

**National Information Technologies JSC**  
**Financial Statements**  
**For the Year Ended 31 December 2016**  
**With Independent Auditors' Report**

National Information Technologies Joint-Stock Company

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## Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements for the Year Ended 31 December 2016

The following statement, which should be read in conjunction with the Independent Auditor's opinion presented, is made with a view to distinguish the respective responsibilities of management and the auditor with respect to the financial statements of National Information Technologies Joint-Stock Company (hereinafter "the Company").

Management of the Company is responsible for the preparation of the financial statements that present fairly, in all material respects, the financial position of the Company as at 31 December 2016, as well as its performance, cash flows and changes in equity for the year then ended, in accordance with the International Financial Reporting Standards (hereinafter "IFRS").

In preparing the financial statements, management is responsible for:

- Selecting and applying appropriate accounting policies;
- Providing relevant, reliable, comparable and understandable information, including accounting policies;
- Ensuring compliance with the IFRS, or disclosing all significant deviations from the IFRS in notes to the financial statements;
- Evaluating the Company's ability to continue as a going concern.

Management of the Company is responsible for:

- Designing, implementing, and maintaining an effective and reliable internal control system within the Company;
- Maintaining an accounting system, which allows at any time with a sufficient degree of accuracy preparing the information on the financial position of the Company and ensuring compliance of the financial statements with the IFRS requirements;
- Maintaining accounting records in compliance with the laws of the Republic of Kazakhstan and IFRS;
- Taking measures within its range of powers and responsibilities to safeguard Company's assets;
- Detecting and preventing fraud and other irregularities.

The accompanying financial statements for the year ended 31 December 2016 have been approved by management of the Company on 14 April 2017:

  
A.M. Yermagambetov  
Chairman of the Management Board

  
D.M. Sakhipov  
Deputy Chairman of the Management Board

  
L.N. Legkaya  
Chief Accountant

Astana, Republic of Kazakhstan



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## INDEPENDENT AUDITORS' REPORT

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TO THE SOLE SHAREHOLDER AND MANAGEMENT of National Information Technologies Joint-Stock Company

### Opinion

We have audited the accompanying financial statements of National Information Technologies Joint-Stock Company (hereinafter "the Company"), consisting of the statement of financial position as at 31 December 2016, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements fairly present, in all material respects, the financial position of the Company as at 31 December 2016, as well as its financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards ("IFRS").

### Basis for Opinion

We have performed our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under those standards are described in the section *Auditor's Responsibility for the Audit of the Financial Statements* herein. We are independent in relation to the Company, as required by the *Code of Ethics for Professional Accountants of the International Ethics Standards Boards for Accountants* (Code of IESBA) and the ethical requirements applicable to our audit of the financial statements in Kazakhstan, and we performed other ethical responsibilities of ours in compliance with those requirements and the Code of IESBA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for the evaluation of the Company's ability to continue as a going concern, and for disclosure, where appropriate, of information relevant to the going concern, as well as for preparation of the financial statements based on the assumption of going concern, except when Management intends to liquidate the Company, or discontinue its operations, or where has no other realistic alternatives, other than liquidation or discontinuation of operations.

Those charged with governance are responsible for supervision of the preparation of the Company's financial statements.

### Auditor's Responsibility for the Audit of the Financial Statements

Our objective is to obtain reasonable assurance whether the financial statements are free of material misstatement due to fraud or error, and to express the audit opinion. Reasonable assurance means a high degree of certainty, but does not guarantee that the audit performed in accordance with the International Standards on Auditing always identifies significant misstatements, if any. Misstatement can be caused by fraud or errors, and are considered material if you can reasonably assume that they, individually or cumulatively, can impact on economic decisions of users made on the basis of the financial statements.

Товарищество с ограниченной ответственностью "BDO Kazakhstan", зарегистрированное в соответствии с законодательством Республики Казахстан, является участником международного объединения BDO International Limited, британского общества с ответственностью, ограниченной гарантией его участников, и является частью международной сети независимых компаний BDO.

BDO Kazakhstan, a limited liability partnership, registered under the laws of the Republic of Kazakhstan.

As part of the audit performed in accordance with the International Standards on Auditing, we use professional judgment and maintain professional scepticism throughout the audit. In addition, we perform the following:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or errors; design and perform audit procedures in response to the risks; obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Detection risk of material misstatement resulting from fraud is higher than the detection risk of material misstatement due to errors, since fraud can involve conspiracy, falsification, deliberate omission, misrepresentation of information or override of internal controls;
- Obtain understanding of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used, and the reasonableness of accounting estimates, and appropriateness of disclosures prepared by management;
- Make a conclusion with respect to the appropriateness of application of ongoing concern assumption, and based on the audit evidence obtained we make a conclusion whether there is substantial uncertainty due to certain events or conditions that can result in significant doubts about the Company's ability to continue as a going concern. If we come to a conclusion that significant uncertainty exists, in the audit opinion we should draw attention to the relevant disclosure in the financial statements or, if such disclosure is inadequate, we should qualify our opinion. Our conclusions are based on the audit evidence obtained before the date of our audit opinion. However, future events or conditions can result in the loss of the Company's ability to continue as a going concern.
- Evaluate the overall presentation of the financial statements, its structure and content, including disclosures, we also evaluate whether the financial statements present the underlying transactions and events so as to ensure their fair presentation.

We interact with those charged with governance, bringing to their attention, inter alia, information about the planned scope of the audit and its timing, as well as material findings of the audit, including significant shortcomings of the internal control identified in the course of the audit.

We also provide those charged with governance with a statement that we complied with all relevant ethical requirements with respect to independence, and informed them about all relationships and other issues that may reasonably be regarded as affecting the auditor's independence and, where necessary, about appropriate precautions.

We select from the issues that we brought to the attention of those charged with governance those issues that were most important to the audit of the financial statements for the current period and, therefore, are the key issues. We disclose information related to those issues in our audit opinion, except in cases where public disclosure of such information is prohibited by applicable laws or regulations, or, in rare cases, where we come to the conclusion that the adverse effects of communicating such information would be much stronger than public benefit from its disclosure.

  
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Auditor Taipova R.K.

Auditor Qualifying Certificate No. 0000497 dated 18 January 2008  
issued by the Qualification Commission  
for Certification of Auditors of the Republic of Kazakhstan

BDO Kazakhstan LLP

State license No. 15003448 dated 19 February 2015 for audit activities issued by the Committee on Financial Monitoring of the Ministry of Finance of the Republic of Kazakhstan

Director T.A. Omarov

BDO Kazakhstan LLP

6 Gabdullin St., Bostandyk district,

Almaty, Kazakhstan

14 April 2017



**STATEMENT OF FINANCIAL POSITION**

Items	Notes	As at 31 December	
		2016	2015
<b>Assets</b>			
<b>Short-term assets</b>			
Cash and cash equivalents	5	77,632	85,247
Bank deposits	6	5,542,838	3,445,404
Other current assets	7	342,005	208,000
Other current financial assets	8	98,814	67,601
Advances paid		1,084	6,258
Other prepaid taxes		26,456	22,038
Income tax prepaid		43,326	2,023
Trade receivables	9	61,477	4,861,870
Inventories	10	58,387	64,957
<b>Total short-term assets</b>		<b>6,252,019</b>	<b>8,763,398</b>
<b>Long-term assets</b>			
Deferred expenses	11	-	49,952
Intangible assets	12	475,549	412,888
Property, plant and equipment	13	4,503,428	5,102,405
Long-term trade receivables	9	-	175
Other long-term assets		-	3,981
<b>Total long-term assets</b>		<b>4,978,977</b>	<b>5,569,401</b>
<b>Total assets</b>		<b>11,230,996</b>	<b>14,332,799</b>
<b>Short-term liabilities</b>			
Trade accounts payable	14	1,219,683	5,014,951
Finance lease liabilities	15	37,151	40,521
VAT payable		132,697	382,134
Accounts payable to employees	16	226,488	239,494
Advances received		16,184	14,975
Other current liabilities	17	101,574	85,883
<b>Total short-term liabilities</b>		<b>1,733,777</b>	<b>5,777,958</b>
<b>Long-term liabilities</b>			
Deferred tax liabilities	18	241,922	209,744
Finance lease liabilities	15	-	37,151
<b>Total liabilities</b>		<b>241,922</b>	<b>246,895</b>
<b>Equity</b>			
Authorised capital	19	5,082,490	5,082,490
Capital reserves	19	91,511	91,511
Retained earnings		4,081,296	3,133,945
<b>Total equity</b>		<b>9,255,297</b>	<b>8,307,946</b>
<b>Total liabilities and equity</b>		<b>11,230,996</b>	<b>14,332,799</b>

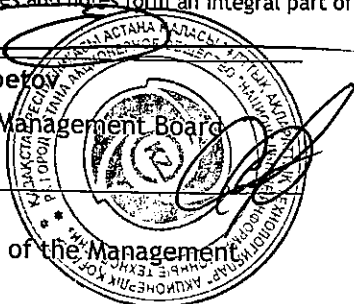
The accompanying financial statements for the year ended 31 December 2016 have been approved by management of the Company on 14 April 2017:

The accounting policies and notes form an integral part of these financial statements

