National Information Technologies JSC

Financial statements

For the year ended 31 December 2015
with independent auditors' report

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Independent Auditors' Report

To the Shareholder and Management of National Information Technology JSC

We have audited the accompanying financial statements of National Information Technology JSC (the "Company"), which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The Company's management is responsible for the preparation and reliability of these financial statements in accordance with International Financial Reporting Standards and for internal control as management determines is necessary to prepare the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on reliability of these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the special purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgement, including the assessment of the risks of material misstatements of the reporting forms, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation and reliability of the financial statements in order to select audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of National Information Technology JSC as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Alexandr Nazarkulov
Auditor / Audit partner

Evgeny Zhemaletdinov
General Director
Ernst and Young LLP

Auditor qualification certificate
No. МФ-0000059 dated 6 January 2012

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

22 April 2016

STATEMENT OF FINANCIAL POSITION

In thousands of tenge	Note	As at 31 December 2015	2014
Assets			
Non-current assets			
Property, plant and equipment	5	**5,102,405**	5,237,907
Intangible assets	6	**412,888**	626,017
Deferred expenses	8	**49,952**	132,659
Long-term trade accounts receivable	10	**175**	9,651,412
Other non-current assets		**3,981**	7,962
		5,569,401	15,655,957
Current assets			
Inventories	9	**64,957**	99,110
Trade accounts receivable	10	**4,861,870**	52,189
Income tax prepaid		**2,023**	130,169
Other taxes prepaid		**22,038**	4,568
Advances paid		**6,258**	10,047
Other current financial assets	11	**67,601**	382,344
Other current assets	12	**208,000**	181,304
Bank deposits	7	**3,445,404**	2,363,405
Cash and cash equivalents	13	**85,247**	334,239
		8,763,398	3,557,375
Total assets		**14,332,799**	19,213,332
Equity and liabilities			
Equity			
Share capital	14	**5,082,490**	5,082,490
Reserve capital	14	**91,511**	91,511
Retained earnings		**3,133,945**	2,671,010
Total equity		**8,307,946**	7,845,011
Non-current liabilities			
Deferred tax liability	24	**209,744**	150,856
Finance lease liability	15	**37,151**	74,303
Long-term trade accounts payable	16	**–**	8,782,272
		246,895	9,007,431
Current liabilities			
Trade accounts payable	16	**5,014,951**	1,813,627
Finance lease liability	15	**40,521**	42,206
VAT payable		**382,134**	129,098
Due to employees	17	**239,494**	215,649
Advances received		**14,975**	17,505
Other current liabilities	18	**85,883**	142,805
		5,777,958	2,360,890
Total equity and liabilities		**14,332,799**	19,213,332

The First Deputy Chairperson of the Management Board — *Anisimov A.N.*

Deputy Chairperson of the Management Board for Operation and Regional Maintenance — *Chernookov V.G.*

Finance Director – Chief Accountant — *Legkaya L.N.*

The accounting policies and explanatory notes on pages 6 to 28 are an integral part of these financial statements.

Смаилова АО

STATEMENT OF COMPREHENSIVE INCOME

In thousands of tenge	Note	For the year ended 31 December 2015	2014
Revenue	19	**10,532,812**	10,457,641
Cost of sales	20	**(8,639,699)**	(8,283,728)
Gross profit		**1,893,113**	2,173,913
Administrative expenses	21	**(741,809)**	(775,326)
Selling expenses	22	**(24,199)**	(50,614)
Other income		**17,196**	15,858
Other expenses		**(12,436)**	(3,784)
Operating profit		**1,131,865**	1,360,047
Foreign exchange gain/(loss), net		**88,577**	(7,748)
Finance income	23	**144,567**	96,646
Finance costs		**(6,117)**	(8,717)
Profit before taxation		**1,358,892**	1,440,228
Income tax expenses	24	**(295,957)**	(317,568)
Profit for the year		**1,062,935**	1,122,660
Other comprehensive income			
Other comprehensive income		–	–
Total comprehensive income for the year, net of tax		**1,062,935**	1,122,660

The First Deputy Chairperson of the Management Board — *Anisimov A.N.*

Deputy Chairperson of the Management Board for Operation and Regional Maintenance — *Chernodkov V.G.*

Finance Director – Chief Accountant — *Legkaya L.N.*

The accounting policies and explanatory notes on pages 6 to 28 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

In thousands of tenge	Note	For the year ended 31 December 2015	2014
Cash flows from operating activities			
Profit before tax		**1,358,892**	1,440,228
Adjustments for:			
Depreciation and amortisation	20, 21	**888,256**	748,943
Amortization of deferred expense	8	**356,661**	65,268
Accrual of provision for unused vacations, bonuses and related taxes	20, 21	**208,449**	159,619
Accrual of allowance for doubtful accounts receivable and impairment of advances paid		**–**	49,504
Accrual of allowance for slow-moving inventories	9	**15,677**	–
Accrual of allowance for slow-moving inventories	9	**(765)**	–
Finance income	23	**(144,567)**	(96,646)
Finance costs		**6,117**	8,717
Write-off of intangible assets	6	**26,720**	–
Unrealized foreign exchange difference		**(86,623)**	–
Other adjustments		**7,800**	–
		2,636,617	2,375,633
Change in inventories		**19,241**	(50,169)
Change in trade and other receivables		**4,841,556**	(14,921)
Change in other taxes prepaid		**(9,341)**	1,013
Change in advances paid		**3,789**	1,216
Change in other current financial assets, other non-current and current assets		**9,347**	(161,296)
Change in VAT payable		**257,016**	(259,964)
Change in accounts payable		**(4,547,052)**	105,955
Change in due to employees		**(184,604)**	(197,942)
Change in other current liabilities and advances received		**(59,452)**	(17,640)
		2,967,117	1,781,885
Income tax paid		**(95,399)**	(208,256)
Interest paid		**(7,801)**	(10,402)
Interest received		**226,503**	106,535
Net flow from operating activities		**3,090,420**	1,669,762
Cash flows from investing activities			
Placement of deposits		**(8,635,473)**	(6,061,412)
Withdrawal of deposits		**7,530,863**	6,373,077
Purchase of property, plant and equipment		**(1,600,732)**	(1,917,812)
Purchase of intangible assets		**(7,311)**	(232,517)
Costs of deferred expenses	8	**–**	(59,955)
Development expenditures	6	**–**	(28,243)
Repayment of loans issued to employees		**4,747**	6,359
Net use in investing activities		**(2,707,906)**	(1,920,503)

