 2019, and the results of its operations, cash flows and changes in partner's equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by the Management on 21 April 2020.

On behalf of the Management of the Group:

Andrey Komarkovsky
General Manager

21 April 2020
Almaty, Kazakhstan

Evgeniya Sklyarova
Chief Accountant

21 April 2020
Almaty, Kazakhstan

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Limited Liability Partnership Marsh (Insurance Brokers) and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in partner's equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019, 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("the IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Zhangir Zhilysbayev
Engagement partner
Qualified auditor
of the Republic of Kazakhstan
Qualification certificate
No.MF-0000116
dated 22 November 2012

21 April 2020
Almaty, Kazakhstan

Limited Liability Partnership Marsh (Insurance Brokers)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2019
(in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2019	Year ended 31 December 2018
Commission income from brokerage and consulting services	14	955,700	1,075,646
Other income	14	13,615	-
Total income		**969,315**	**1,075,646**
General and administrative expenses, including:	4, 14	(534,397)	(455,239)
Payroll and business trip expenses	4, 14	(347,071)	(286,700)
Management fees for services from the Parent Company	4, 14	(71,318)	(66,415)
Professional services	4	(47,443)	(37,817)
Rent expenses	4	(15,485)	(16,891)
Depreciation and amortization	4, 8, 9	(7,886)	(6,036)
Taxes, other than income tax	4	(602)	(13)
Recovery of/(provision for) expected credit losses	7	1,721	(1,584)
Net gain on foreign exchange operations		6,351	43,452
Total expenses		**(526,325)**	**(413,371)**
PROFIT BEFORE INCOME TAX EXPENSE		442,990	662,275
Income tax expense	5	(131,564)	(146,938)
NET PROFIT		**311,426**	**515,337**
TOTAL COMPREHENSIVE INCOME		**311,426**	**515,337**

On behalf of the Management of the Group:

Andrey Komarkovsky
General Manager

21 April 2020
Almaty, Kazakhstan

Evgeniya Sklyarova
Chief Accountant

21 April 2020
Almaty, Kazakhstan

The notes to the consolidated financial statements on pages 9-30 form an integral part of these consolidated financial statements.

Limited Liability Partnership Marsh (Insurance Brokers)

Consolidated Statement of Financial Position
As at 31 December 2019
(in thousands of Kazakhstani Tenge)

	Notes	31 December 2019	31 December 2018
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	6	526,007	371,964
Accounts receivable	7, 14	88,295	423,233
Prepaid expenses		4,619	3,971
Current income tax assets		28,326	15,943
Other tax assets		10,044	2,036
Other assets		957	7,709
Total current assets		**658,248**	**824,856**
NON-CURRENT ASSETS:			
Deferred income tax assets	5	19,013	16,948
Property and equipment	8	19,118	22,931
Intangible assets	8	1,542	1,762
Right-of-use asset	9	40,817	-
Total non-current assets		**80,490**	**41,641**
TOTAL ASSETS		**738,738**	**866,497**
LIABILITIES AND PARTNER'S EQUITY			
CURRENT LIABILITIES:			
Accounts payable	10, 14	80,867	2,181
Current lease liability	9	15,299	-
Other liabilities	11	96,355	88,353
Total current liabilities		**192,521**	**90,534**
NON-CURRENT LIABILITIES			
Non-current lease liability	9	26,173	-
Total liabilities		**218,694**	**90,534**
PARTNER'S EQUITY:			
Charter capital	12	202,000	10,000
Retained earnings		318,044	765,963
Total partner's equity		**520,044**	**775,963**
TOTAL LIABILITIES AND PARTNER'S EQUITY		**738,738**	**866,497**

On behalf of the Management of the Group:

Andrey Komarkovsky
General Manager

21 April 2020
Almaty, Kazakhstan

Evgeniya Sklyarova
Chief Accountant

21 April 2020
Almaty, Kazakhstan

The notes to the consolidated financial statements on pages 9-30 form an integral part of these consolidated financial statements.