**A.M. Yermagambetov**  
Chairman of the Management Board

**L.N. Legkaya**  
Chief Accountant

**D.M. Sakhipov**  
Deputy Chairman of the Management Board



**STATEMENT OF COMPREHENSIVE INCOME**

Items	Notes	For the Year Ended 31 December	
		2016	2015
Revenues from the sale of goods and services	20	9,583,431	10,532,812
Cost of goods and services sold	21	(7,360,400)	(8,639,699)
<b>Gross profit</b>		<b>2,223,031</b>	<b>1,893,113</b>
Selling expenses	22	(13,787)	(24,199)
Administrative expenses	23	(616,323)	(741,809)
Other income	24	8,940	17,196
Other expenses		(39,864)	(12,436)
<b>Operating income</b>		<b>1,561,997</b>	<b>1,131,865</b>
Foreign exchange difference, net		(405)	88,577
Financial income		399,492	144,567
Finance expenses		(3,516)	(6,117)
<b>Profit before tax</b>		<b>1,957,568</b>	<b>1,358,892</b>
Income tax expense	25	(410,217)	(295,957)
<b>Profit/ (loss) for the year</b>		<b>1,547,351</b>	<b>1,062,935</b>
Other comprehensive income for the year			
<b>Comprehensive income/(loss) for the year</b>		<b>1,547,351</b>	<b>1,062,935</b>

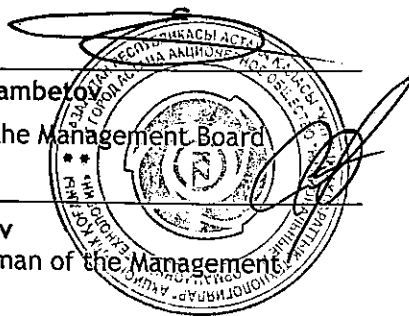
The accompanying financial statements for the year ended 31 December 2016 have been approved by management of the Company on 14 April 2017:

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**A.M. Yermagambetov**  
Chairman of the Management Board

**D.M. Sakhipov**  
Deputy Chairman of the Management Board

**L.N. Legkaya**  
Chief Accountant





**STATEMENT OF CASH FLOWS**

Items	Notes	For the Year Ended 31 December	
		2016	2015
<b>Cash flows from operating activities</b>			
Profit before tax		1,957,568	1,358,892
Adjustments for:			
Depreciation and amortisation		951,058	888,256
Amortisation of deferred expenses		297,144	356,661
Accrued provision for unused leaves, bonuses and related taxes		187,943	208,449
Accrued provision for doubtful debts and impairment of advances issued		331	-
Accrued provision for slow-moving inventories		9,927	15,677
Written-off provision for slow-moving inventories		(4,863)	(765)
Finance expenses		3,516	6,117
Financial income		(399,492)	(144,567)
Written-off intangible assets and property, plant and equipment		13,974	26,720
Foreign exchange difference		-	(86,623)
Other adjustments		(1,608)	7,800
		<b>3,015,498</b>	<b>2,636,617</b>
Changes in inventories		1,505	19,241
Changes in trade and other receivables		4,800,237	4,841,556
Changes in other prepaid taxes		(2,392)	(9,341)
Changes in advances paid		5,174	3,789
Changes in other current financial assets, other long-term and current assets		(419,203)	9,347
Changes in VAT payable		(249,437)	257,016
Changes in accounts payable		(3,812,027)	(4,547,052)
Changes in liabilities to employees		(200,949)	(184,604)
Changes in other short-term liabilities		16,900	(59,452)
		<b>3,155,306</b>	<b>2,967,117</b>
Income tax paid		(421,391)	(95,399)
Interest earned		399,492	226,503
Interest paid		(5,201)	(7,801)
<b>Net cash from operating activities</b>		<b>3,128,206</b>	<b>3,090,420</b>
Contributions to the authorised capital of a subsidiary			
Bank deposits with maturity over three months		(9,945,002)	(8,635,473)
Withdrawal of bank deposits		7,856,400	7,530,863
Acquisition of intangible assets		(276,280)	(7,311)
Deferred expenses		-	-
Development costs		(1,200)	-
Acquisition of property, plant and equipment		(132,868)	(1,600,732)
Repayment of loans issued to employees		732	4,747
<b>Net cash from investment activities</b>		<b>(2,498,218)</b>	<b>(2,707,906)</b>
Dividends paid		(600,000)	(600,000)
Share issue			
Finance lease liabilities paid		(37,151)	(37,151)

**STATEMENT OF CASH FLOWS**

Items	Notes	For the Year Ended 31 December	
		2016	2015
Net cash from financial activities		(637,151)	(637,151)
Increase +/- decrease in cash		(7,163)	(254,637)
Effects of exchange rates of foreign currencies in tenge		(452)	5,645
<b>Cash and cash equivalents:</b>			
At the beginning of the reporting period		85,247	334,239
At the end of the reporting period		77,632	85,247

**SIGNIFICANT NON-MONETARY TRANSACTIONS - ADDITIONAL DISCLOSURES**

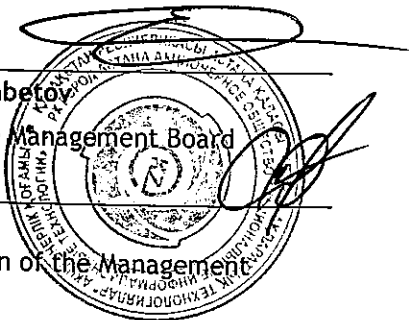
The following significant non-monetary transactions were eliminated from the statement of cash flows: Property, plant and equipment acquired in 2016 have been adjusted for the increase in the accounts payable for the acquisition of property, plant and equipment in the amount of 16,759 thousand tenge (in 2015 - 1,033,896 thousand tenge).

The accompanying financial statements for the year ended 31 December 2016 have been approved by management of the Company on 14 April 2017:

The accounting policies and notes form an integral part of these financial statements

**A.M. Yermagambetov**  
Chairman of the Management Board

**D.M. Sakhipov**  
Deputy Chairman of the Management Board



**L.N. Legkaya**  
Chief Accountant

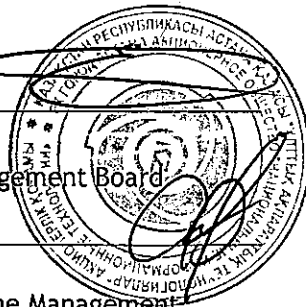
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016**

Components	Authorised capital	Capital reserves	Retained earnings	Total reserves
Balance at 01 January 2015	5,082,490	91,511	2,671,010	7,845,011
Comprehensive income for the year			1,062,935	1,062,935
Dividend distribution			(600,000)	(600,000)
Share issue (Note 18)				
Balance at 01 January 2016	5,082,490	91,511	3,133,945	8,307,946
Comprehensive income for the current year			1,547,351	1,547,351
Dividend distribution			(600,000)	(600,000)
Share issue (Note 18)				
Balance at 31 December 2016	5,082,490	91,511	4,081,296	9,255,297

The accompanying financial statements for the year ended 31 December 2016 have been approved by management of the Company on 14 April 2017:

The accounting policies and notes form an integral part of these financial statements

\_\_\_\_\_  
A.M. Yermagambetov  
Chairman of the Management Board



\_\_\_\_\_  
L.N. Legkaya  
Chief Accountant

\_\_\_\_\_  
D.M. Sakhipov  
Deputy Chairman of the Management Board

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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2016**

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**1. GENERAL INFORMATION**

National Information Technologies JSC (hereinafter referred to as "the Company") was founded in accordance with the Resolution No. 492 of the Government of the Republic of Kazakhstan dated 4 April 2000 *On the Development of a Common Information Space in the Republic of Kazakhstan*. The Company was reorganised in accordance with the Law No. 415 of the Republic of Kazakhstan *On Joint-Stock Companies* dated 13 May 2003 and re-registered on 1 October 2004 under the number 9922-1901 AO assigned by the Ministry of Justice of the Republic of Kazakhstan.

Zerde National Infocommunication Holding JSC is a sole shareholder of the Company (hereinafter referred to as "the Shareholder"). The Government of the Republic of Kazakhstan is a sole shareholder of the Shareholder. Ministry of Information and Communication of the Republic of Kazakhstan is a public authority having the right of ownership and use of the government's stake of the sole shareholder.

The Company operates in the field of information technologies and telecommunications in the Republic of Kazakhstan. The main objective of the Company is to build information structure in the Republic of Kazakhstan.

The Resolution of the Government of the Republic of Kazakhstan dated 29 January 2016 determined the Company as an operator of electronic government information-and-communication infrastructure, and the Resolution No. 118 of the Government of the Republic of Kazakhstan dated 26 February 2016 determined the Company as an Integrated Call Centre.

As per the Resolution No. 696 of the Government of the Republic of Kazakhstan dated 11 November 2016, it has been decided to reorganise National Information Technologies JSC through merging the Company and National Company Kazsatnet JSC.

Company's registered office is located at the address: Server Centre, 8 Mangilik Yel Ave., Yessil district, Astana, 010000, Kazakhstan.

These financial statements of the Company have been approved for issuing by the Chairman of the Management Board, Deputy Chairman of the Management Board, and the Chief Accountant on 14 April 2017.

**2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

These financial statements have been prepared on the historical cost basis, except for transactions disclosed in the accounting policies and Notes to the financial statements. The financial statements are presented in Kazakhstani tenge (hereinafter referred to as "tenge"). All numbers in the financial statements are rounded to the nearest thousand, except where specifically stated otherwise.

**Statement of Compliance**

The Company's financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") in the version published by the International Accounting Standards Board ("IASB").