The accounting policies and explanatory notes on pages 6 to 28 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS (continued)

		For the years ended 31 December	
In thousands of tenge	Note	2015	2014
Cash flows from financing activities			
Issue of shares	14	–	1,053,000
Repayment of finance lease liabilities	15	**(37,151)**	(37,151)
Dividends paid	14	**(600,000)**	(500,000)
Net (use in) / proceeds from financing activities		**(637,151)**	515,849
Net change in cash and cash equivalents		**(254,637)**	265,108
Foreign exchange gain on cash and cash equivalents		**5,645**	–
Cash and cash equivalents as at 1 January		**334,239**	69,131
Cash and cash equivalents as at 31 December	13	**85,247**	334,239

NON-CASH TRANSACTIONS – ADDITIONAL DISCLOSURES

In 2015, acquisition of property, plant and equipment has been adjusted for increase in accounts payable for acquisition of property, plant and equipment in the amount of KZT 1,033,896 thousand (in 2014: KZT 418,729 thousand).

The First Deputy Chairperson of the Management Board — *Anisimov A.N.*

Deputy Chairperson of the Management Board for Operation and Regional Maintenance — *Chernopkov V.G.*

Finance Director – Chief Accountant — *Legkaya L.N.*

The accounting policies and explanatory notes on pages 6 to 28 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

In thousands of tenge	Note	Share capital	Reserve capital	Retained earnings	Total
At 1 January 2014		4,029,490	91,511	2,048,350	6,169,351
Profit for the year		–	–	1,122,660	1,122,660
Other comprehensive income		–	–	–	–
Total comprehensive income for the year		–	–	1,122,660	1,122,660
Issue of shares		1,053,000	–	–	1,053,000
Dividends	14	–	–	(500,000)	(500,000)
At 31 December 2014		5,082,490	91,511	2,671,010	7,845,011
Profit for the year		–	–	**1,062,935**	**1,062,935**
Other comprehensive income		–	–	–	–
Total comprehensive income for the year		–	–	**1,062,935**	**1,062,935**
Dividends	14	–	–	**(600,000)**	**(600,000)**
At 31 December 2015		**5,082,490**	**91,511**	**3,133,945**	**8,307,946**

The First Deputy Chairperson of the Management Board

Anisimov A.N.

Deputy Chairperson of the Management Board
for Operation and Regional Maintenance

Chernokov V.G.

Finance Director – Chief Accountant

Legkaya L.N.

The accounting policies and explanatory notes on pages 6 to 28 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL INFORMATION

National Information Technologies Joint Stock Company (hereinafter, the "Company") has been organised in accordance with the Resolution of the Government of the Republic of Kazakhstan No. 492 dated 4 April 2000 in the Republic of Kazakhstan. The Company was reorganized in accordance with the Law of the Republic of Kazakhstan "On joint stock companies" No. 415 of May 13, 2003, and re-registered on 1 October 2004 under No. 9922-1901 AD, assigned by the Ministry of Justice of the Republic of Kazakhstan.

The Company operates in the field of information technology and telecommunications in the Republic of Kazakhstan. The main goal of the Company is formation of the information structure in the Republic of Kazakhstan.

The sole shareholder of the Company is National InfoCommunication Holding Zerde JSC (the "Shareholder"). The Government of the Republic of Kazakhstan is the only participant of the Shareholder. The Ministry for Investments and Development of the Republic of Kazakhstan is the state body exercising rights of ownership and use of the state package of shares of the Shareholder.

These financial statements of the Company were approved for issue by the First Deputy Chairperson of the Management Board, Deputy Chairperson of the Board on Operation and Regional Maintenance, Finance Director — Chief Accountant of the Company on 22 April 2016.

2. BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except as described in the accounting policies and the notes to these financial statements. All values in these financial statements are rounded to the nearest thousand, except when otherwise indicated.

Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

Preparation of the financial statements in accordance with IFRS requires to use certain critical accounting estimates as well as requires the management to use judgements on assumptions in the course of application of the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in *Note 4*.

Foreign currency translation

The financial statements are presented in Kazakhstani tenge ("tenge"). Tenge is the functional currency and presentation currency of these financial statements.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the reporting date. All exchange differences are included in the statement of comprehensive income. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the new or amended standards effective as of 1 January 2015:

Amendments to IAS 19 Defined Benefit Plans: Employee Benefits

Amendments to IAS 19 require an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Company, since the Company has no defined benefit plans with contributions from employees or third parties.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

Annual improvements 2010-2012 cycle

These improvements are effective from 1 July 2014 and did not have a material impact on the Company.

As part of the annual IFRS improvements for 2010-2012 cycle, the IASB issued five amendments to five standards, including IFRS 2 *Share based Payment*, IFRS 3 *Business Combinations*, IFRS 8 *Operating Segments*, IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* and IAS 24 *Related Party Disclosures*.

Thus, these amendments did not impact the financial statements and/or accounting policies of the Company.

Annual improvements 2011-2013 cycle

These improvements are effective from 1 July 2014 and did not have a material impact on the Company.

As part of the annual IFRS improvements for 2011-2013 cycle, the IASB issued three amendments to the three standards, including IFRS 3 *Business Combinations*, IFRS 13 *Fair Value Measurement* and IAS 40 *Investment Property*.