Limited Liability Partnership Marsh (Insurance Brokers)

Consolidated Statement of Changes in Partner's Equity
For the year ended 31 December 2019
(in thousands of Kazakhstani Tenge)

	Notes	Charter capital	Retained earnings	Total
As at 31 December 2017		**10,000**	**955,166**	**965,166**
Impact of adopting IFRS 9		-	(40)	(40)
Restated opening balance under IFRS 9		10,000	955,126	965,126
Total comprehensive income		-	515,337	515,337
Dividends paid		-	(704,500)	(704,500)
As at 31 December 2018		**10,000**	**765,963**	**775,963**
Total comprehensive income		-	311,426	311,426
Transfer of retained earnings	12	192,000	(192,000)	-
Dividends paid	12	-	(567,345)	(567,345)
As at 31 December 2019		**202,000**	**318,044**	**520,044**

On behalf of the Management of the Group:

Andrey Komarkovsky
General Manager

21 April 2020
Almaty, Kazakhstan

Evgeniya Sklyarova
Chief Accountant

21 April 2020
Almaty, Kazakhstan

The notes to the consolidated financial statements on pages 9-30 form an integral part of these consolidated financial statements.

Limited Liability Partnership Marsh (Insurance Brokers)

Consolidated Statement of Cash Flows
For the year Ended 31 December 2019
(in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2019	Year ended 31 December 2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax expense		442,990	662,275
Adjustments for:			
Depreciation and amortization	4, 8, 9	7,886	6,036
(Recovery of)/provision for expected credit losses	7	(1,721)	1,584
Net gain on foreign exchange operations		(6,351)	-
Cash inflow from operating activities before changes in operating assets and liabilities		**442,804**	**669,895**
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Accounts receivable		341,533	(130,595)
Prepaid expenses		(648)	(761)
Other tax assets		(8,008)	(403)
Other assets		6,752	(2,569)
(Decrease)/increase in operating liabilities:			
Accounts payable		77,490	(38,949)
Other liabilities		8,002	4,156
Cash inflow from operating activities before taxation		**867,925**	**500,774**
Income tax paid		(146,012)	(154,786)
Net cash inflow from operating activities after taxation		**721,913**	**345,988**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets	8	(2,653)	(11,030)
Net cash outflow from investing activities		(2,653)	(11,030)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid	12	(567,345)	(704,500)
Repayment of lease liabilities	9	(545)	-
Net cash outflow from financing activities		**(567,890)**	**(704,500)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**151,370**	**(369,542)**
Effect of changes in foreign exchange rate on cash and cash equivalents		2,673	(242)
CASH AND CASH EQUIVALENTS, beginning of the year	**6**	**371,964**	**741,748**
CASH AND CASH EQUIVALENTS, end of the year	**6**	**526,007**	**371,964**

On behalf of the Management of the Group:

Andrey Komarkovsky
General Manager

21 April 2020
Almaty, Kazakhstan

Evgeniya Sklyarova
Chief Accountant

21 April 2020
Almaty, Kazakhstan

The notes to the consolidated financial statements on pages 9-30 form an integral part of these consolidated financial statements.

(in thousands of Kazakhstani Tenge, unless otherwise stated)

1. Organization

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

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

Name	Country of operation	Proportion or ownership interest/voting rights (%)		Type of operation
		2019	2018	
Marsh (Risk Consulting) LLP	Kazakhstan	99.9%	99.9%	Expertise on risk management

As at 31 December 2019 and 2018, 0.1% of the charter capital of LLP Marsh (Risk Consulting) was contributed by Marsh & McLennan Companies Services B.V. (Netherlands).

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

As at 31 December 2019 and 2018, the Company was solely owned by Marsh & McLennan Companies Services B.V. registered in the Netherlands. On 19 February 2015, the previous partner Marsh (Insurance Services) Limited transferred its share in the Company, and as a result Marsh & McLennan Companies Services B.V. ("the Parent Company") became the sole owner of the Company.