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and management's judgments in respect of assumptions made in the application of accounting policies. The areas involving a higher degree of complexity or application of assumptions, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

### Foreign Currency Translation

These financial statements are presented in tenge. Tenge is the Company's functional currency and presentation currency of the financial statements. Foreign currency transactions are initially translated to the functional currency using exchange rates effective at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate of the functional currency effective at the reporting date. All foreign exchange gains and losses are recognised in the statement of comprehensive income. Non-monetary items measured at fair value in a foreign currency, are translated using exchange rates that are effective at dates of fair value measurement.

The weighted average exchange rates established by the National Bank of the Republic of Kazakhstan (hereinafter "National Bank") are used as official currency exchange rates in Kazakhstan. As at 31 December 2016, the exchange rate established by the National Bank was 333.29 tenge per 1 US dollar. This rate was used to translate monetary assets and liabilities denominated in US dollars, as at 31 December 2016 (31 December 2015: 339.47 tenge per 1 US dollar).

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### **New Standards, Interpretations and Amendments to the Current Standards and Interpretations adopted for the first time by the Company**

Accounting policies used in preparing the financial statements are consistent with the policies applied in preparing the financial statements for the year ended 31 December 2015, except for the newly adopted standards and interpretations, which came into effect as at 1 January 2016. The Company has not early adopted any other standards, interpretations and amendments that have been issued but not yet effective. The nature and effect of those amendments are disclosed below. Although those new standards and amendments had been adopted by the Company for the first time in 2016, they do not have any significant impact on the annual financial statements of the Company.

#### *IFRS 14 Regulatory Deferral Accounts*

IFRS 14 is an optional standard that allows entities, activities of which are subject to rate-regulation, to continue applying most of its current accounting principles in respect of regulatory deferral account balances after their first-time adoption of IFRS. Entities that adopted IFRS 14 must present regulatory deferral accounts as separate line items in a statement of financial position and present movements in those account balances as separate line items in a statement of profit or loss and other comprehensive income. The standard requires to disclose the nature of the rate regulation and related risks, and the impact of such rate regulation on entity's financial statements. IFRS 14 is effective for annual reporting periods beginning on or after 1 January 2016. Since the Company already prepares its financial statements under IFRS and has no regulatory deferral account balances, the standard does not affect the Company's financial statements.

#### *Amendments to IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests*

Amendments to IFRS 11 require a member of joint operations to account for acquisition of an interest in a joint operation where the activity of the joint operation constitutes a business, in accordance with the principles of IFRS 3 *Business Combinations* relevant to accounting for business combinations. The amendments also clarify that a previously held interest in a joint operation is not to be remeasured in case of acquisition of an additional interest in the same joint operation, provided that joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control (including the reporting entity) are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for

annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendments do not affect the Company's financial statements, as in the period under review, no interest in joint operations was purchased.

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

The amendments clarify the principles of IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, the revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited cases to amortise intangible assets. The amendments are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendments do not impact on the Company's financial statements, as the Company has not used a revenue-based method to depreciate its non-current assets.

*Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants*

The amendments change the requirements to accounting for biological assets that meet the definition of bearer plants. In accordance with the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 *Agriculture*. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 based on accumulated actual costs (before maturity) and using revaluation model (after maturity). The amendments also confirm that crop of bearer plants will remain within the scope of IAS 41 and should be measured at fair value less costs to sell. IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply to government grants related to bearer plants. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendments have no impact on the Company's financial statements as the Company does not have any bearer plants.

*Amendments to IAS 27 Equity Method in Separate Financial Statements*

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities that already apply IFRS and decide to switch to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS that decide to use the equity method in their separate financial statements have to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016 with early adoption permitted.

**Annual Improvements to IFRS, 2012 - 2014 cycle**

The amendments become effective for annual periods beginning on or after 1 January 2016. The document includes the following amendments:

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

Assets (or disposal groups) are generally disposed of either through their sale or distribution to owners. The amendment clarifies that switching from one of these disposal methods to another should be considered a continuation of the original plan rather than a new disposal plan. The amendment must be applied prospectively.

*IFRS 7 Financial Instruments: Disclosures*

(i) Servicing Contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against

the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of whether servicing contracts constitute continuing involvement must be done retrospectively. However, disclosures are not required for any period beginning before the reporting period, in which an entity applies the amendment for the first time.

(ii) **Applicability of the Amendments to IFRS 7 to Condensed Interim Financial Statements**

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

*IAS 19 Employee Benefits*

The amendment clarifies that market depth of high quality corporate bonds is assessed based on a currency, in which the obligation is denominated, rather than the country where the obligation is issued. In the absence of a deep market of high quality corporate bonds denominated in a certain currency, government bond rates must be used. The amendment must be applied retrospectively.

*IAS 34 Interim Financial Reporting*

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

*Amendments to IAS 1 Disclosure Initiative*

The amendments to IAS 1 rather clarify than significantly change the current requirements of IAS 1. The amendments clarify the following:

- The materiality requirements in IAS 1;
- Specific line items in a statement(-s) of profit or loss and other comprehensive income and statement of financial position may be disaggregated.
- Entities have flexibility as to the order in which they present the notes to their financial statements;
- The share of other comprehensive income of equity-accounted associates and joint ventures must be presented in aggregate as a single line item, and classified as items that will or will not be subsequently reclassified into profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in a statement of financial position and statement(s) of profit or loss and other comprehensive income. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

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

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

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

Those amendments must apply retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendments will have no impact on the Company's financial statements.

The Company has not applied the following new and revised IFRS and IFRIC (issued but not yet in effect):

**IFRS 1 First-time  
Adoption of IFRS**

IFRS 1 has been amended to remove short-term exemptions dealing with IFRS 7 *Financial Instruments: Disclosures*, IAS 19 *Employee Benefits* and IFRS 10 *Consolidated Financial Statements*. Such exemptions are no longer applicable and had been available to entities for reporting periods that have already passed. This amendment becomes effective for annual periods beginning on or after 1 January 2018.

**IFRS 12 Disclosure of  
Interests in Other  
Entities**

Amendments have been made to clarify the scope of IFRS 12 in respect of interests in entities within the scope of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Specifically it clarifies that entities are not exempt from all of the disclosure requirements in IFRS 12 when their interests in other entities have been classified as held for distribution or as discontinued operations. The standard as amended therefore clarifies the disclosure requirements set out in paragraphs B10-16 that do not need to be provided for entities within the scope of IFRS 5.

This annual improvement must be applied retrospectively for reporting periods beginning on or after 1 January 2017. No transitional relief is available.

**IAS 28 Investments  
in Associates and  
Joint Ventures**

IAS 28 has been amended to clarify that a venture capital organisation, or a mutual fund, unit trust and similar entities (including investment-linked insurance funds) may choose, on an investment by investment basis, to account for its investments in joint ventures and associates at fair value or using the equity method.

This annual improvement must be applied retrospectively for reporting periods beginning on or after 1 January 2018. No transitional relief is available.



Effect of the amendment - IAS 40 requires a property to be transferred to, or from, investment property only when there is a change in its use. The amendment clarifies that a change in management's intentions for the use of an investment property does not in isolation provide evidence of a change in the use. This is because management's intentions, alone, do not provide evidence of a change in use. An entity must, therefore, give observable actions to support such a change. Paragraph 57 of IAS 40 gives the following examples of appropriate sources of evidence (this is not intended to be an exhaustive list):

**IAS 40 Investment Property**

- Commencement of owner-occupation for a transfer from investment property to owner-occupied property;
- Commencement of development with a view to sale, for a transfer from investment property to inventories;
- End of owner-occupation, for a transfer from owner-occupied property to investment property; and;
- Inception of an operating lease to another party, for a transfer from inventories to investment property. The amendment is effective for annual periods beginning on or after 1 January 2018.

Company management believes that the application of the amendments to IFRS will have no material impact on the Company's financial statements.

**Property, Plant and Equipment**

Items of property, plant and equipment (hereinafter "PPE") are stated at original cost less accumulated depreciation and impairment. The original cost of PPE consists of purchase price or cost of construction, and any costs directly attributable to bringing the asset to working condition, and an initial estimate of the costs of the asset decommissioning, if necessary. Purchase price or cost of construction is the total amount paid and the fair value of any kind of consideration paid for the purchase of the asset.

When major components of items of property, plant and equipment require replacement at regular intervals, the Company recognises such components as individual assets with specific useful lives and depreciates them accordingly. Similarly, when a major inspection is performed, its cost is recognised in carrying amounts of PPE as a replacement of equipment, if the recognition criteria are satisfied. All other costs of repair and maintenance are recognised in profit or loss as incurred.

Construction in progress includes the unfinished construction of property, plant and equipment recorded at cost. Construction in progress includes the cost of construction, the cost of equipment, and other direct costs. Construction in progress is not depreciated until the completion of construction of the relevant assets and putting them into operation.

Depreciation of PPE, except land and construction-in-progress, is calculated on a straight-line basis over the following useful lives:

Group of assets	Useful lives
Buildings	40 years
Structures	10-20 years
Machinery and equipment	4-10 years
Vehicles	5-7 years
Others	3-10 years

The expected useful lives of PPE can be reviewed annually, and if it is necessary to change them, they are changed in subsequent periods. The carrying amounts of PPE are reviewed for impairment when there are any events or changes in circumstances indicating that the carrying amount cannot be recovered. Items of PPE are derecognised upon their disposal or in cases where future economic benefits are no longer expected from their use or disposal. Any gains or losses arising from derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are included into the statement of comprehensive income in the reporting period, in which the asset is derecognised.