Thus, these amendments did not impact the financial statements and/or accounting policies of the Company.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The list includes issued standards and interpretations, which, from the point of view of the Company, will have an effect in disclosure of information, financial position or financial performance in case of adoption in the future. The Company intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting the standard is applied retrospectively, however comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company plans to adopt the new standard on the required effective date.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. The Company plans to adopt the new standard on the required effective date using the full retrospective method. In 2015, the Company performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Besides, the Company considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

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

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Annual improvements 2012-2014 cycle

These amendments become effective for annual periods beginning on or after 1 January 2016.

As part of annual IFRS improvements for 2012-2014 cycle, the IFRS Board issued six amendments to six standards including IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7 *Financial Instruments: Disclosures*, IAS 19, *Employee Benefits*, IAS 34 *Interim Financial Statements*, IAS 1 *Disclosure Initiative* and amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception.*

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the financial statements of the Company.

Property and equipment

Property, plant and equipment are stated at cost (or deemed cost) less accumulated depreciation and impairment.

The cost of purchased property and equipment comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the initial estimate of decommissioning obligation, if any. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

When significant parts of property and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Construction in progress represents the unfinished construction of fixed assets carried at cost. Construction in progress includes cost of construction and equipment and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	40 years
Constructions	10-20 years
Machinery and equipment	4-10 years
Vehicles	5-7 years
Other	3-10 years

The asset's carrying amount, useful lives and methods are reviewed at each financial year end and adjusted at the end of each financial year, if appropriate.

The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

Intangible assets

Intangible assets are stated at initial cost, less accumulated amortization and accumulated impairment losses. Intangible assets comprise licenses, computer software and development costs. Intangible assets acquired separately are measured on initial recognition at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

The expected useful lives of the assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively. Computer software and licenses have estimated useful lives of 1-5 years.

The carrying amount of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset only when the Company can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete the development of an intangible asset and use or sell it;
- how the intangible asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to measure reliably the expenditure during development;
- an ability to use a generated intangible asset.

Following initial recognition of the development expenditure as an intangible asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Deferred expenses

The costs of upgrading facilities and equipment leased under operating leases are recognized as deferred expenses and amortized over the shorter of the estimated useful life of the asset and the minimum term of the lease. Non-cancellable lease period is treated as a minimum period. This period also includes the unconditional right of the Company to extend the term of the lease.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's or cash-generating unit's (CGU) recoverable amount is the higher of: fair value of the asset (CGU) less costs of disposal and its value in use.

Recoverable amount is determined for an individual asset, unless the asset generates cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash generating units to which individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flow after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at a revalued amount. In this case the reversal is treated as a revaluation increase.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company classifies its financial assets upon their initial recognition.

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

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

Financial assets of the Company consist of cash and cash equivalents, deposits in banks, trade and other receivables and restricted cash on deposit accounts.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance costs.

The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement within finance income or finance costs. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. The Company did not have any derivative instruments during the reporting periods ended 31 December 2015 and 2014.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

The EIR amortisation is included in finance income of current year. The losses arising from impairment are recognised as finance costs in the period when impairment was identified.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

Short-term deposits in banks in the statement of financial position have initial maturities of 3 months to 1 year.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income. Expenses arising from impairment are recognized in financing costs. The Company did not have any held-to-maturity investments during the reporting periods ended 31 December 2015 and 2014.

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. The Company does not have investments held for sale at the periods ended 31 December 2015 and 2014.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

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

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

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation. Besides, such evidence include observable data indicating that there is a measurable decrease in the estimated future cash flows on a financial instrument such as changes in arrears or economic conditions that correlate with defaults. Reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be objectively related to an event occurring after the write-down. This reversal of the impairment loss is recognized as income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The financial liabilities of the Company include accounts payable and finance lease obligations.

The Company's financial liabilities include trade and other payables, finance lease obligations.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs.

Accounts payable

This category is the most relevant to the Company. Accounts payable are recorded at cost.

Derecognition

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

When 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, and the difference in the respective carrying values is recognized through profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are only offset and reported at the net amount in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Company intends to either settle on a net basis, to realise the asset and settle the liability simultaneously.

Inventories

Inventories are recorded using the weighted average cost method. Inventories are measured at the lower of cost and net realizable value. Costs comprise charges incurred in bringing inventory to its present location and condition. The net realizable value of inventories is based on the estimated selling price, less costs related to such sale.

Expenses incurred directly in the course of creating Internet portals for further sale are included in their cost and recognized within inventories.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowances

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, irrespective of the period of payment. Revenue is measured at fair value of consideration received or receivable, taking into account payment terms defined in a contract and net of taxes or duties. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised:

Rendering of services

Income from services rendered is recognized when the services are rendered.

Interest income

Interest income is recognized using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash flows through the expected life of the financial instrument, to the net carrying value of the financial asset.

Expense recognition

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

Lease

Finance – Company as lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected directly in the statement of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of: the estimated useful life of the asset and the lease term.

Operating – Company as lessee

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

Current income tax

Current income tax assets and liabilities for the current and previous periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes as at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the reporting period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in the statement of comprehensive loss or directly in equity.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Equity

Share capital

External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium.

Reserve capital

Reserve capital is formed based on the decision of the Company's Shareholder. This reserve shall not be distributed to the Shareholder.

Dividends to the Shareholder

The Company recognises a liability to make cash distributions when the distribution is authorised and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Disclosure of transactions with related parties

Related parties include entities controlled by the Government of the Republic of Kazakhstan and key management personnel of the Company, enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Company's key management personnel, Shareholder, entities under common control *(Note 25)*.

Contingent liabilities and contingent assets

Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised. However, in the case of almost full certainty in realisation of the income, the relevant asset is no longer considered to be conditional, and is accounted for accordingly.

The Company defines "near certainty" as an event with an exceptionally high degree of certainty.

Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Subsequent events

The results of post-year-end events that provide evidence of conditions that existed at the reporting date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities during the reporting period. The most significant assumptions are reviewed below.

Taxation

In assessing tax risks, management considers to be probable obligations the known areas of a tax positions which the Company would not appeal or does not believe it could successfully appeal, if assessed by tax authorities. Such determinations inherently involve significant judgment and are subject to change as a result of changes in tax laws and regulations, the determination of expected outcomes from pending tax proceedings and the outcome of ongoing compliance audits by tax authorities.

The Company's management believes that there were no any significant violations of tax legislation in the course of the economic activities.

Deferred tax assets

Deferred tax assets are recognized for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Useful life of property, plant and equipment and intangible assets

The Company assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation recognised in the statement of comprehensive income.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of: its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and growth rates used for extrapolation purposes.

As at 31 December 2015 and 2014, the Company determined that there were no evidence of impairment of non-financial assets.

Development costs

Development costs are capitalized in accordance with the Company's accounting policies. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. As at 31 December 2015, the carrying amount of capitalized development costs was KZT 0 (2014: KZT 26,720 thousand) *(Note 6)*.

Allowance for doubtful debts

The Company recognizes allowances for impairment of doubtful accounts receivable. To assess doubtful debts the Company applies judgement, which is based on analysis of past and expected activity of debtor. General changes in the economy, in business or in conditions, in which a debtor operates, may require adjustments to the impairment reserve for receivables recorded in the financial statements.

Classification of assets and liabilities under the project E-learning System

The Company has classified the receivables from the Ministry of Education and Science of the Republic of Kazakhstan in the total amount of KZT 4,774,712 thousand as short-term, as the Company's management expects to repay these receivables during twelve-month period from the reporting date *(Note 10)*.

Under the terms of contracts to supply equipment and services in the framework of this project, the Company will pay to suppliers after settlement of receivables by the Ministry of Education and Science of the Republic of Kazakhstan. Thus, accounts payable in the amount of KZT 4,324,392 thousand were classified as short-term payables *(Note 16)*.

Finance – Company as lessee

The Company entered into finance lease as a lessee. The Company determined that under the lease contract, ownership will be transferred upon termination of the contract, and substantially all the risks and rewards of ownership will be transferred to the Company and, therefore, the Company applies to this contract the accounting procedure for finance leases.

Capitalized costs of improving the leased premise

In 2015, the Company did not incur costs of improving the leased premise. In 2014, the Company capitalized costs of improving the leased premise in the amount of KZT 59,955 thousand. Improvements represent arrangement of a show room and reconstruction of a hall premise to fit the Open Space standard. These costs are recognized as deferred expenses and amortized over the lower of useful life of capitalized improvements and minimum period of lease. The Company's management believes it is highly probable and reliably estimated that the economic benefits from these assets will be derived.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT

In thousands of tenge	Land	Buildings and constructions	Machinery and equipment	Vehicles	Construction in progress	Other	Total
Cost							
At 1 January 2014	23,179	569,027	2,767,093	218,730	871,913	96,943	4,546,885
Additions	1,306	111,132	2,020,342	71,264	48,141	54,135	2,306,320
Transfers	–	127,151	775,122	–	(902,273)	–	–
Disposals	–	–	(107,751)	–	–	(3,841)	(111,592)
Transfers to intangible assets	–	–	–	(27,135)	–	–	(27,135)
At 31 December 2014	24,485	807,310	5,454,806	262,859	17,781	147,237	6,714,478
Additions	**485**	**311**	**285,799**	**47,620**	**200,751**	**36,079**	**571,045**
Transfers	–	**58,174**	**160,358**	–	**(218,532)**	–	–
Disposals	–	–	**(81,758)**	–	–	**(15,785)**	**(97,543)**
Transfers to assets held for sale	–	–	–	**(5,760)**	–	–	**(5,760)**
At 31 December 2015	**24,970**	**865,795**	**5,819,205**	**304,719**	–	**167,531**	**7,182,220**
Depreciation and impairment							
At 1 January 2014	–	26,330	846,322	98,135	–	42,006	1,012,793
Charged for the year	–	–	540,118	26,242	–	20,875	587,235
Disposals	–	–	(91,623)		–	(4,699)	(96,322)
Transfers to assets held for sale	–	–	–	(27,135)	–	–	(27,135)
At 31 December 2014	–	26,330	1,294,817	97,242	–	58,182	1,476,571
Charged for the year	–	**21,119**	**620,292**	**33,730**	–	**19,397**	**694,538**
Disposals	–	–	**(80,027)**	–	–	**(13,307)**	**(93,334)**
Transfers to assets held for sale	–	–	–	**(5,760)**	–	–	**(5,760)**
Impairment	–	–	**7,800**	–	–	–	**7,800**
At 31 December 2015	–	**47,449**	**1,842,882**	**125,212**	–	**64,272**	**2,079,815**
Net book value							
At 31 December 2015	**24,970**	**818,346**	**3,976,323**	**179,507**	–	**103,259**	**5,102,405**
At 31 December 2014	24,485	780,980	4,159,989	165,617	17,781	89,055	5,237,907

As of 31 December 2015 the project "Creating a server internet platform for providing hosting services to the government agencies" was fully completed in order to improve the efficiency of information resources and systems of state and local executive bodies. During 2015 one data processing center was put to operation (in 2014: seven data processing centers were put into operation) related to the project with a total value of KZT 218,532 thousand.

Carrying amount of property, plant and equipment used by the Group under finance lease agreement as at 31 December 2015 amounted to KZT 132,266 thousand (2014: KZT 160,019 thousand).

