

National Information Technologies JSC
Financial Statements
for the Year Ended 31 December 2020 and
Independent Auditor's Report

National Information Technologies JSC

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Statement of "National Information Technologies" JSC management responsibilities for the preparation and approval of the financial statements for the year ended 31 December 2020

The following statement which should be read together with the Auditor's Responsibilities section of the accompanying Independent Auditor's Report is made to distinguish the respective responsibilities of the Auditors and Company management concerning the financial statements of "National Information Technologies" JSC (the 'Company').

Management is responsible for the preparation of the financial statements that present fairly in all material respects, the financial position of the Company as of 31 December 2020, its performance, cash flows, and changes in equity for the year then ended, under International Financial Reporting Standards ('IFRS').

In preparing the financial statements, management is responsible for:

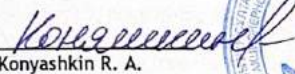
- Selecting appropriate accounting principles and applying them consistently;
- Applying reasonable judgments and estimates;
- Compliance with the requirements of the IFRS or disclosure of all material deviations from the IFRS in the notes to the financial statements; and
- Preparation of the financial statements assuming that the Company will continue as a going concern, except where such an assumption is unlawful.

Management is also responsible for:

- Design, implementation, and ensuring reliable internal control in the Company;
- Record keeping that allows at any time to present the information on the Company's financial position with a sufficient degree of accuracy and ensuring financial statements comply with IFRS requirements;
- Record keeping under the legislation of the Republic of Kazakhstan;
- Taking all reasonable efforts falling within the management competence to ensure the safety of Company assets;
- Mismanagement detection and prevention.

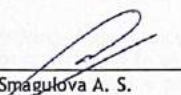
Financial statements for the year ended 31 December 2020 were approved for issue by "National Information Technologies" JSC management on 30 July 2021.

On behalf of Company management:


Konyashkin R. A.
Chairman of the Board

30 July 2021
Nur-Sultan, Republic of Kazakhstan




Smagulova A. S.
Head of Accounting Department - Chief Accountant

30 July 2021
Nur-Sultan, Republic of Kazakhstan



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INDEPENDENT AUDITOR'S REPORT

To the equity holders and management of "National Information Technologies" JSC

Audit conclusion

Opinion

We have audited the financial statements of "National Information Technologies" JSC (the 'Company') which comprise the statement of financial position as of 31 December 2020, statement of profit or loss and comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRS').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and ethical requirements that are relevant to our audit of the consolidated financial statements in Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Those charged with governance are responsible for overseeing the Company's financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

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, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

- Obtain an understanding of the internal control system that is relevant for 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 related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Auditor

Talgat Omarov



Qualified Auditor of the Republic of Kazakhstan

Auditor Qualifying Certificate No. 0000237
issued by the Qualification Commission for
Certification of Potential Auditors of the
Republic of Kazakhstan on 29 April 1996

BDO Kazakhstan LLP

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

Talgat Omarov

Director

BDO Kazakhstan LLP



30 July 2021

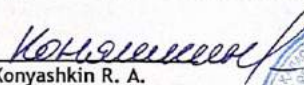
Almaty, Republic of Kazakhstan

National Information Technologies JSC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020 (In thousands of Kazakhstan tenge)

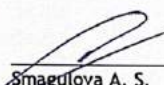
	Notes	For the year ended 31 December 2020	For the year ended 31 December 2019
Sales revenue			
Cost of sales	5 6	43,568,665 (33,560,882)	41,384,961 (33,548,081)
Gross profit		10,007,783	7,836,880
Selling expenses			
Administrative expenses		(19,885)	(34,141)
Other income	7	(1,296,844)	(1,323,277)
Other expenses	8 8	315,935 (113,315)	83,802 (303,673)
Operating profit		8,893,674	6,259,591
Foreign currency translation difference, net			
Finance income		5,849	(555)
Finance costs	9 10	985,144 (589,981)	967,167 (86,365)
Profit before tax		9,294,686	7,139,838
Income tax expenses	11	(1,949,235)	(1,857,246)
Profit for the year		7,345,451	5,282,592
Other comprehensive income		7,345,451	5,282,592
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,345,451	5,282,592

Signed and approved for issue on behalf of management:


Konyashkin R. A.
Chairman of the Board

30 July 2021
Nur-Sultan, Republic of Kazakhstan




Smagulova A. S.
Head of Accounting Department - Chief Accountant

30 July 2021
Nur-Sultan, Republic of Kazakhstan

Notes on pages 9 to 48 are an integral part of these financial statements

National Information Technologies JSC

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2020 (In thousands of Kazakhstan tenge)

	Notes	31 December 2020	31 December 2019 (restated)	1 January 2019
ASSETS				
Current assets				
Cash and cash equivalents	12	22,604,397	23,016,097	3,128,279
Cash in credit institutions		-	-	22,699,000
Other current financial assets	13	19,651	28,979	27,492
Trade receivables	14	220,800	179,560	246,493
Inventories	15	210,624	211,904	163,208
Prepayments made		2,884	553	1,698
VAT recoverable	16	1,324,886	558,979	333,984
Other taxes prepaid		24,674	4,919	7,827
Income tax prepaid		1	1	369,763
Other current assets	17	560,686	559,055	343,318
Total current assets		24,968,603	24,560,047	27,321,062
Assets held-for-sale		-	4,756	17,512
Non-current assets			431	1,294
Long-term receivables		-	-	-
Financial assets at amortized cost	18	81,260	73,206	63,875
Property, plant and equipment	19	11,998,918	10,328,850	10,158,857
Right-of-use assets	20	4,768,627	3,185,652	-
Intangible assets	21	2,424,373	2,740,700	1,381,463
Other non-current assets		51,642	129,108	-
Total non-current assets		19,324,820	16,457,947	11,605,489
TOTAL ASSETS		44,293,423	41,022,750	38,944,063
LIABILITIES				
Current liabilities				
Trade payables	22	11,037,520	12,091,856	16,356,518
Employee benefits	23	804,822	748,488	804,730
Current lease liabilities	20	1,717,953	688,633	-
Contract liabilities		14,614	13,177	11,123
Provisions	24	31,753	150,129	-
Corporate income tax payable		54,589	188,344	-
Other current liabilities	25	245,155	307,940	597,133
Total current liabilities		13,906,406	14,188,567	17,769,504
Non-current liabilities				
Non-current lease liabilities	20	3,503,602	2,534,779	-
Deferred tax liabilities	11	281,528	643,719	459,129
Total non-current liabilities		3,785,130	3,178,498	459,129
EQUITY				
Share capital	26	13,497,723	13,497,723	13,486,791
Retained earnings		13,104,164	10,157,962	7,228,639
Total equity		26,601,887	23,655,685	20,715,430
TOTAL EQUITY AND LIABILITIES		44,293,423	41,022,750	38,944,063

Signed and approved for issue on behalf of management:

Konyashkin R. A.
Chairman of the Board



Smagulova A. S.
Head of Accounting Department - Chief Accountant

30 July 2021
Nur-Sultan, Republic of Kazakhstan

30 July 2021
Nur-Sultan, Republic of Kazakhstan


Notes on pages 9 to 48 are an integral part of these financial statements

National Information Technologies JSC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020 (In thousands of Kazakhstan tenge)


	Note	Share capital	Retained earnings	Total equity
Balance as of 1 January 2019		13,486,791	7,228,639	20,715,430
Adjustments		-	246,731	246,731
Balance as of 1 January 2019		13,486,791	7,475,370	20,962,161
Profit for the year		-	5,282,592	5,282,592
Transactions with equity holders	26	10,932	-	10,932
Dividends distribution	26	-	(2,600,000)	(2,600,000)
Balance as of 31 December 2019		13,497,723	10,157,962	23,655,685
Profit for the year		-	7,345,451	7,345,451
Dividends distribution	26	-	(4,399,249)	(4,399,249)
Balance as of 31 December 2020		13,497,723	13,104,164	26,601,887

Signed and approved for issue on behalf of management:


Konyashkin R. A.
Chairman of the Board

30 July 2021
Nur-Sultan, Republic of Kazakhstan




Smagulova A. S.
Head of Accounting Department - Chief Accountant

30 July 2021
Nur-Sultan, Republic of Kazakhstan

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National Information Technologies JSC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020 (In thousands of Kazakhstan tenge)