### **Intangible Assets**

Intangible assets acquired separately are initially recognised at original value. The original cost of an intangible asset is the total amount paid and the fair value of any other PPE provided for the purchase of the asset. The original value of intangible assets acquired in a business combination is their fair value at the acquisition date. After initial recognition, intangible assets are recorded at original value less accumulated amortisation and accumulated impairment losses. Intangible assets include licenses, computer software and development costs.

Intangible assets with finite useful lives are amortised over the amortisation period and reviewed for impairment if there are indications of impairment of a certain intangible asset. The amortisation period and amortisation method for an intangible asset with a finite useful life is reviewed at least at each reporting year-end. Change the expected useful life or the expected pattern of consumption of the future economic benefits that are enclosed in an asset is recognised in the financial statements as a change in the period or method of amortisation depending on the situation, and is recorded as a change in accounting estimates. Amortisation expenses of intangible assets with finite useful lives are recognised in the statement of comprehensive income in the expense category which is consistent with the function of the intangible assets.

Intangible assets, except those that are under development, are amortised on a straight-line basis over the following useful lives:

Group of assets	Amortisation period
Licenses	1-5 years
Software	1-5 years

Gains or losses from the derecognition of an intangible asset are measured as the difference between the net proceeds from disposal of the asset and its carrying amount, and are recognised in the statement of comprehensive income at the time of derecognition of the asset.

### **Research and Development Costs**

Research costs are expensed as incurred. An intangible asset arising from development costs of a particular product is recognised only when the Company is able to demonstrate the following:

- Technical feasibility of creation of an intangible asset, so that the asset is available for use or sale;
- Its intention to complete the development of the intangible asset and either use or sell it;
- The way the intangible asset will generate future economic benefits;
- The availability of sufficient resources to complete the development;
- The ability to reliably estimate the costs related to the intangible asset during its development;
- The ability to use the intangible asset created.

After initial recognition of development costs as an asset, the assets are recorded at original value less accumulated amortisation and accumulated impairment losses. Asset starts to be amortised upon the development completion, when the asset is ready for use, and is amortised over the expected period of gaining future economic benefits. Amortisation costs are recorded in the cost. During the development period the asset is annually reviewed for impairment.

### Deferred expenses

Costs of upgrading of facilities and equipment taken under operating lease are recognised as deferred expenses and amortised over the useful life of the asset or the minimum lease duration, whichever is less. The non-cancellable lease duration is considered a minimum lease duration. Such period also includes the unconditional right of the Company to a lease renewal.

### Impairment of Non-financial Assets

At each reporting date, the Company assesses whether there is any indication of potential impairment of assets. If any such indication exists or when an annual testing of an asset for impairment is required, the Company assesses the asset's recoverable amount. The recoverable amount of an asset or a cash-generating unit (hereinafter "CGU") is the greater of the fair value of the asset (CGU) less selling costs and the asset's (CGU's) value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from cash inflows generated by other assets or groups of assets.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, future cash flows are discounted at a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining the fair value less selling costs, recent market transactions are taken into account (if any). In their absence, an appropriate valuation technique is used. Those calculations should be confirmed by valuation multiples, price quotations of free-floating shares or other available indicators of the fair value.

The Company determines the impairment loss based on detailed plans and estimates prepared separately for each CGU of the Company, to which separate assets belong. These plans and estimations are typically made for five years. As for longer periods, long-term growth rates are calculated, and those rates are applied to expected future cash flows after the fifth year.

Losses from impairment of continuing operations are recognised in the statement of comprehensive income in the expense items that are consistent with the function of the impaired asset.

At each reporting date, the Company determines whether there are indications that the previously recognised impairment losses of assets, other than goodwill, no longer exist or decreased. If any such indications exist, the Company estimates the recoverable amount of an asset or a cash-generating unit. Previously recognised impairment losses can be reversed only if there have been changes in the estimates that were used to determine the recoverable amount of an asset after recognition of the last impairment losses. The reversal is limited so that the carrying amount of an asset should not exceed its recoverable amount, and the reversal cannot exceed the carrying amount of the asset, net of depreciation, which would have been determined, if no impairment loss had been recognised in previous years. Such reversal is recognised in the statement of comprehensive income.

### Financial Assets

#### Initial Recognition and Measurement

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

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

All transactions of purchase or sale of financial assets, which require delivering the assets within time frames established by laws or certain market rules (purchases on standard terms and conditions) are recognised at the transaction date, i.e. the date when the Company undertakes to buy or sell an asset.

Financial assets of the Company include cash and bank deposits, trade and other receivables, as well as restricted cash at deposit accounts.

#### *Subsequent Measurement*

Subsequent measurement of financial assets depends on their classification as follows:

##### *Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, on-call deposits, and other short-term highly liquid investments with an original maturity of less than 3 months.

Short-term bank deposits in the statement of financial position have an original maturity from three months to one year.

##### *Loans and Receivables*

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, assets of this kind are measured at amortised cost, which is determined using the effective interest method less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and commission fees or costs that form an integral part of the effective interest rate. Amortisation calculated using the effective interest rate is included in financing income. Losses arising from impairment are recognised as finance expenses in the period when the impairment is occurred.

##### *Derecognition*

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

- 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 forward to a third party received cash flows in full without substantial delay 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 over the asset.

Where the Company has transferred all of 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 new asset is to be recognised to the extent of the Company's continuing involvement in the asset.

In this case, the Company also recognises a corresponding liability. The transferred asset and corresponding liability are measured on the basis, which reflects the rights and obligations retained by the Company.

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

##### *Impairment of Financial Assets*

At each reporting date, the Company assesses whether there is objective evidence of impairment of a financial asset or group of financial assets. A financial asset or group of financial assets are deemed to be impaired only if there is objective evidence of impairment resulting from one or more events that occurred after the initial recognition of the asset (a 'loss event') and had an impact on the expected

future cash flows from the financial asset or group of financial assets, and such impact can be reliably measured.

Evidence of impairment may include indications that a debtor or group of debtors are experiencing significant financial difficulties, cannot service their debt or improperly pay interests or principal, as well as the probability that they will undergo bankruptcy procedures or other financial restructuring. In addition, such evidence also includes observable data indicating the measurable reduction of expected future cash flows from a financial instrument, such as a change in the amounts of debt past due, or changes in economic conditions that correlate with defaults. Recovery of a provision previously recognised is recorded where the decrease in the provision is directly attributable to events that occurred after its recognition. Such recovery of the impairment loss is recognised in the statement of comprehensive income.

## Financial Liabilities

### *Initial Recognition and Measurement*

Financial liabilities that are within the scope of IAS 39 are classified accordingly as financial liabilities at fair value through profit or loss, loans and borrowings, or derivatives designated as hedging instruments in an effective hedge. The Company classifies its financial liabilities upon their initial recognition. Financial liabilities are initially recognised at fair value increased by the amount of directly attributable transaction costs (in the case of loans and borrowings).

Financial liabilities of the Company include trade and other payables, finance lease liabilities.

### *Subsequent Measurement*

Subsequent measurement of financial liabilities depends on their classification as follows: Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling them in the near term. This category includes derivative financial instruments, to which the Company is a contracting party, and which do not meet the criteria for hedging instruments in a hedge as defined in IAS 39. Separated embedded derivatives are also classified as held-for-trading, except when they are designated as instrument in an effective hedge. Gains and losses on liabilities held for trading are recognised in the statement of comprehensive income. The Company has no financial liabilities classified at initial recognition as financial liabilities at fair value through profit or loss.

### *Trade and Other Payables*

Trade payables are recognised initially at fair value and subsequently measured at original value.

### *Derecognition*

A financial liability is derecognised in the statement of financial position, where the liability is repaid, cancelled, or expired. 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 replacement or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in their carrying amounts is recognised in the statement of comprehensive income.

### *Fair Value of Financial Instruments*

Fair value of financial instruments that are traded in active markets is determined at each reporting date based on quoted market prices or dealers' price quotations (bid prices for long positions and ask prices for short positions), without deducting transaction costs.

Fair value of financial instruments that are not traded in active markets is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market

transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

#### Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is an enforceable legal right to offset and there is an intention to realise the assets and settle the liabilities simultaneously.

#### Lease

To determine whether a transaction is a lease or contains lease characteristics, it is necessary to analyse the essence of the transaction at the commencement date of the transaction. It is required to determine whether the performance of the arrangement depends on the use of a specific asset or assets, and whether the right of the asset use is transferred as a result of the transaction.

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

#### *Finance Lease - the Company as a Lessee*

The Company recognises finance leases in assets and liabilities in the statement of financial position at the inception date of the lease in the amount equal to the fair value of the leased asset or the present value of the minimum lease payments, whichever is lower. Subsequently, the minimum lease payments are apportioned between the finance expenses and decrease in the outstanding liability. Financial payment is allocated to each period over the lease term so as to achieve a constant periodic rate of interest on the outstanding balance of the liability. Contingent lease payments are expensed in periods in which they occur. Leased property is depreciated in accordance with the depreciation policies applied to the Company's assets.

#### *Operating Lease - the Company as a Lessee*

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

#### Inventories

Inventories are accounted for on the weighted average cost method. Inventories are measured at the lower of cost and net realisable value. The cost includes all expenses incurred to bring the inventories into the current location and condition. Net realisable value of inventories is based on the estimated selling price less all expected selling costs.

Expenses incurred in the creation of Internet portals for the purposes of further implementation, are included in their cost and recorded in inventories.