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INTANGIBLE ASSETS

In thousands of tenge	Development costs	Licences	Computer software	Total
Cost				
At 1 January 2014	65,514	202,274	481,951	749,739
Internally generated additions	37,980	–	–	37,980
Additions	–	11,593	257,222	268,815
Transfers	(76,774)	–	76,774	–
At 31 December 2014	26,720	213,867	815,947	1,056,534
Additions	–	**2,204**	**4,976**	**7,180**
Write-off	**(26,720)**	–	–	**(26,720)**
Other adjustments	–	**(2,415)**	**(197)**	**(2,612)**
At 31 December 2015	**–**	**213,656**	**820,726**	**1,034,382**
Depreciation and impairment				
At 1 January 2014	–	50,902	217,363	268,265
Charged for the year	–	42,299	119,953	162,252
At 31 December 2014	–	93,201	337,316	430,517
Charged for the year	–	**37,591**	**156,128**	**193,719**
Other adjustments	–	**(2,534)**	**(208)**	**(2,742)**
At 31 December 2015	**–**	**128,258**	**493,236**	**621,494**
Net book value				
At 31 December 2015	**–**	**85,398**	**327,490**	**412,888**
At 31 December 2014	26,720	120,666	478,631	626,017

During 2015, the Company wrote off development costs under the project Reserve Platform of Electronic Government in the amount of KZT 26,720 thousand due to suspension of implementation of this project (in 2014: nil).

7. BANK DEPOSITS

In thousands of tenge	As at 31 December 2015	2014
Bank deposits	**3,410,771**	2,345,520
Interest on deposits	**34,633**	17,885
	3,445,404	2,363,405

As at 31 December 2015, the short-term deposits in banks represented cash placed at deposit accounts in Kazakhstan banks for 3 to 12 months denominated in tenge with an average weighted rate of interest 9.1% per annum (in 2014: 7.3%).

8. DEFERRED EXPENSES

In 2010, as part of implementation of the second phase of the project "Technological equipment of the Server Center, the Company incurred expenses for construction and installation works at a leased premise totalling KZT 433,680 thousand. Depreciation is calculated on a straight-line basis.

In thousands of tenge	As at 31 December 2015	2014
Leased premise expenses for construction and installation works	**213,602**	218,915
Additions	–	59,955
Amortisation *(Note 20)*	**(81,826)**	(65,268)
	131,776	213,602
Less: current portion of deferred expenses *(Note 12)*	**(81,824)**	(80,943)
	49,952	132,659

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. RESERVES

In thousands of tenge	As at 31 December 2015	2014
Fuel	**30,872**	40,783
Raw and other materials	**23,183**	37,013
Spare parts	**22,542**	18,223
Promotional items	**4,176**	5,949
Other materials	**10,734**	8,780
	91,507	110,748
Less: allowance for slow-moving inventories	**(26,550)**	(11,638)
	64,957	99,110

The movements in the allowance for slow-moving inventories for the year ended 31 December were as follows:

In thousands of tenge	2015	2014
As at 1 January	**11,638**	15,551
Charge for the year	**15,677**	-
Write-off	**(765)**	(2,442)
Recovery	**–**	(1,471)
As at 31 December	**26,550**	11,638

10. TRADE ACCOUNTS RECEIVABLE

In thousands of tenge	As at 31 December 2015	2014
Trade and other receivables	**4,911,925**	9,753,980
Less: provision for doubtful debts	**(49,880)**	(50,379)
	4,862,045	9,703,601
Less: current portion of accounts receivable	**4,862,129**	52,189
Less: current portion of allowance for doubtful debts	**(259)**	–
	175	9,651,412

As at 31 December 2015, trade receivables from related parties amounted to KZT 4,900,613 thousand *(Note 25)*.

The movements in the allowance for doubtful debts were as follows for the year ended 31 December:

In thousands of tenge	2015	2014
As at 1 January	**50,379**	1,102
Charge for the year	**62**	49,504
Provision reimbursed	**(501)**	-
Write-off	**(60)**	(227)
As at 31 December	**49,880**	50,379

The ageing analysis of trade and other receivables is as follows as at 31 December:

			Past due but not impaired				
In thousands of tenge	Total	Neither past due nor impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days
2015	**4,862,045**	**85,277**	**-**	**1,349**	**377**	**332**	**4,774,710**
2014	9,703,601	23,551	-	21,393	3,489	154	9,655,014

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. OTHER CURRENT FINANCIAL ASSETS

In thousands of tenge	As at 31 December 2015	2014
Restricted cash in deposit accounts, tenge	**34,570**	367,855
Guarantee payments	**32,205**	9,010
Loans to employees	**549**	5,479
Other	**277**	–
	67,601	382,344

Restricted cash on non-interest bearing deposit accounts are bank guarantees in order to fulfill contractual obligations and tender obligations of the Company.

12. OTHER CURRENT ASSETS

In thousands of tenge	As at 31 December 2015	2014
Deferred expenses	**202,722**	174,374
Due from employees	**913**	2,950
Other	**4,365**	3,980
	208,000	181,304

As of 31 December 2015 and 2014 deferred expenses include the current portion of long-term deferred expenses for the construction and installation work in the amount of KZT 81,824 thousand and KZT 80,943 thousand, respectively (see *Note 8*).

13. CASH AND CASH EQUIVALENTS

As at 31 December 2015 and 2014 cash and cash equivalents comprised cash on current bank accounts expressed in tenge and are non-interest bearing.

14. EQUITY

Share capital

The total number of authorized, issued and outstanding common shares includes:

	Number of shares outstanding	Number of paid shares	Share capital thousand tenge
At 31 December 2014	5,082,491	5,082,490	5,082,490
At 31 December 2015	**5,082,491**	**5,082,490**	**5,082,490**

As at 31 December 2015 the number of authorized common shares of the Company amounts to 5,082,491 shares (2014: 5,082,491 shares).

Reserve capital

The reserve capital represents a portion of retained earnings not subject to distribution to the Shareholder.