In the normal course of business, the Group enters into transactions with the companies of Marsh Group. The transactions include, but are not limited to brokerage services, management services from the Parent Company and consulting services. As at 31 December 2019 and 2018, accounts receivable from companies of Marsh Group amounted to 44.61% and 93.6% of the total amount of the Group's assets, respectively. For the years ended 31 December 2019 and 2018, commission income from brokerage services earned from the Marsh Group amounted to 73.88% and 69.51% of total commission income from brokerage services, respectively. Therefore, there is a concentration of the Group's assets and commission income from brokerage services in respect of Marsh Group. The information on operations with related parties is disclosed in Note 14.

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

As at 31 December 2019 and 2018, the number of employees of the Company was 17 and 16, respectively.

As at 31 December 2019 and 2018, the number of employees of the subsidiary, LLP Marsh (Risk Consulting), was 2 and 2, respectively.

These consolidated financial statements were authorized for issue by the Management of the Group on 21 April 2020.

2. Significant accounting policies

Statement of compliance

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

Functional currency

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

Going concern

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

Basis of consolidation

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

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

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

When necessary, adjustments are made to the financial statements of subsidiary to bring the accounting policies into line with those used by the Group.
All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The principal accounting policies are set out below.

Financial instruments

The Group recognizes financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

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

Financial assets

The Group's financial assets are represented by cash equivalents and accounts receivable only. These financial assets are measured at amortized cost because they are held under the business model to collect contractual cash flows and contractual cash flows are represented by solely payments of principal and interest only.

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

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

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

Financial liabilities

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

Cash and cash equivalents

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

Accounts receivable

Accounts receivable are stated at their nominal value, reduced by any allowance for expected credit losses. The Group records accounts receivable when the right to consideration is unconditional, subject only to the passage of time.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on cash equivalents and accounts receivable that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime ECL for accounts receivable.

The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group considers the following as constituting an event of credit impairment:

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group in full;
- when the debtor announces default to its creditors, including the Group on any of its financial liabilities or
- it is probable that debtor will enter bankruptcy or other financial reorganisation.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due.

Property, equipment and intangible assets

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

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

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

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

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

Leases

The Group as lessor

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, equipment and intangible assets' policy.

Taxation

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

Current tax

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

Deferred tax

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

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

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

Deferred income

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

Provisions

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

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

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

Contingent liabilities and assets

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

A contingent asset is not recognized in the consolidated statement of financial position but disclosed in the consolidated financial statements when an inflow of economic benefits is probable.

Charter capital

Contributions to charter capital are recognized at cost.

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

Retirement and other benefit obligations

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

Revenue recognition

Commission income from brokerage and consulting services is recognized on an accrual basis. Other income is credited to the consolidated statement of profit or loss and other comprehensive income when the related transactions are completed or as the services are provided. Expenses are recognized on an accrual basis.

Commission income from brokerage services.

Commission income from brokerage services reflect compensation for brokerage through commission and fees. Commission rates vary in amount and can depend upon a number of factors, including the type of insurance or reinsurance coverage provided, the particular insurer or reinsurer selected, and the capacity in which the broker acts and negotiates with clients. For majority of brokerage arrangements, services provided which culminate in the placement of an effective policy are considered a single performance obligation.

Consideration related to "bundled arrangements" is allocated to the individual performance obligations based on their relative fair values. Revenue for policy placement is generally recognised on the policy effective date, at which point control over the services provided by the Group has transferred to the client and the client has accepted the services.

Commission income from consulting services.

Commission income from consulting services is represented by fees paid by clients for advice. Consulting projects are typically consist of a single performance obligation, which is recognised over time as control is transferred continuously to customers. Typically, revenue is recognised over time using an input measure of time expended to date relative to total estimated time to be incurred at project completion. Incurred hours represent services rendered and thereby faithfully depicts the transfer of control to the customer.

(in thousands of Kazakhstani Tenge, unless otherwise stated)

Other income

The Group participates in a personal insurance program for company employees through a pool. A pool is a tool that allows reinsuring part of the personal insurance risks. The result of insurance contracts placed in the pool was positive, as a result of which in 2019 a positive difference was distributed between the participating companies in proportion to the contributed insurance premiums, from which the amount of KZT 11,809 thousand was distributed to the Group.