#### Provisions

Provisions are recognised in cases, where the Company has a present obligation (legal or constructive) resulting from a past event, and there is high probability that settlement of the obligation would require an outflow of economic benefits, and the amount of the obligation can be reliably estimated. If the Company expects its provisions to recover, the recovery is to be recognised as a separate asset provided that the recovery is virtually certain. Expenses related to a provision are recognised in the statement of comprehensive income net of recovery. If the effect of the time value of money is material, provisions are determined through discounting future cash flows at a pre-tax rate that reflects the current assessment of the time value of money and, where possible, the risks specific to the obligation. If discounting is applied, then increase in the provision with the course of time is recognised as finance expenses.

### Revenue Recognition

Revenue is recognised when it is probable that the Company will obtain economic benefits, provided that the amount of revenue can be reliably estimated. Revenue is measured at the fair value of the consideration received, net of discounts and other taxes or sales duties. The Company has concluded that it is acting as a principal in all its agreements providing for obtaining revenue, since in all cases it is the primary party that assumed obligations under the agreements, and has freedom of action with respect to pricing, and is exposed to the risk of impairment of inventories and credit risk.

To recognise revenue in the financial statements, the following criteria shall be met:

#### *Sale of Goods*

Revenue from the sale of goods is recognised when the goods have been delivered and the risks and ownership have been transferred to the buyer.

#### *Provision of Services*

Income from services provided is recognised at the time of the provision of services.

#### *Interest Income*

Income is recognised as interest is accrued (using the effective interest method, which discounts expected future cash flows over the expected duration of a financial instrument to the net carrying amount of the financial asset).

### Recognition of Expenses

Expenses are recognised in the financial statements as incurred, in the period to which they relate, on an accrual basis.

### Income Tax

Income tax for the year comprises current income tax and deferred tax.

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

Current income tax related to the items that are recorded directly in equity, is recognised in equity rather than in the statement of comprehensive income. From time to time management of the Company evaluates positions recorded in the tax returns with respect to which the applicable tax laws may be interpreted differently, and creates provisions, where appropriate.

### Deferred Income Tax

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

Deferred income tax liabilities are recognised for all taxable temporary differences except as follows:

- When deferred tax liability results from the initial recognition of goodwill, asset or liability under a transaction, other than business combination transaction, provided that at the time of the transaction it affects neither accounting profit nor the taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, provided that the Company can control the

allocation of the decrease in temporary differences over the time, and it is probable that the temporary difference will not decrease in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, unused tax benefits and unused tax losses to the extent it is probable that there will be a taxable profit against which the Company can offset deductible temporary differences, unused tax benefits and unused tax losses, except where:

- Deferred income tax asset related to the deductible temporary difference results from the initial recognition of an asset or liability under a transaction, other than business combination transaction, provided that at the time of the transaction it affects neither accounting profit nor the taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will be used in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amounts of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the Group will obtain sufficient taxable profit allowing to utilise all or part of the deferred income tax assets. Unrecognised deferred income tax assets are reviewed at each reporting date and recognised to the extent that it is highly probable that future taxable profit will allow to use deferred income tax assets.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the reporting year, in which the asset will be realised, and the liability will be settled, based on tax rates (and tax laws) that were enacted or substantively enacted as at the reporting date.

Deferred income tax relating to items that are recognised outside the profit or loss is also recognised outside the profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

## Equity

### *Authorised capital*

Costs of services of third parties directly associated with the issue of new shares, except for business combinations, are recognised in equity as the decrease in the amount received as a result of the issue. Any excess of the fair value of the proceeds received over the par value of shares issued is recognised as the share premium.

### *Capital reserves*

Capital reserves are made created by a decision of the Shareholder of the Company. These reserves are not to be distributed to the Shareholder.

### *Dividends*

Dividends are recognised as liabilities and deducted from the equity at the reporting date only where they were declared prior to and including the reporting date. Dividends are disclosed in the financial statements, where they are recommended prior to the reporting date, or recommended or declared after the reporting date but prior to the date of approval of the financial statements for issuing.



### Subsequent Events

Events occurred after the end of the reporting year, which confirm the existence of certain conditions as at the date of preparation of the financial statements (adjusting events) are recorded in the financial statements. The non-adjusting events that occurred after the end of the reporting year are disclosed in the notes to the financial statements if they are material.

### Disclosures of Related Party Transactions

Related parties include the Shareholder of the Company, the key management personnel, and the entities, significant percentage of voting shares of which are directly or indirectly owned by the Shareholder or the Company's key management personnel, as well as entities controlled by the Government of the Republic of Kazakhstan (Note 26).

### Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognised in the financial statements. Contingent liabilities are disclosed in notes to the financial statements, except for the cases where an outflow of resources representing economic benefits is unlikely.

Contingent assets are not recognised in the financial statements. Contingent assets are disclosed in notes, where there is a sufficient likelihood of obtaining economic benefits associated with such assets.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Preparation of the financial statements in accordance with the IFRS requires management to use estimates and assumptions that affect assets and liabilities recorded in the financial statements and contingent assets and liabilities disclosed therein as of the date of preparation of the financial statements, as well as assets, liabilities, income, expenses reported in the financial statements and contingent assets and liabilities disclosed therein for the reporting period. The most significant assumptions are discussed below:

### *Taxation*

In assessing tax risks, management treats as potential liabilities the known areas of non-compliance with tax laws, which the Company cannot challenge or does not believe that can successfully appeal against, where the additional taxes will be assessed by tax authorities. Such assessment requires to make significant judgments and can change in response to changes in the tax laws and regulations, or when the expected outcomes from pending tax proceedings and conclusions of compliance inspections by tax authorities become clear.

Management believes that in the course of business, there were no material violations of tax laws.

### *Deferred Tax Assets*

Deferred tax assets are recognised for all provisions and tax losses carried forward to the extent that it is probable that temporary taxable differences and the commercial nature of such expenses will be substantiated. Significant management judgement is required to assess deferred tax assets that can be recognised based on the planned rate and time of return, as well as the successful application of tax planning strategies.

### *Useful Lives of Property, Plant and Equipment and Intangible Assets*

The Company estimates the remaining useful lives of PPE at least once a year at the end of the financial year. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates as specified in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Those estimates can have a significant effect on the carrying amounts of PPE and

intangible assets, and amortisation and depreciation expenses recorded in the statement of comprehensive income.

#### *Impairment of Non-financial Assets*

Impairment exists, where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the greater of the fair value less costs to sell and value in use. Determination of the fair value less costs to sell is based on available information on binding commercial transactions of sale of similar assets or on observable market prices less additional costs incurred for the disposal of the asset. The value in use is determined based on the discounted cash flows model.

The cash flows are taken 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 performance of assets of the cash-generating unit being tested for impairment. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model, as well as to the expected cash inflows and growth rates used for extrapolation purposes.

As at 31 December 2016 and 2015, the Company determined that there are not indications of impairment of non-financial assets.

#### *Development Costs*

Development costs are capitalised in accordance with Company's accounting policies. Initial capitalisation of costs is based on management's judgment that technological and economic feasibility is confirmed, it is typically made when a development project reaches a certain milestone according to an established project implementation model. In determining the amounts to be capitalised, management makes assumptions regarding expected future cash flows from a project, discount rates to be applied and expected period of benefits. At 31 December 2016, the carrying amount of capitalised development costs was 1,200 thousand tenge (2015: 0 tenge) (Note 12).

#### *Provision for Doubtful Debts*

The Company recognises provisions for impairment of doubtful accounts receivable. To estimate doubtful debts, the Company applies judgment based on the analysis of past and anticipated activities of a debtor. General developments in the economy, industry or environment, where the debtor operates, may require making adjustments to the provision for impairment of receivables recorded in the financial statements. More detailed information is presented in Note 9.

#### *Finance Lease*

The Company entered into a finance lease agreement as a lessee. The Company has determined that according to the lease agreement, the ownership right is transferred upon the termination of the agreement, and the Company accepts substantially all the risks and rewards of ownership, therefore, the Company applies the accounting treatment established for finance lease agreements to this agreement.

#### *Classification of Assets and Liabilities under the E-Learning System Project*

As at 31 December 2015, the Company classified the accounts receivable from the Ministry of Education and Science of the Republic of Kazakhstan totalling 4,774,712 thousand tenge as short-term, as management of the Company expects those accounts receivable to be repaid within the twelve months following the reporting date. These accounts receivable have been repaid in 2016.

According to the terms and conditions of the agreements for supply of equipment and provision of services, as part of this project, the Company will pay to suppliers and providers as soon as the Ministry of Education and Science of the Republic of Kazakhstan will repay these accounts receivable. So, the accounts payable amounting to 4,324,392 thousand tenge are classified as short-term payables.

#### *Capitalisation of Costs of Improvements to Leased Premises*

In 2016, the Company has incurred no costs to improve the leased premises. In 2014, the Company capitalised the improvement costs of the leased premises amounting to 59,955 thousand tenge. Improvements involve arrangement of a showroom and alteration of the hall for an open space standard. The costs are recognised as deferred expenses and amortised over the useful life of capitalised improvements and the minimum lease duration, whichever is less. Company management believes that it is highly likely to obtain economic benefits from those assets, and those benefits can be reliably estimated.