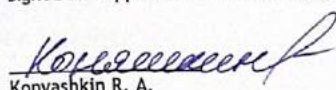
	Notes	2020	2019 (restated)
Operating activities			
Profit before tax			
Adjustments for:		9,294,687	7,139,736
Depreciation and amortisation			
Prepaid expenses amortisation	6, 7	3,795,139	2,165,919
Accrual of provision for unused vacations, bonuses, and related taxes		774,494	536,756
Accrual of provision for impairment of receivables, cash and cash equivalents		356,020	315,272
Reversal of provision for cash	12	56,982	129,517
Accrual of provision for tax liabilities (CIT), audit services, and legal claims	12	(131,411)	-
Accrual of provision for non-liquid assets	8	26,702	131,311
Write-off of intangible assets and property, plant and equipment	8	6,305	10,775
Income from reversal of impairment loss		-	11,652
Income from assets disposal	8	(6,317)	(7,458)
Write-off of provision for non-liquid inventories	8	(7,922)	(8,282)
Loss from assets disposal		-	(1,963)
Other income	8	12,633	-
Finance costs		(34,028)	(13,365)
Finance income	10	589,981	86,365
Other adjustments		(985,145)	(967,167)
		-	(218,378)
Cash flow from operating activities before changes in working capital		<u>13,748,120</u>	<u>9,310,690</u>
Changes in trade and other receivables		(35,701)	60,756
Changes in inventories		(132,609)	(176,253)
Change in prepayments made		(33,226)	1,738
Change in VAT recoverable		(633,411)	(224,996)
Change in other taxes prepaid		(45,029)	2,909
Change in other current, financial assets, other non-current and current assets		83,131	(340,907)
Change in payables		(1,817,670)	(4,568,249)
Change in liabilities to employees		(269,363)	(40,016)
Change in taxes and other obligatory payments		(63,019)	(52,298)
Change in other current liabilities		(143,876)	68,744
Cash from operating activities		<u>10,657,347</u>	<u>4,042,118</u>
Income tax paid		(2,299,493)	(1,168,470)
Interest received		831,160	815,718
Interest paid		(589,981)	(86,365)
Net cash from operating activities		<u>8,599,033</u>	<u>3,603,001</u>
Investing activities			
Purchase of intangible assets		(171,226)	(1,201,803)
Purchase of property, plant, and equipment		(3,366,851)	(2,430,518)
Repayment of long-term financial investments		-	5,382
Net cash flows used in investing activities		<u>(3,538,077)</u>	<u>(3,626,939)</u>

National Information Technologies JSC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

	Notes	2020	2019 (restated)
Financing activities			
Dividends paid	26	(4,399,249)	(2,600,000)
Right-of-use assets liabilities payment		(1,080,341)	(161,602)
Net cash used in financing activities		<u>(5,479,590)</u>	<u>(2,761,602)</u>
Net change in cash and cash equivalents		(418,634)	(2,785,540)
Effect of foreign currency exchange rates on tenge		1,134	(441)
Effect of change in cash and cash equivalents carrying value		5,800	(25,201)
Cash and cash equivalents at the beginning of reporting period		<u>23,016,097</u>	<u>25,827,279</u>
Cash and cash equivalents at the beginning of reporting period	12	<u>22,604,397</u>	<u>23,016,097</u>

Signed and approved for issue on behalf of management:



Konyashkin R. A.
Chairman of the Board

30 July 2021
Nur-Sultan, Republic of Kazakhstan



Smagulova A. S.
Head of Accounting Department - Chief Accountant

30 July 2021
Nur-Sultan, Republic of Kazakhstan

Notes on pages 9 to 48 are an integral part of these financial statements

National Information Technologies JSC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(In thousands of Kazakhstan tenge)

1. NATURE OF ACTIVITY

"National Information Technologies" JSC (the 'Company') was established following the Decree of the Government of the Republic of Kazakhstan dated 4 April 2000, No. 492 On the Development of a Single Information Space in the Republic of Kazakhstan. The company was reorganized following the Law of the Republic of Kazakhstan On Joint Stock Companies No. 415 of 13 May 2003, and re-registered on 01 October 2004, under the number 9922-1901 of the joint-stock company assigned by the Ministry of Justice of the Republic of Kazakhstan.

"National Infocommunication Holding "Zerde" JSC is the sole shareholder of the Company (the 'Sole Shareholder'). The Government of the Republic of Kazakhstan, represented by the Committee on State Property and Privatization of the Republic of Kazakhstan, is the founder of the Sole Shareholder of the Company. The rights of ownership and use of the state-owned block of shares of the Sole Shareholder of the Company, owned by the Republic of Kazakhstan, according to the Decree of the Government of the Republic of Kazakhstan dated 16 June 2016, No. 353 Some issues of the Ministry of Information and Communications of the Republic of Kazakhstan were transferred to the authorized body for state property, the Ministry of Information and Communications of the Republic Kazakhstan.