Also, in order to ensure uninterrupted communication in cases of emergency in the country, the Group received two satellites phones from the Parent Company under gratuitous use, which were capitalized as other income.

Foreign currency translation

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

Rates of exchange

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

	31 December 2019	31 December 2018
KZT/USD	382.59	384.20
KZT/EUR	429.00	439.37
KZT/GBP	503.41	488.13

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

Amendments to IFRSs affecting amounts reported in the consolidated financial statements

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

- IFRS 16 Leases;
- IFRIC 23 *Uncertainty Over Income Tax Treatments*;
- Amendments to IFRS 9 – *Prepayment Features With Negative Compensation*;
- Annual Improvements to IFRSs 2015-2017 Cycle.

Impact of initial application of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after January 1, 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is January 1, 2019.

Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before January 1, 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4. The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after January 1, 2019. In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project.

Impact on Lessee Accounting

Operating leases: IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

(a) Recognises right of use asset and lease liabilities in the consolidated statement of financial position. The lease liabilities were at transition initially measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application - 1 January 2019. The contract that falls under IFRS 16 was concluded on 26 November 2019. Therefore, as at 1 December 2019, the Group recognised a right of use asset of KZT 42,017 thousand and a corresponding lease liability of KZT 42,017 thousand. The right-of-use asset was initially recognised at the value of the corresponding lease liability, as the Group uses the simplified approach for contracts previously classified as operating lease;
(b) Recognises depreciation of right of use asset and interest on lease liabilities within "General and administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.
(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

Finance leases: The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's consolidated financial statements.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

This change did not have a material effect on the Group's consolidated financial statements.

Financial impact of the initial application of IFRS 16

As at 1 December 2019, an assessment indicates that the Group recognised a right of use asset of KZT 42,017 thousand and a corresponding lease liability of KZT 42,017 thousand. In the consolidated statement of profit or loss and comprehensive income, expenses related to leases are presented within General and administrative expenses. The incremental borrowing rate, applicable for lease liabilities, which were recognized in the consolidated statement of financial position as at 1 December 2019, equaled to 13.40%.

IFRIC 23 Uncertainty over Income Tax Treatments

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

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

The Interpretation is effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. Entities can apply the Interpretation either fully retrospectively (if it is possible without the use of hindsight) or to apply modified retrospective approach without restatement of comparatives.

The application of IFRIC 23 has had no material impact on the Group's consolidated financial statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The narrow-scope amendments remedy an unintended consequence to the notion of 'reasonable additional compensation'. The amendments allow financial assets with a prepayment option that could result in the option's holder receiving compensation for early termination to meet the SPPI condition if specified criteria are met.

In addition to that, the IASB considered the accounting for financial liabilities that are modified or exchanged that do not lead to derecognition and as a result included in the Basis for Conclusion two paragraphs on that matter. In those paragraphs the Board observes that the accounting in such cases is the same as it is for modifying a financial asset. If the gross carrying amount is changed it will lead to an immediate gain or loss in profit or loss.

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

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

Annual Improvements to IFRSs 2015-2017 Cycle

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

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

The amendments to IAS 12 clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

All amendments are effective for annual periods beginning on or after 1 January 2020.

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

New and revised IFRSs in issue but not yet effective

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

- Amendments to IAS 1 and IAS 8 *Definition of material*
- *Amendments to References to the* Conceptual Framework *in IFRS Standards*

Amendments to IAS 1 and IAS 8 *Definition of material*

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards.

The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted. The management of the Group does not expect that the application of these amendments will have an impact on the consolidated financial statements of the Group.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after January 1, 2020, with early application permitted.

The management of the Group does not expect that the application of these amendments will have an impact on the consolidated financial statements of the Group.