## 5. CASH AND CASH EQUIVALENTS

As at 31 December 2016 and 31 December 2015, cash and cash equivalents are detailed below:

	2016	2015
Cash at current bank accounts	77,632	85,247
<b>Total</b>	<b>77,632</b>	<b>85,247</b>
	<b>2016</b>	<b>2015</b>
Cash in terms of currencies:		
<i>In Kazakhstani tenge</i>	24,980	25,491
<i>In US dollars</i>	49,569	59,756
<i>In Russian roubles</i>	3,083	-
<b>Total</b>	<b>77,632</b>	<b>85,247</b>

## 6. BANK DEPOSITS

	2016	2015
Deposits at banks	5,529,999	3,410,771
Interest on deposits	12,839	34,633
<b>Total</b>	<b>5,542,838</b>	<b>3,445,404</b>

Bank deposits are denominated in tenge and placed for various terms (more than three months but less than one year), depending on the needs of the Company in cash. Interest at the rate from 11.3% to 15% per annum is accrued on such deposits (in 2015: the weighted average interest rate was 9.1% per annum).

Financial income consists of interest on bank deposits.

## 7. OTHER CURRENT ASSETS

As at 31 December 2016 and 31 December 2015, other short-term assets were as follows:

	2016	2015
Deferred expenses	333,624	202,722
Accounts receivable from employees	3,475	913
Others	4,906	4,365
<b>Total</b>	<b>342,005</b>	<b>208,000</b>

As of 31 December 2016 and 2015, deferred expenses include the current portion of long-term deferred expenses for construction and installation work amounting to 49,951 thousand tenge and 81,825 thousand tenge, respectively.

## 8. OTHER CURRENT FINANCIAL ASSETS

	2016	2015
Restricted cash at deposit accounts, in tenge		
Guarantees payments	98,311	34,570
Loans issued to employees	331	32,205
Others	-	549
<b>Total</b>	<b>98,814</b>	<b>67,601</b>

Restricted cash at interest-free deposit accounts consists of bank guarantees intended to ensure the performance of contractual and tender obligations of the Company. In January 2017, the bank guarantees have been cancelled by the bank due to the completion of obligation performance.

## 9. TRADE ACCOUNTS RECEIVABLE

As at 31 December 2016 and 31 December 2015, short-term trade receivables are detailed below:

	2016	2015
Trade receivables	62,080	4,911,925
Provision for doubtful trade receivables	(603)	(49,880)
<b>Net trade and other receivables</b>	<b>61,477</b>	<b>4,862,045</b>
Minus: current portion of accounts receivable	62,080	4,862,129
Minus: current portion of the provision for doubtful debts	(603)	(259)
	<b>-</b>	<b>175</b>

As at 31 December 2016 and 2015, interest is not charged on trade and other receivables. Trade and other receivables are repaid within 30-120 days.

As at 31 December 2016, trade receivables from related parties amounted to 26,594 thousand tenge (2015 - 4,900,613) (Note 26).

Movements in the provision for doubtful receivables for the year ended 31 December are detailed below:

	2016	2015
Balance of the provisions at the beginning of the period	49,880	50,379
Written-off against the provision account	(49,608)	(60)
Reversed	(120)	(501)
Provisions accrued	451	62
<b>Balance of the provisions at the end of the period</b>	<b>603</b>	<b>49,880</b>

Ageing analysis of trade receivables as at 31 December:

	Total	Undue and not impaired	<30 days	Past due, but not impaired			>120 days
				30-60 days	60-90 days	90-120 days	
2016	61,477	56,827	-	2,699	892	575	484
2015	4,862,045	85,277	-	1,349	377	332	4,774,710

Short-term trade and other receivables in terms of currencies:

	2016	2015
In Kazakhstani tenge	61,477	4,849,676
In Russian roubles	-	12,369
<b>Total</b>	<b>61,477</b>	<b>4,862,045</b>

#### 10. INVENTORIES

As at 31 December	2016	2015
Fuel	28,064	30,872
Raw materials	24,560	23,183
Spare parts	22,999	22,542
Advertising materials	5,979	4,176
Other materials	8,400	10,734
	<b>90,002</b>	<b>91,507</b>
Provision for slow-moving inventories	<b>(31,615)</b>	<b>(26,550)</b>
	<b>58,387</b>	<b>64,957</b>

Movements in the provision for slow-moving inventories for the year ended 31 December are detailed below:

	2016	2015
Balance of the provisions at the beginning of the period	26,550	11,638
Accrued for the year	9,927	15,677
Written-off	(4,862)	(765)
Recovered	-	-
<b>Balance of the provisions at the end of the period</b>	<b>31,615</b>	<b>26,550</b>

#### 11. DEFERRED EXPENSES

In 2010, as part of the implementation of the second phase of the project *Equipping the Server Centre*, the Company incurred expenses for the construction and installation work on the leased premises totalling 433,680 thousand tenge. Amortisation is calculated on a straight-line basis.

	2016	2015
Costs of construction and installation work on the leased premises	131,776	213,602
Receipts	-	-
Amortisation (Note 21)	(81,825)	(81,826)
<b>Current portion of deferred expenses (Note 7)</b>	<b>(49,951)</b>	<b>(81,824)</b>
	<b>-</b>	<b>49,952</b>

## 12. INTANGIBLE ASSETS

Changes in intangible assets for 2016 and 2015 are detailed below:

	Development costs	Licenses	Software	Total
Original value				
At 31 December 2014	26,720	213,867	815,947	1,056,534
Receipts	-	2,204	4,976	7,180
Disposed	(26,720)	-	-	(26,720)
Other adjustments	-	(2,415)	(197)	(2,612)
At 31 December 2015	-	213,656	820,726	1,034,382
Receipts	1,200	-	241,514	242,714
Upgrading of intangible assets	-	-	34,767	34,767
Reclassification	-	(21,996)	21,996	-
Disposed	-	(13,615)	(110,022)	(123,637)
At 31 December 2016	1,200	178,045	1,008,981	1,188,226
Accumulated amortisation and impairment losses				
At 31 December 2014	-	93,201	337,316	430,517
Accrued 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
Accrued for the year	-	38,296	176,485	214,781
Reclassification	-	(4,686)	4,686	-
Disposed	-	(13,615)	(109,983)	(123,598)
At 31 December 2016	-	148,253	564,424	712,677
Carrying amounts				
At 31 December 2014	26,720	120,666	478,631	626,017
At 31 December 2015	-	85,398	327,490	412,888
At 31 December 2016	1,200	29,792	444,557	475,549

In 2015, the Company wrote-off the development costs of the project of the Backup Platform of Electronic Government amounting to 26,720 thousand tenge due to the suspension of the project implementation.

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other PPE	Construction-in-progress	Total
<b>Original value</b>							
At 31 December 2014	24,485	807,310	5,454,806	262,859	147,237	17,781	6,714,478
Acquired	485	311	285,799	47,620	36,079	200,751	571,045
Transferred from construction-in-progress	-	58,174	160,358	-	-	(218,532)	-
Disposed	-	-	(81,758)	-	(15,785)	-	(97,543)
Transferred into the 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
<b>Acquired</b>							
Transferred from construction-in-progress	-	-	129,919	-	2,949	-	132,868
Upgrading of PPE	-	-	-	-	-	-	-
Written-off	-	(16,385)	16,759	-	-	-	16,759
Disposed	-	-	15,615	1,708	7,953	-	8,891
Transferred into the assets held-for-sale	-	-	(40,083)	-	(5,535)	-	(45,618)
At 31 December 2016	24,970	849,410	5,941,415	285,445	172,898	-	7,274,138
			(20,982)				(20,982)
			285,445				7,274,138

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	Land	Buildings and structures	Machinery and equipment	Vehicles	Other PPE	Construction-in-progress	Total
<b>Accumulated amortisation and impairment losses</b>							
At 31 December 2014	-	26,330	1,294,817	97,242	58,182	-	1,476,571
Accrued for the year	-	21,119	620,292	33,730	19,397	-	694,538
Disposed	-	-	(80,027)	-	(13,307)	-	(93,334)
Transferred into the 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
<b>Accrued for the year</b>							
Written-off	-	21,462	656,830	38,941	19,044	-	736,277
Disposed	-	(2,096)	3,101	(46)	7,932	-	8,891
Transferred into the assets held-for-sale	-	-	(26,736)	-	(4,947)	-	(31,683)
Impairment	-	-	-	(20,982)	-	-	(20,982)
At 31 December 2016	-	66,815	2,474,469	143,125	86,301	-	2,770,710
<b>Carrying amounts</b>							
At 31 December 2014	24,485	780,980	4,159,989	165,617	89,055	17,781	5,237,907
At 31 December 2015	24,970	818,346	3,976,323	179,507	103,259	-	5,102,405
At 31 December 2016	24,970	782,595	3,466,946	142,320	86,597	-	4,503,428



As of 31 December 2015, the project *Creation of Server Internet-platform to Provide Hosting Services to Public Authorities* was completed; the project was intended to improve the efficiency of operations of information resources and systems of state and local executive authorities. In 2015, one data processing centre related to the project has been put into operation; the total value of the data processing centre is 218,532 thousand tenge.

As at 31 December 2016, the carrying amount of PPE used by the Company under the finance lease agreement was 102,301 thousand tenge (2015 - 132,666 thousand tenge).

As of 31 December 2016, the original value of fully amortised PPE that are still in service amounted to 163,477 thousand tenge (2015: 166,478 thousand tenge).

#### 14. TRADE ACCOUNTS PAYABLE

Short-term trade payables, as at 31 December 2016 and 31 December 2015, are detailed below:

	2016	2015
Accounts payable to external parties	1,131,278	4,448,138
Payables to related parties	88,405	566,813
<b>Total</b>	<b>1,219,683</b>	<b>5,014,951</b>

As at 31 December 2016 and 2015, the accounts payable are interest-free and typically repaid within 30-360 days.