By the Decree of the Government of the Republic of Kazakhstan dated 29 January 2016, No. 40, the Company was determined to be the operator of the information and communication infrastructure of the "electronic government" and according to the decree of the Government of the Republic of Kazakhstan dated 26 February 2016, No. 118, the Company was determined as the Unified Contact Center. Also, by the Decree of the Government of the Republic of Kazakhstan dated 31 December 2015, No. 1177, the Company was determined to be the operator of these control meters in the field of production of ethyl alcohol and alcoholic products, the production and circulation of petroleum products and by the Decree of the Government of the Republic of Kazakhstan dated 22 August 2019, No. 621, the company was determined the operator of a unified information system for the mandatory technical inspection of motor vehicles and trailers for them.

By the Decree of the Government of the Republic of Kazakhstan dated 11 November 2016, No. 696 On the reorganization of the joint-stock company National Information Technologies and National Company Kazsatnet JSC (NC Kazsatnet JSC) was merged with the Company with the transfer of all property, rights, and obligations.

The Company is registered at 55/15 Mangilik Yel avenue, Yessil District, Nur-Sultan, 010000, Republic of Kazakhstan.

Following the Law of the Republic of Kazakhstan On Informatization, which entered into force on 01 January 2016, the Company is engaged in the following core activities:

- 1) Ensuring compliance with common requirements in the field of information and communication technologies and information security and the rules for implementing the service model of informatization;
- 2) Provision of the system and technical maintenance and support of Internet resources of state bodies and objects of information and communication infrastructure of 'electronic government' following the list approved by the authorized body;
- 3) Engagement of objects of information and communication infrastructure of other persons for the development of information and communication infrastructure of 'electronic government', other persons for the maintenance and system-technical maintenance of information systems of state bodies;
- 4) Provision of information and communication services to state bodies based on the information and communication infrastructure of 'electronic government' following the catalog of information and communication services;
- 5) Ensuring the safety of storage of state electronic information resources located on the information and communication infrastructure of the 'electronic government' assigned to the operator.
- 6) Ensuring the safety of storage of state electronic information resources in the provision of information and communication services;
- 7) Prompt responding to identified shortcomings in the provision of information and communication services, and public services in electronic form and the adoption of measures to eliminate them;
- 8) Free of charge provision at the request of the service integrator of 'electronic government', information and communication infrastructure for the development and testing of service software products by potential suppliers;

National Information Technologies JSC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

9) During integration connecting of 'electronic government' informatization facilities to the 'electronic government' gateway and the national gateway of the Republic of Kazakhstan, and connects local (except local networks with Internet access), departmental, and corporate telecommunications networks of state bodies to information and communication 'electronic government' infrastructure;

10) Provision of communication services to state bodies, their subordinate organizations, local governments, and other informatization entities defined by the authorized body and connected to the unified transport environment of state bodies, for the operation of their electronic information resources and information systems; for the provision of communication services, has the right to attract other persons as subcontractors (co-contractors) of services;

11) Creation and development of the information and communication platform of the 'electronic government' and the unified transport environment of state bodies;

12) Support and system and technical maintenance of the national gateway of the Republic of Kazakhstan;

12-1) Support and system and technical maintenance of the root certification center of the Republic of Kazakhstan, the certification center of state bodies of the Republic of Kazakhstan, the national certification center of the Republic of Kazakhstan, and a trusted third party of the Republic of Kazakhstan;

13) Uploading content of the web portal of 'electronic government' with electronic information resources provided by state bodies and other entities providing services in electronic form;

14) Advisory to state bodies in the development of information and communication infrastructure facilities of 'electronic government';

15) Managing projects for the development of objects of information and communication infrastructure of 'electronic government' and the national gateway of the Republic of Kazakhstan;

16) Collection, processing, storage, and transfer of electronic information resources for data analytics to implement the functions of government agencies as determined by the authorized body.