Dividends

During 2015, the Company declared and paid dividends in the amount of KZT 118.05 per a share totalling KZT 600,000 thousand based on 5,082,491 common shares (in 2014: KZT 124.09 per a share totalling KZT 500,000 thousand based on 4,029,491 common shares).

15. FINANCE LIASE LIABILITY

In 2013 the Company entered into a server equipment finance lease agreement. According to agreement terms, leased assets are transferred into the Company's ownership after the expiry of lease term. The effective interest rate under the finance lease agreement was 7% per annum. Upon initial recognition, finance lease liabilities amounted to KZT 297,211 thousand. In 2015, finance lease liabilities were repaid in the amount of KZT 37,151 thousand (in 2014: KZT 37,151 thousand).

The amounts of future minimum lease payments and their present values are represented as follows:

	2015		2014	
In thousands of tenge	**Minimum lease payments**	**Discounted value of minimum lease payments**	Minimum lease payments	Discounted value of minimum lease payments
Within one year	**42,353**	**40,521**	44,953	42,206
1 to 5 years	**39,752**	**37,151**	82,105	74,303
Less: amounts representing finance costs	**(4,432)**	**-**	(10,549)	-
Present value of minimum lease payments	**77,673**	**77,672**	116,509	116,509
Less: amounts due for settlement within 12 months	**-**	**(40,521)**	-	(42,206)
Amounts due for settlement after 12 months	**-**	**37,151**	-	74,303

16. TRADE ACCOUNTS PAYABLE

At 31 December 2015 and 2014, trade accounts payable were denominated in tenge.

	As at 31 December	
In thousands of tenge	**2015**	2014
Payables for supply of goods and services	**4,948,738**	9,495,790
Payables for supply of PPE	**66,213**	1,100,109
	5,014,951	10,595,899
Less: current portion	**(5,014,951)**	(1,813,627)
	-	8,782,272

As at 31 December 2015, the payables totalling KZT 4,324,392 thousand comprise payables to Logicom JSC, Bilim Media Group LLP, Kazakhtelecom JSC and other suppliers for the services acquired as part of the implementation of the project E-learning System for the Ministry of Education and Science. According to agreements with these suppliers the Company repays its payables as budget funds are allocated for the settlement of receivables by the Company *(Notes 10, 25)*.

As at 31 December 2015 and 2014 trade accounts payable were interest-free.

17. DUE TO EMPLOYEES

	As at 31 December	
In thousands of tenge	**2015**	2014
Allowance for unused vacations, bonuses and related taxes	**238,964**	175,036
Salary payable	**530**	40,613
	239,494	215,649

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. OTHER CURRENT LIABILITIES

In thousands of tenge	As at 31 December 2015	2014
Liabilities on pension deductions	**31,004**	45,835
Provision for taxes	**18,817**	38,623
Individual income tax payable	**15,393**	42,285
Social security cost	**10,681**	10,968
Social tax	**–**	4,180
Other	**9,988**	914
	85,883	142,805

At 31 December 2015 and 2014, other current liabilities were not interest bearing and were denominated in tenge.

19. REVENUE

In thousands of tenge	2015	2014
Monitoring of projects of the Committee of Communication, Informatization and Information of the Ministry of Investments and Development of the Republic of Kazakhstan SI *(Note 25)*	**4,809,082**	4,842,418
Technical support of computer software and assistance of information systems	**4,224,760**	4,287,418
Technical systems support services rendered to the Committee of the State Revenues and Ministry of Education and Science of the Republic of Kazakhstan	**1,498,970**	1,327,805
	10,532,812	10,457,641

20. COST OF SALES

In thousands of tenge	2015	2014
Payroll and related taxes	**3,441,099**	3,234,484
Technical maintenance services	**2,424,551**	2,740,019
Depreciation and amortisation	**879,256**	725,319
Rent expenses	**269,757**	242,751
Utilities	**250,891**	197,138
Lease of licensed software	**217,596**	89,570
Communication services	**211,196**	157,244
Expenses for allowance for unused vacations, bonuses and related taxes	**183,784**	124,694
Materials	**101,240**	69,140
Business trips	**96,693**	142,021
Amortization of deferred expenses *(Note 8)*	**81,826**	65,268
Training of personnel	**27,876**	52,901
Advisory and information services	**23,390**	16,109
Other expenses	**430,544**	427,070
	8,639,699	8,283,728

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. ADMINISTRATIVE EXPENSES

In thousands of tenge	2015	2014
Payroll and related taxes	**475,912**	413,338
Fines, penalties, forfeit	**45,162**	37
Expenses for allowance for unused vacations, bonuses and related taxes	**24,665**	34,925
Rent expenses	**23,679**	18,073
Expenses for social events	**18,320**	54,424
Sponsorships	**16,754**	31,050
Bank charges	**16,365**	17,372
Expenses for allowance for doubtful accounts receivable, slow-moving inventories and impairment of advances paid	**14,912**	49,504
Utilities	**12,261**	10,386
Business trips	**9,810**	9,428
Audit and advisory fees	**9,018**	42,726
Depreciation and amortisation	**9,000**	23,624
Materials	**8,854**	10,145
Representation expenses	**8,672**	7,643
Taxes other than income tax	**7,354**	3,327
Training of personnel	**4,730**	6,592
Transportation expenses	**1,953**	2,390
Telecommunication expenses	**1,100**	1,456
Other expenses	**33,288**	38,886
	741,809	775,326

22. SELLING EXPENSES

In thousands of tenge	2015	2014
Materials	**13,979**	38,839
Advertising expenses	**10,220**	11,713
Other	**–**	62
	24,199	50,614

23. FINANCE INCOME

Finance income for 2015 and 2014 represents interest income on bank deposits *(Note 7)*.