(in thousands of Kazakhstani Tenge, unless otherwise stated)

4. General and administrative expenses

	Year ended 31 December 2019	Year ended 31 December 2018
Payroll expenses	331,293	274,805
Management fees for services from the Parent Company	71,318	66,415
Professional services	47,443	37,817
Rent expenses	15,485	16,891
Business trips	15,778	11,895
Transport services	10,120	9,021
Depreciation and amortization	7,886	6,036
Trainings and conferences	3,471	3,954
Property and responsibility insurance	2,592	2,370
Communication services	2,473	2,960
Utilities	2,378	2,249
Bank commission	1,732	1,539
Mail and courier expenses	1,333	1,331
Interest expense	862	-
Representation services	748	853
Taxes, other than income tax	602	13
Other	18,883	17,090
	534,397	**455,239**

5. Income taxes

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

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2019 and 2018, relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Deferred taxes as at 31 December 2019 and 2018 are presented as follows:

	31 December 2019	31 December 2018
Accrued expenses	19,268	17,582
Right-of-use asset and lease liabilities	129	-
Property, equipment and intangible assets	(384)	(634)
Net deferred tax assets	**19,013**	**16,948**

As at 31 December 2019 and 2018, a deferred tax asset not recognized amounted to KZT 1,156 thousand and KZT 1,008 respectively.

(in thousands of Kazakhstani Tenge, unless otherwise stated)

Relationships between tax expenses and accounting profit for the years ended 31 December 2019 and 2018 are explained as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Profit before income tax expense	442,990	662,275
Income tax at the statutory rate 20%	88,598	132,455
Non-deductible expenses	42,818	13,475
Change in deferred tax asset not recognized	148	1,008
Income tax expense	**131,564**	**146,938**

	Year ended 31 December 2019	Year ended 31 December 2018
Current income tax expense	133,629	147,508
Deferred income tax benefit	(2,065)	(570)
Income tax expense	**131,564**	**146,938**

Movements in deferred income tax assets:

	2019	2018
Net deferred income tax assets at the beginning of the year	16,948	16,378
Deferred income tax benefit	2,065	570
Net deferred income tax assets at the end of the year	**19,013**	**16,948**

6. Cash and cash equivalents

	31 December 2019	31 December 2018
Bank current account in tenge	70,340	371,964
Bank current account in foreign currency	455,667	-
	526,007	**371,964**

7. Accounts receivable

	31 December 2019	31 December 2018
Accounts receivable	88,549	425,208
Less allowance for expected credit losses	(254)	(1,975)
	88,295	**423,233**

The loss allowance is measured at an amount equal to lifetime ECL, taking into account historical default experience and the future prospects of the economic conditions. There has been no change in the estimation techniques during the current year. As historical experience does not show significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between different customer base. As at 31 December 2019, the gross carrying amount of 90 days past due accounts receivable and related loss allowance for expected credit losses amounted to KZT 10,102 thousand and KZT 187 thousand, respectively. As at 31 December 2018, the gross carrying amount of 90 days past due accounts receivable and related loss allowance for expected credit losses amounted to KZT 36,268 thousand and KZT 1,609 thousand, respectively.

As at 31 December 2019, the gross carrying amount of receivable from Marsh Group entities with 90 days past due and above, amounted to KZT 9,412 thousand. The Management believes this amount is fully recoverable as historically such invoices are paid in 6 to 12 months period.

(in thousands of Kazakhstani Tenge, unless otherwise stated)

As at 31 December 2018, the gross carrying amount of receivable from Marsh Group entities with 90 days past due and above, amounted to KZT 27,455 thousand. The Management believes this amount is fully recoverable as historically such invoices are paid in 6 to 12 months period.