In the course of its activities, the Company uses the following licenses:

- State license to certify the conformity of the public key of an electronic digital signature to the private key of an electronic digital signature, to confirm the validity of the registration certificate ABA No. 001300 dated 12 June 2006, issued by the Agency of the Republic of Kazakhstan on Informatization and Communications;
- State license for the provision of IT telephony (Internet telephony) ABA No. 002170 dated 26 August 2009, issued by the Agency of the Republic of Kazakhstan on Informatization and Communications;
- State license for data transmission ABA No. 000685 dated 02 December 2004, issued by the Agency of the Republic of Kazakhstan for Informatization and Communications;
- License No. 072 of 06 March 2019, issued by the National Security Committee of the Republic of Kazakhstan for the provision of services to detect technical channels of information leakage and special technical means for carrying out operational and investigative activities.

As of 31 December 2020, the average number of employees of the Company amounted to 1,750 people (31 December 2019: 2,038 people).

These financial statements of the Company were approved for issue on 30 July 2021, by the Chairman of the Board and the Head of the Accounting Department - the Chief Accountant. The presented financial statements are included in the consolidated financial statements of the Sole Shareholder.

National Information Technologies JSC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

2. BASIS OF PREPARATION FINANCIAL STATEMENTS

Basis of presentation financial statements

The financial statements of the Company are prepared following International Financial Reporting Standards, including all previously adopted standards and interpretations of the IASB (IFRIC), and are fully consistent with them. The preparation of financial statements following IFRS requires the application of certain critical accounting estimates, and also requires management to apply judgments on assumptions in the application of accounting policies. Areas of application that include an increased level of complexity of the application of assumptions, areas in which the application of estimates and assumptions is material to the financial statements, are disclosed below in Note 3.

Functional and presentation currency

The functional currency of the Company is Kazakhstan tenge ('tenge'), which, being the national currency of the Republic of Kazakhstan, best reflects the economic nature of the majority of operations carried out by the Company and related circumstances affecting its activities. Kazakhstan tenge is also the presentation currency for these financial statements. The financial statements are rounded to the nearest thousand tenges. The financial statements present comparative information for the previous period.

Transactions and events in foreign currency

Transactions and events in foreign currency are recorded in the national currency of the Republic of Kazakhstan using the market exchange rate. Exchange differences arising in the calculation of monetary items or in the translation of monetary items at rates different from the rates at which they were translated at initial recognition during the reporting period are recognized in profit or loss in the period in which they arise.

The following table shows the exchange rates in tenge for the following dates:

	31 December 2020	31 December 2019
USD	420.71	381.8
Russian rouble	5.65	6.7
Euro	516.13	426.85

Operating environment

The Republic of Kazakhstan continues to carry out economic reforms and develop its legislative tax and regulatory framework as required by the conditions of a market economy. The future stability of the Kazakhstan economy is more dependent on these reforms and the development of the effectiveness of economic-financial and monetary measures undertaken by the Government of the Republic of Kazakhstan. The Kazakhstan economy is sensitive to a decline in business activity and a slowdown in economic development in the world. The impact of the global crisis caused by the COVID 19 coronavirus pandemic can lead to instability in the capital market and a significant deterioration in liquidity in the banking sector.

Although the government of Kazakhstan introduced several stabilization measures aimed at supporting the economy of Kazakhstan, nevertheless, there is uncertainty regarding the access to capital and the cost of capital for the Company and its counterparties, which may affect the financial position of the Company, the results of its activities and economic prospects.

Although management is confident that it is taking appropriate measures to support the sustainability of the Company's operations in the current environment, unforeseen further deterioration in the areas described above may have a negative impact on the financial results and financial position of the Company in a way that is not currently identifiable.

National Information Technologies JSC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

Going concern

The financial statements have been prepared on the assumption that the Company will adhere to the principle of continuing operations, which assumes that the Company will continue to operate in the foreseeable future and will be able to realize its assets and pay off its debts and fulfill its obligations. The Company does not have the intention or need to liquidate or substantially reduce future operations.

The accompanying financial statements do not contain the adjustments necessary if the Company could not continue as a going concern.

Cost basis

These financial statements have been prepared in general following historical cost accounting principles; fair value measurement has been used for certain items of the financial statements.

Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in a voluntary transaction between market participants at the measurement date, regardless of the direct observability of this value or its determination using a different method. In preparing the statements, the fair value measurement is classified by levels depending on the observability of the source data and their materiality for the assessment:

- Level 1 - quoted prices (without adjustments) for the same assets and liabilities in an active market that the Company can observe at the valuation date;
- Level 2 - initial data that does not correspond to Level 1, but is observed for an asset or liability directly or indirectly;
- Level 3 - Unobservable inputs for an asset or liability.