Payables to suppliers for goods and services in terms of the currencies

	2016	2015
In Kazakhstani tenge	1,211,560	4,892,283
US dollar	-	115,123
Russian rouble	8,123	7,545
<b>Total</b>	<b>1,219,683</b>	<b>5,014,951</b>

As of 31 December 2016, the largest portions of the accounts payable to suppliers and contractors account for the following ones:

- HIBRAIN LLP in the amount of 351,074 thousand tenge for the services of support to the Integrated Information System for Public Service Centres;
- Bee Software LLP in the amount of 179,324 thousand tenge for the services of support to the portal of the Electronic Government Gateway;
- IT Integra LLP in the amount of 138,292 thousand tenge for the data storage system HPE 3PAR StoreServ 8400 4N Fld Int Base.

As of 31 December 2015, accounts payable amounting to 4,324,392 thousand tenge include the payables to Logycom JSC, Bilim Media Group LLP, Kazakhtelecom JSC and other suppliers for the services purchased as part of the *E-learning System* project for the Ministry of Education and Science. According to the contracts with those suppliers, the Company repays its accounts payable as soon as public funds are allocated to repay the Company's accounts receivable.

#### 15. FINANCE LEASE LIABILITIES

In 2013, the Company entered into a lease agreement of server equipment. According to the contractual terms and conditions, ownership of the leased assets is transferred to the Company upon completion of the lease term. The effective interest rate under the finance lease agreement is 7% per annum. Upon initial recognition, the finance lease liabilities amounted to 297,211 thousand tenge. In 2016, the Company repaid 37,151 thousand tenge of its finance lease liabilities (in 2015: 37,151 thousand tenge).

The amount of future minimum lease payments and their discounted value are as follows:

	2016		2015	
	Minimum lease payments	Discounted value of minimum lease payments	Minimum lease payments	Discounted value of minimum lease payments
Within one year	38,836	37,151	42,353	40,521
From one to five years		-	39,752	37,151
Accrued liabilities in respect of employees				
Minus:				
Finance expenses	(1,685)		(4,432)	-
Present value of minimum lease payments	37,151	37,151	77,673	77,672
Minus amounts to be repaid within 12 months	-	(37,151)	-	(40,521)
Amounts to be repaid after 12 months				37,151

#### 16. ACCOUNTS PAYABLE TO EMPLOYEES

As at 31 December 2016 and 31 December 2015, other short-term liabilities were as follows:

	2016	2015
Salaries payable	1,273	530
Provision for unused leaves, bonuses and related taxes	225,215	238,964
Total	226,488	239,494

#### 17. OTHER CURRENT LIABILITIES

As at 31 December 2016 and 31 December 2015, other short-term liabilities in tenge were as follows:

	2016	2015
Liabilities for pension contributions	40,726	31,004
Provisions for taxes	18,817	18,817
Individual income tax	-	15,393
Liabilities for social insurance	13,342	10,681
Social Tax	-	-
Other	28,689	9,988
Total	101,574	85,883

#### 18. DEFERRED TAX LIABILITY

Tenge thousand	2016	Change	2015	Change	2014
Deferred income tax asset					
Accrued liabilities in respect of employees	45,043	(2,750)	47,793	12,785	35,008
Provisions	11,541	(3,781)	15,322	2,550	12,772

Tenge thousand	2016	Change	2015	Change	2014
Minus:					
Deferred tax assets set off against deferred tax liabilities	(56,584)		(63,115)		(47,780)
	-	(6,531)	-	15,335	
<b>Deferred income tax liabilities</b>					
Property, Plant and Equipment	(298,506)	(25,647)	(272,859)	(74,223)	(198,636)
Minus: deferred tax assets set off against deferred tax liabilities	56,584		63,115		(47,780)
	(241,922)	(25,647)	(209,744)	(74,223)	(150,856)
<b>Net deferred tax liabilities</b>	<b>(241,922)</b>	<b>32,178</b>	<b>(209,744)</b>	<b>(58,888)</b>	<b>(150,856)</b>

Movements in net deferred tax liability are detailed below:

	2016	2015
Balance at the beginning of the period	209,744	150,856
Business combination		
Statement of profit and loss (recognised asset/ (liability))	32,178	58,888
Balance at the end of the period	241,922	209,744

## 19. EQUITY

Total number of announced, issued and outstanding common shares is as follows:

Tenge thousand	Number of issued shares	Number of paid shares	Authorised capital
At 31 December 2016	5,082,491	5,082,490	5,082,490
At 31 December 2015	5,082,491	5,082,490	5,082,490

As of 31 December 2016 and 2015, all announced common shares had a par value of 1,000 tenge.

Capital reserves are a portion of retained earnings which is not subject to distribution to the Shareholder.

### Dividends

In 2016, as per the decisions of the Shareholder, the Company has announced dividends for 2015 to be distributed in the amount of 118.05 tenge per one share totalling 600,000 thousand tenge, and fully paid them (in 2015: 118.05 tenge per one share totalling 600,000 thousand tenge).

## 20. INCOME FROM THE SALE OF GOODS AND SERVICES

	2016	2015
Monitoring of projects of the Communication and Informatisation Committee of the Ministry of Investment and Development of the Republic of Kazakhstan	5,378,977	4,809,082
Technical support for computer software and support for information systems	2,657,401	4,224,760

System and technical services provided to the State Revenue Committee and the Ministry of Education and Science of the Republic of Kazakhstan	1,192,384	1,498,970
Others	354,669	-
<b>Total</b>	<b>9,583,431</b>	<b>10,532,812</b>

The Company gains income from the sale of goods and provision of services mainly from customers and purchasers, which are public authorities of the Republic of Kazakhstan.

#### 21. COST OF GOODS AND SERVICES SOLD

	<u>2016</u>	<u>2015</u>
Payroll costs and related taxes	3,436,808	3,441,099
Maintenance services	1,415,515	2,424,551
Depreciation and amortisation	936,084	879,256
Lease expenses	262,281	269,757
Utilities	232,693	250,891
Lease of licensed software	194,481	217,596
Communication services	95,854	211,196
Expenses for the provision for unused leaves, bonuses and related taxes	159,060	183,784
Materials	58,807	101,240
Business travel expenses	85,914	96,693
Amortisation of deferred expenses (Note 11)	81,825	81,826
Staff training	23,722	27,876
Advisory and information services	5,898	23,390
Other expenses	371,458	430,544
<b>Total</b>	<b>7,360,400</b>	<b>8,639,699</b>

#### 22. SELLING EXPENSES

	<u>2016</u>	<u>2015</u>
Materials	-	13,979
Advertising costs	13,787	10,220
<b>Total</b>	<b>13,787</b>	<b>24,199</b>

#### 23. ADMINISTRATIVE EXPENSES

	<u>2016</u>	<u>2015</u>
Payroll costs and related taxes	436,557	475,912
Fines, penalties, interests	153	45,162
Expenses for the provision for unused leaves, bonuses and related taxes	28,883	24,665
Lease expenses	24,366	23,679
Costs of social events	10,659	18,320
Sponsorship	1,920	16,754
Banking services	10,992	16,365
Expenses for the provision for doubtful receivables, slow-moving inventories and impairment of advances paid	5,396	14,912
Utilities	13,269	12,261

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	2016	2015
Business travel expenses	3,967	9,810
Expenses for audit and advisory services	8,900	9,018
Depreciation and amortisation	14,975	9,000
Materials	7,499	8,854
Hospitality costs	4,506	8,672
Taxes other than income tax	1,157	7,354
Staff training	2,082	4,730
Transportation costs	2,213	1,953
Telecommunication costs	1,343	1,100
Other expenses	37,486	33,288
<b>Total</b>	<b>616,323</b>	<b>741,809</b>

#### 24. OTHER INCOME

	2016	2015
Realisation of inventories and provision of other services	3,807	5,369
Income from disposal of fixed assets	-	7,031
Fines, penalties, interests	2,326	4,557
Others	2,807	239
<b>Total</b>	<b>8,940</b>	<b>17,196</b>

#### 25. INCOME TAX EXPENSE

	2016	2015
Current tax expense for the reporting period	378,039	236,893
Deferred tax expense/ (benefits)	32,178	58,888
Adjustment to the current income tax of prior periods	0	176
<b>Income tax expense</b>	<b>410,217</b>	<b>295,957</b>

The amounts of taxes are calculated in accordance with the current applicable tax rates of the Republic of Kazakhstan. Since the Company is registered in the Republic of Kazakhstan, in 2016 the income tax rate was 20% (in 2015: 20%).

Below is a reconciliation of corporate income tax expense levied from the pre-tax income:

	2016	2015
Profit before tax	1,957,568	1,358,892
Statutory tax rate, %	20	20
<b>Estimated income tax at a statutory rate</b>	<b>391,514</b>	<b>271,778</b>
Changes in unrecognised deferred tax assets		
Sponsorship		
Share in the loss/ (profit) of an associated company		
Tax effect of non-deductible expenses/ (income)		
Other non-deductible expenses	18,703	24,179
<b>Total income tax expense</b>	<b>410,217</b>	<b>295,957</b>

## 26. RELATED PARTY DISCLOSURES

Related parties include the key management personnel of the Company, entities that are under the control, joint control or significant influence, or entities significant percentage of voting shares of which are directly or indirectly owned by the key management personnel of the Company, the Shareholder, as well as entities controlled by the Government of the Republic of Kazakhstan. Related party transactions were carried out on the terms and conditions agreed by parties, and those terms and conditions were not always based on market rates, except for certain regulated services that were provided based on rates offered to related and third parties.