Movements in allowance for impairment losses on accounts receivable are presented as follows:

	Allowance for expected credit losses on accounts receivable
1 January 2018	**351**
Impact of adopting IFRS 9	40
Restated opening balance under IFRS 9	391
Provision for expected credit losses	1,584
31 December 2018	**1,975**
Recovery of expected credit losses	(1,721)
31 December 2019	**254**

8. Property, equipment and intangible assets

	Office and Computer equipment	**Vehicles**	**Intangible assets**	**Total**
At initial cost				
31 December 2017	**33,304**	**22,103**	**2,201**	**57,608**
Additions	11,030	-	-	11,030
Write-off at disposal	(8,025)	-	-	(8,025)
31 December 2018	**36,309**	**22,103**	**2,201**	**60,613**
Additions	2,653	-	-	2,653
Write-off at disposal	(548)	-	-	(548)
31 December 2019	**38,414**	**22,103**	**2,201**	**62,718**
Accumulated depreciation and amortization				
31 December 2017	**25,792**	**11,898**	**219**	**37,909**
Charge for the year	3,335	2,481	220	6,036
Write-off at disposal	(8,025)	-	-	(8,025)
31 December 2018	**21,102**	**14,379**	**439**	**35,920**
Charge for the year	3,985	2,481	220	6,686
Write-off at disposal	(548)	-	-	(548)
31 December 2019	**24,539**	**16,860**	**659**	**42,058**
Net book value				
31 December 2018	**15,207**	**7,724**	**1,762**	**24,693**
31 December 2019	**13,875**	**5,243**	**1,542**	**20,660**

(in thousands of Kazakhstani Tenge, unless otherwise stated)

9. Right-of-use assets and lease liabilities

The Group's lease agreement primarily relates to the rental of office space.

Cost	**Office**
31 December 2018	**-**
Recognition of right-of-use asset on adoption on IFRS 16 (Note 3)	42,017
31 December 2019	**42,017**
Accumulated depreciation	
31 December 2018	**-**
Charge for the year	1,200
31 December 2019	**1,200**
Net book value	
31 December 2018	**-**
31 December 2019	**40,817**

Interest expense on lease liabilities for the year ended 31 December 2019 amounted to KZT 862 thousand. These expenses are included in general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income (Note 4).

The table below shows the minimum amounts of future lease payments as well as the present value of the net minimum lease payments as at 31 December 2019:

Minimum lease payments	
Up to one year	16,891
From one year to three years	33,804
Total minimum lease payments	**50,695**
Less: the effect of discounting	(9,223)
Present value of net minimum lease payments	**41,472**
Net of the short-term portion	(15,299)
Long-term lease liabilities	**26,173**

The following are changes to lease liabilities:

	2019
As at 31 December 2018	**-**
Recognition of lease liabilities on adoption of IFRS 16 (Note 3)	42,017
Repayments of lease liabilities	(545)
Interest expense	862
Interest paid	(862)
As at 31 December 2019	**41,472**

Cash flows from lease liabilities for the year ended 31 December 2019 amounted to KZT 1,407 thousand, of which KZT 545 thousand are presented within financial activities in the consolidated statement of cash flows.

10. Accounts payable

	31 December 2019	**31 December 2018**
Marsh Group	80,867	2,082
Others	-	99
	80,867	**2,181**

(in thousands of Kazakhstani Tenge, unless otherwise stated)

11. Other liabilities

	31 December 2019	31 December 2018
Other financial liabilities:		
Payables for audit services	13,328	14,224
Payables for tax consulting services	4,246	4,262
	17,574	**18,486**
Other non-financial liabilities		
Bonus accrued	69,784	68,836
Vacation reserve	8,997	589
Advances received	-	442
	78,781	**69,867**
Total other liabilities	**96,355**	**88,353**

12. Charter capital

As at 31 December 2019 and 2018, the charter capital of the Group was approved and paid-in in the amount of KZT 202,000 thousand and KZT 10,000 thousand, respectively. The sole owner of the Group is Marsh & McLennan Companies Services B.V., incorporated in the Netherlands. In 2019, in order for the Group to meet new regulatory requirements, it was authorized by the sole owner to transfer undistributed profits of the Group, accumulated in the period up to 2019, to the Charter Capital in the amount of KZT 192,000 thousand.

During the years ended 31 December 2019 and 2018, dividends in the amount of KZT 567,345 thousand and KZT 704,500 thousand were declared and paid.

13. Commitments and contingencies

Capital commitments

As at 31 December 2019 and 2018, the Group had no significant capital commitments.