Recognition of elements of financial statements

The accompanying financial statements include all transactions and events that meet definition of elements of the financial statements and the condition for their recognition:

- The company is largely confident that any economic benefits associated with the facility will be received (or lost);
- The object has a value or value that can be measured reliably.

All elements of the financial statements are presented in the accompanying statement of financial position and statement of comprehensive income in the form of articles. The combination of several elements of financial statements in one article was made taking into account their characteristics (functions) in the activities of the Company.

Order of presentation

The presentation and classification of items in the financial statements are retained from the current period to the next. A significant review of the presentation of the financial statements may require changes to the presentation of the financial statements. A Company makes changes to the presented financial statements only if the amended presentation gives such information that is reliable and more significant for users of the financial statements, while the revised structure will be preserved and the comparability of information will not be affected.

New standards, interpretations, and amendments to existing standards and interpretations

The Company adopted some of the new standards and interpretations effective for the annual periods beginning on or after 1 January 2020. The Company did not prematurely apply the standards, clarifications, or amendments issued but were not yet effective.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

Definition of a Business - Amendments to IFRS 3

The amendments to IFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output.

They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. These amendments did not affect the Company's financial statements but can be applied in the future if the Company will be a party to a business combination.

Definition of Material - Amendments to IAS 1 and IAS 8

Amendment provides for the new definition of material. The new definition states that 'Information is material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or quantity of the information (taken into account separately or in combination with other information) as a whole in the financial statements. Obscuring information is significant if it is expected to influence the decisions of the main financial statements users. These amendments did not affect the financial statements of the Company and the impact is not expected in the future.

Covid-19-Related Rent Concessions - Amendment to IFRS 16

On 28 May 2020, the IASB amended IFRS 16 to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification. A lessee will apply the amendment for annual reporting periods beginning on or after 01 June 2020. Earlier application is permitted. This amendment will not affect the Company's financial statements.

Standards issued but not yet effective

The following are the new standards, amendments, and interpretations that have been issued but are not yet effective as of the Company financial statements issue date. The Company intends to adopt these standards, amendments, and interpretations, if applicable when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance, and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods starting on or after 01 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

IFRS 17 does not apply to the Company.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

Classification of Liabilities as Current or Noncurrent - Amendments to IAS 1

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of liability not impact its classification.

These amendments are effective for annual periods beginning on or after 01 January 2023 and are applied retrospectively. The Company is currently estimating the potential impact of these amendments on the current classification of liabilities and the need to revise the terms of existing loan agreements.

Reference to the Conceptual Framework - Amendments to IFRS 3

In May 2020, the IASB issued amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities, and Contingent Assets or IFRIC 21 Levies if incurred separately. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are effective for the annual reporting periods beginning on or after 01 January 2022 and must be applied prospectively.

It is expected that these amendments will not significantly impact the Company.

Property, Plant, and Equipment: Proceeds before Intended Use - Amendments to IAS 16

In May 2020, the IASB issued Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use'. The amendment prohibits entities from deducting from the cost of an item of property, plant, and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment must be applied retrospectively to the annual reporting periods beginning on or after 01 January 2022, and only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

It is expected that these amendments will not significantly impact the Company.

Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities, and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendment is effective for annual periods beginning on or after 01 January 2022. The Company will apply these amendments to contracts for which it has not yet satisfied all of its obligations as of the beginning of the annual reporting period in which it first applies these amendments.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

Fees in the "10 per cent" test for derecognition of financial liabilities - Amendment to IFRS 9 Financial Instruments

The amendments clarify that for the so-called "10 per cent" test which determines whether a financial liability should be derecognized, an entity should only consider fees paid or received between the entity (the borrower) and the lender, including fees paid or received by the borrower or lender on behalf of another party.

An entity shall apply the amendment to financial liabilities modified or replaced at the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The amendments to the definition of material are not expected to have a material impact on the Company's financial statements.

3. OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES

Classification of assets and liabilities into current/non-current

In the statement of financial position, the Company presents assets and liabilities based on their classification as current/non-current. An asset is current if:

- It is supposed to be realized or it is intended for sale or consumption within the normal operating cycle;
- It is held mainly for trading purposes;
- It is supposed to be implemented within twelve months after the end of the reporting period; or
- It represents cash or cash equivalents, unless there are restrictions on its exchange or use to repay obligations, valid for at least twelve months after the end of the reporting period.