The following table presents the total amount of the other transactions with related parties which were carried out in 2016 and 2015, and the respective balances as at 31 December 2016 and 2015:

Tenge thousand		Shareholder	Entities that are under common control of the Shareholder	Other entities and institutions controlled by The Government of the Republic of Kazakhstan
Income from related parties	2016	23,573		7,247,991
	2015	32,533	3,871	8,150,408
Purchased from related parties	2016		63,766	191,783
	2015	-	63,253	138,422
Trade and other receivables	2016	26,402		192
	2015	36,437	7,510	4,856,666
Accounts Payable	2016		18,394	70,011
	2015	-	49,051	517,762

### *Shareholder*

#### *Income*

In 2016, transactions with the Shareholder consist mainly of the IT-outsourcing services; Transactions with entities and institutions controlled by the Government of the Republic of Kazakhstan consist of the services of monitoring of projects of the Communications, Informatisation and Information Committee of the Ministry of Investments and Development of the Republic of Kazakhstan in the implementation of state programs of creation of state databases, creation of information infrastructure for public authorities and ensuring the functioning of inter-agency information systems in the context of creation and maintenance of electronic government, software named Unified System of Electronic Document Flow for Public Authorities in the total amount of 5,378,977 thousand tenge (in 2015: 4,809,082 thousand tenge), support services for computer software and maintenance of information systems to the Ministry of Justice of Kazakhstan, Ministry of Finance of Kazakhstan, the Treasury Committee of Kazakhstan in the total amount of 1,063,974 thousand tenge (in 2015: 1,674,273 thousand tenge) and services provided to the Tax Committee in the amount of 748,361 thousand tenge (in 2015: 1,407,688 thousand tenge).

#### *Purchases*

In 2016, acquisitions included mainly: premises lease services from the Directorate of Administrative Buildings of the PA and GRK RSE on the right of economic use amounting to 113,503 thousand tenge (in 2015: 95,727 thousand tenge); services of office lease from the Department of State Property and Privatisation of Astana amounting to 174,858 thousand tenge.

### *Accounts Payable*

As at 31 December 2016, the major portion of the accounts payable is represented by the accounts payable to Kazakhtelecom JSC for the communication services in the amount of 69,515 thousand tenge (in 2015: 516,626 thousand tenge).

### *Compensation to the Key Management Personnel*

As at 31 December 2016, key management personnel of the Company included 7 persons (in 2015: 6 persons). Total compensation to the key management personnel included in general and administrative expenses in the accompanying statement of comprehensive income amounts to 79,231 thousand tenge for the year ended 31 December 2016 (in 2015: 71,610 thousand tenge). Compensation paid to the key management personnel consists of costs of salaries established by individual employment agreements, and other short-term benefits.

## **27. OBJECTIVES AND POLICIES FOR FINANCIAL RISK MANAGEMENT**

The main financial instruments of the Company include cash, short-term bank deposits, accounts receivable and accounts payable, and finance lease liabilities. The main risk arising from financial instruments of the Company is credit risk. The Company also controls liquidity risk arising from its financial instruments.

*Credit risk* is the risk of financial loss to one party to a financial instrument resulting from the other party's failure to perform its obligation. The Company is exposed to credit risk arising from its operating activities, and certain types of investment activities. With respect to investment activities, the Company places bank deposits mainly in Kazakhstan banks (*Notes 13 and 14*). Management of the Company regularly reviews the credit ratings of those banks with a view to eliminating extraordinary credit risks. Management of the Company believes that the recent international credit crisis and subsequent changes in credit ratings of local banks cannot justify extraordinary credit risk. So, no impairment provision is needed for bank deposits. The following table presents the detailed information on bank deposits, cash at bank accounts as at the reporting date, and rating of the banks from authorised credit agencies:

Bank name	Location	Ratings		Amount	
		2016	2015	2016	2015
Bank of Astana JSC	Kazakhstan	B/stable	B/stable		800,000
Tsesna Bank JSC	Kazakhstan	B+/stable	B+/stable	1,610,844	106,259
Bank Kassa Nova JSC	Kazakhstan	B/negative	B/negative		883,653
Bank CenterCredit JSC	Kazakhstan	B+/stable	B+/stable		105,449
Halyk Bank JSC	Kazakhstan	BB+/negative	BB+/negative	13	3
Qazaq Banki JSC	Kazakhstan	B-/stable		1,119,999	
RBK Bank JSC	Kazakhstan	B-/positive	B-/positive	1,300,532	701,065
AsiaCredit Bank JSC	Kazakhstan	B/stable	B/stable		800,000
SB Alfa-Bank JSC	Kazakhstan	B+/negative	B+/negative		50,000
Kazkommertsbank JSC	Kazakhstan	B/stable	B/stable	1,589,083	84,222
				<b>5,620,471</b>	<b>3,530,651</b>

### *Liquidity Risk*

Liquidity risk is the risk that the Company will face difficulties in raising funds to settle its financial liabilities. Liquidity risk can arise from the inability to immediately sell a financial asset at a price close to its fair value. Liquidity requirements are regularly monitored, and management monitors the availability of sufficient funds to settle Company's liabilities as they arise. The Company controls the risk of cash deficit through the use of current liquidity planning tool. The Company's goal is to keep a balance between continuity of funding and flexibility through matching payments of accounts payable

for the services purchased as part of a particular project to the receipts from clients under that project.

The following table presents a summary of the contractual undiscounted payments for the financial liabilities of the Company in terms of maturities of these liabilities, as at 31 December 2016 and 31 December 2015:

Tenge thousand	On call	Less than 3 months	Over 3 months but less than 12 months	Over 1 year but less than 5 years	Over 5 years	Total
			12			
<b>At 31 December 2016</b>						
Finance lease liability			38,836			38,836
Accounts Payable		1,219,683				1,219,683
		<b>1,219,683</b>	<b>38,836</b>			<b>1,258,519</b>
<b>At 31 December 2015</b>						
Finance lease liability	-		40,521	41,584	-	82,105
Accounts Payable	-	5,014,951				5,014,951
	-	<b>5,014,951</b>	<b>40,521</b>	<b>41,584</b>		<b>5,097,056</b>

#### *Fair Value of Financial Assets*

The fair values of all financial assets and liabilities approximate their carrying amounts, as at 31 December 2016 and 2015.

#### *Capital Management*

The top-priority objective of Company's capital management is to support its business strategy and to increase the value of shares. Company's capital management depends heavily on Shareholder's strategy for capital management. Key decisions regarding management of the capital are made with the consent of the Shareholder. To maintain or change the capital structure, the Shareholder may change dividends distribution, or make a contribution to the capital of the Company. As at 31 December 2016 and 2015, the Company has no borrowings.

## **28. CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES**

### *Taxation*

Kazakhstan's tax laws and regulations are subject to ongoing changes and varying interpretations. There are frequent cases of divergence of opinions between local, regional and national tax authorities. In accordance with Kazakhstan laws, the current system of fines and penalties for tax offences identified is quite severe. Punitive sanctions include fines, typically at the rate of 50% of the additionally assessed taxes, and a penalty at a refinancing rate established by the National Bank of Kazakhstan multiplied by 2.5. As a result, the amount of penalties and fines can several times exceed the amount of taxes additionally assessed. Financial periods are open for tax inspection by tax authorities for a period of five calendar years preceding the year, which is audited. Under certain circumstances, tax inspections may cover longer periods. Due to the uncertainty of Kazakhstan tax system, the potential amount of taxes, penalties and fines, if any, may exceed the amount expensed currently and accrued as at 31 December 2016. Management believes that as at 31 December 2016, its interpretation of the applicable laws is appropriate and it is probable that the Company's positions with respect to taxes will be confirmed.



#### *Legal Proceedings*

In the ordinary course of business, the Company is subject to various lawsuits and claims. Management believes that the ultimate liability, if any, associated with such lawsuits or claims will not have a significant adverse impact on either the Company's current financial position or future performance of the Company.

#### *Insurance Matters*

Insurance industry in Kazakhstan is in its development stage; many forms of insurance that are widely used in other countries are not yet available in Kazakhstan. The Company has no full insurance coverage in respect of its production facilities, losses caused by business interruptions, and third party liability for damages to property or the environment resulting from accidents at the Company's facilities or from operations of the Company. As long as the Company has no adequate insurance coverage, there is a risk that the loss or damage of certain assets could have a material adverse effect on the operations and financial position of the Company.

#### *Retirement Benefits of Employees*

The Company does not have any pension plans, other than the public pension program of the Republic of Kazakhstan; the latter requires employers to withhold certain amounts calculated as a percentage of the current gross salaries. Such withholding is charged to expenses in a period they occur.

## **29. SUBSEQUENT EVENTS**

As per the Resolution No. 696 of the Government of the Republic of Kazakhstan dated 11 November 2016, it has been decided to reorganise National Information Technologies Joint-Stock Company through merging with National Company Kazsatnet Joint-Stock Company.

Based on the above Resolution, The Company has approved an Integrated Action Plan of entering into revenue-generating and expenses-incurring agreements and merging of Kazsatnet JSC to the Company.

The Plan provides for measures to increase the number of authorized shares of the Company and amend the prospectus of share issue to the extent permitted by the laws of the Republic of Kazakhstan on the securities market.

On 18 March 2017, the National Bank of the Republic of Kazakhstan carried out state registration of issue of authorised shares of the Company. The issue is divided into 9,987,362 common shares.