Legal proceedings

During the years ended 31 December 2019 and 2018, no claims against the Group were identified. Management is of the opinion that there are no material unaccrued losses as at these dates and accordingly, no provision has been made in these consolidated financial statements.

Tax legislation

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

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

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

(in thousands of Kazakhstani Tenge, unless otherwise stated)

Operating environment

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

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. Moreover, the state of the economy is significantly influenced by government spending on major infrastructure projects and various programs of the country's socio-economic development.

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Group’s business largely depends on the duration and the incidence of the pandemic effects on the world and Kazakhstan economy.

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

14. Transactions with related parties

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

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

	Year ended 31 December 2019		Year ended 31 December 2018	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Key management personnel compensation:	90,257	331,293	73,711	274,805
- salaries and other short-term employee benefits	90,257		73,711	

(in thousands of Kazakhstani Tenge, unless otherwise stated)

The Group had the following balances outstanding as at 31 December 2019 and 2018, with related parties:

	31 December 2019		**31 December 2018**	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Accounts receivable	39,386	88,295	396,161	423,233
- entities under common control	39,386		396,161	
Accounts payable	80,867	80,867	2,082	2,181
- entities under common control	80,867		2,082	

Included in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2019 and 2018, are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2019		**Year ended 31 December 2018**	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Commission income from brokerage and consulting services	706,056	955,700	747,715	1,075,646
- entities under common control	706,056		747,715	
Other income	13,104	13,615	-	-
- entities under common control	13,104		-	
General and administrative expenses, less payroll expenses	71,318	203,104	66,415	180,434
- Parent company	71,318		66,415	

For the years ended 31 December 2019 and 2018, commission income from brokerage services amounted to KZT 951,495 thousand and KZT 1,075,646 thousand, respectively. For the years ended 31 December 2019 and 2018, commission income from consulting services amounted to KZT 4,205 thousand and KZT nil, respectively.

15. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management believes, that the fair value of financial assets and liabilities approximates their carrying value due to the short-term nature of these assets and liabilities. The Group does not hold any financial assets at liabilities at fair value and as such fair value hierarchy is not presented.

16. Capital risk management

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

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

The Management reviews the capital structure on a semi-annual basis. As a part of this review, the Management considers the cost of capital and the risks associated with each class of capital.

(in thousands of Kazakhstani Tenge, unless otherwise stated)

Based on recommendations of the Management, the Group balances its overall capital structure through the payment of distributions, increase of charter capital as well as the issue of new debt or the redemption of existing debt.

17. Risk management policies

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

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

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

Operational risk

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

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

Credit risk

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

The following table details credit ratings of financial assets held by the Group as at 31 December 2019 and 2018, which were rated using either internationally recognised rating agency or internal rating:

	BBB	**BBB-**	**Not Rated**	**31 December 2019 Total**
Cash and cash equivalents	-	526,007	-	526,007
Accounts receivable	52,504	-	35,791	88,295

	BBB	**BBB-**	**Not Rated**	**31 December 2018 Total**
Cash and cash equivalents	-	371,964	-	371,964
Accounts receivable	398,136	12,523	12,574	423,233

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

(in thousands of Kazakhstani Tenge, unless otherwise stated)

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

		Collectively assessed financial assets						
	Current assets	**Up to 3 months**	**3-6 months**	**6 months to 1 year**	**Greater than one year**	**Financial assets that have been impaired**	**Allowance for expected credit losses**	**31 December 2019 Total**
Cash and cash equivalents	526,007	-	-	-	-	-	-	526,007
Accounts receivable	49,003	29,444	9,412	690	-	-	(254)	88,295

		Collectively assessed financial assets						
	Neither past due nor impaired	**Up to 3 months**	**3-6 months**	**6 months to 1 year**	**Greater than one year**	**Financial assets that have been impaired**	**Allowance for impair-ment losses**	**31 December 2018 Total**
Cash and cash equivalents	371,964	-	-	-	-	-	-	371,964
Accounts receivable	295,671	93,269	15,653	778	19,179	658	(1,975)	423,233

Geographical concentration

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

As at 31 December 2019 and 2018, concentration of accounts receivable of the Group outside of Kazakhstan amounted to 59.2% and 93.6%, respectively.