24. INCOME TAX EXPENSES

For the years ending 31 December income tax expenses comprised the following:

In thousands of tenge	2015	2014
Current income tax	**236,893**	161,912
Adjustments with respect to current corporate income tax of prior periods	**176**	21,711
Deferred income tax expenses	**58,888**	133,945
Income tax expenses	**295,957**	317,568

A reconciliation of income tax expenses applicable to income before taxation at the statutory corporate income tax rate of 20% (in 2014: 20%), with the current income tax expenses for the years ended 31 December is out below:

In thousands of tenge	2015	2014
Profit before tax	**1,358,892**	1,440,228
Statutory tax rate	**20%**	20%
Theoretical corporate income tax expense at the statutory tax rate	**271,778**	288,046
Non-deductible expenses	**24,179**	29,522
Income tax expenses	**295,957**	317,568

24. INCOME TAX EXPENSES (continued)

The movement in the deferred income tax (liability)/asset was as follows:

In thousands of tenge	2015	Charged to statement of comprehensive income	2014	Charged to statement of comprehensive income	2013
Deferred tax asset/(liability)					
Property, plant and equipment and intangible assets	**(272,859)**	(74,223)	(198,636)	(138,622)	(60,014)
Provision for unused vacations and bonuses	**47,793**	12,785	35,008	(4,290)	39,298
Allowance for write-off of unserviceable inventories	**5,310**	2,982	2,328	(782)	3,110
Provision for doubtful debt	**10,012**	(64)	10,076	9,749	327
Allowance for write-off other non-current assets	**–**	(368)	368	–	368
Total deferred tax liability	**(209,744)**	(58,888)	(150,856)	(133,945)	(16,911)

25. RELATED PARTY DISCLOSURES

Related parties include key management personnel of the Company, enterprises that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such enterprises resides with, directly or indirectly, the Company's key management personnel, the Shareholder and entities under common control and other entities and authorities controlled by the Government.

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following table provides the total amount of transactions, which have been entered into with related parties during 2015 and 2014 and the related balances as at 31 December 2015 and 2014, respectively:

In thousands of tenge		**Shareholder**	**Entities under common control of the Shareholder**	**Other entities and authorities under control of the Government of the Republic of Kazakhstan**
Income from related parties	**2015**	**32,533**	**3,871**	**8,150,408**
	2014	33,395	–	8,232,361
Purchases from related parties	**2015**	**–**	**63,253**	**138,422**
	2014	–	23,866	119,866
Due from related parties	**2015**	**36,437**	**7,510**	**4,856,666**
	2014	15,048	4,755	9,709,851
Due to related parties	**2015**	**–**	**49,051**	**517,762**
	2014	–	15,322	1,047,915

Revenues/outstanding debts of entities and institutions under control of the Government of the Republic of Kazakhstan

Transactions with entities and institutions controlled by the Government of the Republic of Kazakhstan mainly comprise the services on monitoring of projects of the Committee of Communication, Informatization and Information of the Ministry of Investments and Development of the Republic of Kazakhstan SI in implementing the government programs to create public databases and information infrastructure of the government agencies and ensure operation of the inter-agency information systems in terms of creation and maintenance of "E-government", "Unified system of electronic document circulation of government agencies" software in the total amount of KZT 4,809,082 thousand (in 2014: KZT 4,842,418 thousand) *(Note 19)*, services on technical support of computer software and support toinformation systems of the Ministry of Justice of the Republic of Kazakhstan, Ministry of Finance of RK, Treasury Committee of RK in the total amount of KZT 1,674,273 thousand tenge (in 2014: году: KZT 1,807,633 thousand) and services rendered to the Tax Committee in the amount of KZT 1,407,688 thousand (2014: KZT 732,754 thousand).

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. RELATED PARTIES DISCLOSURES (continued)

Revenues/outstanding debts of entities and institutions under control of the Government of the Republic of Kazakhstan (continued)

An outstanding debt of entities and institutions under control of the Government of the Republic of Kazakhstan mainly comprise the debt of the Ministry of Education and Science of the Republic of Kazakhstan (hereinafter, "MES") for the services related to the implementation of the project "E-Learning System". The proceeds from this outstanding debt will be allocated to the settlement of accounts payable to suppliers. In 2014, the Department of Enforcement of Judicial Acts of Astana initiated enforcement proceedings with respect to these receivables in order to collect KZT 9,650,821 thousand in favor of the Company. In 2015, these receivables were partially repaid in the amount of KZT 4,876,109 thousand. The Company's management believes that as of 31 December 2015, the entire amount of receivables from the RK MES in the amount of KZT 4,774,712 thousand is recoverable and should not be impaired.

Purchases/payables to entities and institutions under control of the Government of the Republic of Kazakhstan

In 2015, the purchases mainly comprised the services on renting premises of RSE "The Management board of administration buildings of the Administration of the President and the Government of the Republic of Kazakhstan" of the Department of Presidential Affairs of the Republic of Kazakhstan operating on the basis of the right of economic management in the amount of KZT 95,727 thousand (in 2014: KZT 80,592 thousand).

As at 31 December 2015 the main portion of trade payables comprised payables for the services of Kazakhtelecom JSC in the amount of KZT 516,626 thousand (in 2014: KZT 1,042,238 thousand).

Compensation to the key management personnel

Key management personnel consists of 6 persons as at 31 December 2015 and includes the Chairperson of the Management Board, five Deputy Chairpersons of the Management Board (in 2014: 7 persons). Total compensation to key management personnel included in general and administrative expenses in the accompanying statement of comprehensive income amounted to KZT 71,610 thousand for the year ended 31 December 2015 (2014: KZT 88,606 thousand).

Compensation paid to key management personnel consists of contractual salary and performance-based bonus.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments consist of cash and cash equivalents, bank deposits, accounts receivable and payable and finance lease liabilities. The main risk arising from the Company's financial instruments is a credit risk. The Company also monitors the interest risk, market risk and liquidity risk arising from its financial instruments.

Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market prices. The Company manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions that are considered in business planning process.