As at 31 December 2019 and 2018, concentration of accounts payable of the Group outside of Kazakhstan amounted to 100% and 95.5%, respectively.

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

Liquidity risk

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

As at 31 December 2019, financial liabilities consisted of short-term payables in the amount of KZT 98,441 thousand and lease liabilities in the amount of KZT 15,299 thousand with maturity less than 12 months and KZT 26,173 thousand with maturity up to one year to three years.
As at 31 December 2018, financial liabilities consisted of short-term payables in the amount of KZT 2,181 thousand and other financial liabilities in the amount of KZT 18,486 thousand. As at 31 December 2019 and 2018, the Group had no significant financial commitments which may result in liquidity risk.

Market risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed. There have been no changes as to the way the Group measures risk or to the risk it is exposed in 2019 since 2018.

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

(in thousands of Kazakhstani Tenge, unless otherwise stated)

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

Currency risk

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

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

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

	KZT	USD USD 1 = 382.59 KZT	EUR EUR 1 = 429.00 KZT	GBP GBP 1 = 503.41 KZT	31 December 2019 Total
FINANCIAL ASSETS					
Cash and cash equivalents	70,340	437,945	17,722	-	526,007
Accounts receivable	35,791	36,961	15,543	-	88,295
TOTAL FINANCIAL ASSETS	**106,131**	**474,906**	**33,265**	**-**	**614,302**
FINANCIAL LIABILITIES					
Accounts payable	-	26,840	4,326	49,701	80,867
Lease liability	41,472	-	-	-	41,472
Other financial liabilities	17,574	-	-	-	17,574
TOTAL FINANCIAL LIABILITIES	**59,046**	**26,840**	**4,326**	**49,701**	**139,913**
OPEN BALANCE SHEET POSITION	**47,085**	**448,066**	**28,939**	**(49,701)**	**474,389**

	KZT	USD USD 1 = 384.20 KZT	EUR EUR 1 = 439.37 KZT	GBP GBP 1 = 488.13 KZT	31 December 2018 Total
FINANCIAL ASSETS					
Cash and cash equivalents	371,964	-	-	-	371,964
Accounts receivable	24,597	381,342	15,633	1,661	423,233
TOTAL FINANCIAL ASSETS	**396,561**	**381,342**	**15,633**	**1,661**	**795,197**
FINANCIAL LIABILITIES					
Accounts payable	99	2,082	-	-	2,181
Other financial liabilities	18,486	-	-	-	18,486
TOTAL FINANCIAL LIABILITIES	**18,585**	**2,082**	**-**	**-**	**20,667**
OPEN BALANCE SHEET POSITION	**377,976**	**379,260**	**15,633**	**1,661**	**774,530**

Currency risk sensitivity

The following table details the Group's sensitivity to increase and decrease in the USD and EUR against the KZT. The sensitivity rate disclosed is used by the Group when reporting foreign currency risk internally to key management personnel of the Group and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at 31 December 2019 and 2018, for +20%/-20% change in foreign currency rates.

(in thousands of Kazakhstani Tenge, unless otherwise stated)

	As at 31 December 2019		As at 31 December 2018	
	KZT/USD +20%	KZT/USD -20%	KZT/USD +20%	KZT/USD -20%
Impact on profit or loss and partner's equity	89,613	(89,613)	75,852	(75,852)

	As at 31 December 2019		As at 31 December 2018	
	KZT/EUR +20%	KZT/EUR -20%	KZT/EUR +20%	KZT/EUR -20%
Impact on profit or loss and partner's equity	5,788	(5,788)	3,127	(3,127)

Price risks

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

18. Events after the reporting period

In January 2020, the office lease agreement was terminated due to a change of the owner of the leased premises and management reported a change in the actual address of the Group.

In March 2020 oil prices dropped for more than 40%, which resulted in immediate weakening of Kazakhstan Tenge against major currencies.

Starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Kazakhstan economy.