Credit risk

Credit risk is the risk that the Company will incur financial losses because the counterparties will not meet their obligations under a financial instrument or customer contract. The Company is exposed to a credit risk from its operating activities with respect to cash, trade receivables and from its financing activities including bank deposits and other financial instruments.

Trade accounts receivable

Customer credit risk is managed by each operating subdivision subject to the Company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored.

An impairment analysis is performed at each reporting date on an individual basis for major clients. The Company assesses the concentration of risk with respect to trade receivables as low since its customers are mostly entities and institutions controlled by the Government of the Republic of Kazakhstan, which purchase the Company's services in the framework of national projects for the development of the information infrastructure of the Republic of Kazakhstan.

While the Company may incur losses in the amount of the value of contracts in the event of failure to meet the terms and conditions by their counterparties, it does not expect to incur this kind of losses. The Company does not require a guarantee as security for the financial instruments subject to a credit risk.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Cash and deposits at bank

With respect to credit risk associated with cash and cash equivalents and bank deposits, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The following table shows the balance of cash and short-term deposits of the Company in banks at the reporting date using Standard and Poor's and Fitch credit ratings designations.

Banks	Location	Rating[1] 2015	Rating[1] 2014	2015 (Note 8, 14)	2014 (Note 8, 14)
Bank Kassa Nova JSC	Kazakhstan	**B/(negative)**	B/Stable	**883,653**	532,181
Bank of Astana JSC	Kazakhstan	**B/(stable)**	B/(stable)	**800,000**	–
AsiaCreditBank JSC	Kazakhstan	**B/(stable)**	B/Stable/B	**800,000**	536,000
Bank RBK JSC	Kazakhstan	**B-/(positive)**	B–/(positive)	**701,065**	100,517
Tsesna Bank JSC	Kazakhstan	**B+/(stable)**	B+/(stable)	**106,259**	55,250
Bank Center Credit JSC	Kazakhstan	**B+/(stable)**	B+/(stable)/B2	**105,449**	251,465
Kazkommertsbank JSC	Kazakhstan	**B/(stable)**	B/(stable)/B	**84,222**	332,862
SB Alpha Bank JSC	Kazakhstan	**B+/(negative)**	B+/stable/B	**50,000**	430,000
Halyk Bank JSC	Kazakhstan	**BB+/(negative)**	BB+/(stable)/Ba2	**3**	6
Bank VTB JSC	Kazakhstan	**BB/(negative)**	BB/(negative)	**–**	458,000
BTA Bank JSC	Kazakhstan		B3/(positive)	**–**	1,363
				3,530,651	2,697,644

When placing cash and cash equivalents with financial institutions, the Company's management monitors the risk of default of these institutions.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored regularly, and management monitors the availability of funds in an amount sufficient to meet obligations as they arise. The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Company's objective is to maintain a balance between the continuity of funding and flexibility by matching the settlement of accounts payable for the services purchased as part of the specific project with the proceeds from customers under the same project.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2015 and 2014 based on contractual undiscounted payments:

In thousands of tenge	On demand	Less than 3 months	Over 3 months but not more than 12 months	Over 1 year but not more than 5 years	Over 5 years	Total
At 31 December 2015						
Finance lease liability	–	–	**40,521**	**41,584**	–	**82,105**
Accounts payable	–	**5,014,951**	–	–	–	**5,014,951**
	–	**5,014,951**	**40,521**	**41,584**	–	**5,097,056**
At 31 December 2014						
Finance lease liability	–	–	44,953	82,104	–	127,057
Accounts payable	247,690	1,565,937	–	8,782,272	–	10,595,899
	247,690	1,565,937	44,953	8,864,376	–	10,722,956

[1] Source: Investfunds – Kazakhstan, official sites of the banks as at 31 December of the respective year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value of financial assets

The fair value of all financial assets and liabilities are estimated to be approximately equal to their carrying amount as at 31 December 2015 and 2014.

Capital management

The priority of management of the capital of the Company is maintenance of strategy of business and increase in the cost of the share.

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

As at 31 December 2015, capital structure of the Company is comprised from equity, which includes issued shares, additional paid in-capital, reserve capital and retained earnings as disclosed in *Note 15.*

27. CONTINGENCIES

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to unreported and discovered violations of Kazakhstan law are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances tax audits may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 December 2015.

As of 31 December 2015, management believes that its interpretation of the relevant legislation is appropriate and that the Company's tax positions will be sustained.

Insurance matters

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 Company does not have coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Company property or relating to Company operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

Legal actions and claims

In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes, that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Company.

Audit of the Accounts Committee for Control over Execution of the Republican Budget

On 24 February 2014, "The Accounts Committee for Control over Execution of the Republican Budget" SI (hereinafter, the "Accounts Committee") initiated control over the effective use of the republican budget funds allocated to the State Agency of the Republic of Kazakhstan for Communication and Information for the implementation of the programs – "Services related to public education as part of E-government", "Ensuring operation of inter-agency information systems", "Creating an information infrastructure of government agencies", "Services on evaluation of the performance of central government and local government on the application of information technologies", "Developing the state E-licensing database" and "Creating an information system "Mobile office of the Government of the Republic of Kazakhstan" for 2012 and 2013. On 20 March 2014, the Accounts Committee presented a control act specifying identified violations subject to reimbursement to the republican budget in the total amount of KZT 48,453 thousand. As at 31 December 2013, the management analysed this issue and assessed an unfavourable outcome as probable and made a provision in the amount of KZT 38,430 thousand. During 2014 the Company returned KZT 38,430 thousand to the republican budget. At the same time, based on correspondence between the Agency of the Republic of Kazakhstan for Communication and Information and the Accounts Committee, the management of the Company concluded that the amount of KZT 10,023 thousand is not a liability of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. EVENTS AFTER REPORTING PERIOD

On 18 March 2016, the amount of receivables from RK MES as part of the project "E-Learning System" totalling KZT 4,774,712 thousand was settled.