All other assets are classified as non-current.

A liability is current if:

- It is supposed to be settled within the normal operating cycle;
- It is held primarily for trading purposes;
- It is subject to settlement within twelve months after the end of the reporting period; or
- The organization does not have an unconditional right to defer settlement of the obligation for at least twelve months after the end of the reporting period.

The terms of the obligation, according to which it can be, at the discretion of the counterparty, settled by issuing and transferring equity instruments, do not affect the classification of this obligation.

The company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Property, plant, and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and impairment. The initial cost of assets consists of the purchase or construction price, any costs directly related to bringing the asset into working condition, and an initial estimate of the cost of liquidating the asset, if necessary. The acquisition or construction price is the aggregate value paid and the fair value of any consideration provided to acquire the asset.

If it is necessary to replace significant components of property, plant, and equipment at regular intervals, the Company recognizes the components as separate assets with corresponding individual terms of use and depreciates them accordingly. Similarly, during a major technical inspection, the costs associated with it are recognized in the carrying amount of property, plant, and equipment as a replacement for equipment if all recognition criteria are met. All other repair and maintenance costs are recognized in profit or loss when incurred.

Construction in progress is the construction in progress of property, plant, and equipment carried at cost. Construction in progress includes construction costs, equipment, and other direct costs. Construction in progress is not amortized until the construction of the related assets is completed and they are put into operation.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

Depreciation of property, plant, and equipment, excluding land and construction in progress, is calculated on a straight-line basis over the following useful lives:

Asset group	Useful lives
Buildings	40 years
Facilities	10-20 years
Machines and equipment	4-10 years
Vehicles	5-10 years
Other	3-10 years

The estimated useful lives of property, plant, and equipment may be reviewed on an annual basis and, if necessary, changes in the terms are adjusted in subsequent periods. The carrying amount of property, plant, and equipment is reviewed for impairment any events or changes in circumstances occur that indicate that the carrying value is not recoverable. Recognition of an item of property, plant, and equipment ceases after its disposal or if future economic benefits from its use or disposal are no longer expected. Any income or expenses arising from the derecognition of an asset (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset) is included in the statement of comprehensive income in the reporting period in which the derecognition of the asset occurred.

Intangible assets

Intangible assets that were acquired separately are initially measured at the initial cost. The initial cost of intangible assets is the total amount paid and the fair value of any other property, plant, and equipment provided for the acquisition of the asset. The initial cost of intangible assets acquired in a business combination is their fair value at the acquisition date. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets include licenses, computer software, and development costs.

Intangible assets with a limited useful life are amortized over the amortisation period and are assessed for impairment if there is any indication that the intangible asset is impaired. The period and method of amortisation for an intangible asset with a limited useful life are reviewed at least at the end of each reporting year. Changes in the estimated useful lives or estimated consumption patterns of future economic benefits embodied in the asset are reflected in the financial statements as a change in the period or method of amortisation, as appropriate, and are accounted for as changes in accounting estimates. Amortisation expenses on intangible assets with a limited useful life are recognized in the statement of comprehensive income in the category of expenses that corresponds to the function of the intangible asset.

Amortisation of intangible assets, except assets under development, is calculated on a straight-line basis over the following useful lives:

Asset group	Useful life
Licenses	1-10 years
Software	1-10 years

The income or expense from the write-off of an intangible asset is measured as the difference between the net proceeds from the disposal of the asset and the current value of the asset and is recognized in the statement of comprehensive income at the time the asset is written off.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from product-specific development costs are recognized only when the Company can demonstrate:

- The technical feasibility of creating an intangible asset so that the asset is available for use or sale;
- Intention to complete development of the intangible asset and its ability and intention to use or sell the asset;
- Asset's ability to generate future economic benefits;
- Availability of sufficient resources for exploration completion;
- Ability to reliably evaluate costs related to the intangible asset during development;
- Ability to use the created intangible asset.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

After initial recognition of development costs as an asset, assets are carried at cost less accumulated depreciation and accumulated impairment losses. An asset is depreciated when development is complete, the asset is available for use, and is produced during the future economic benefits estimated period. Depreciation is recorded as part of the cost of sales. The asset is tested for impairment annually.

Impairment of non-financial assets

At each reporting date, the Company determines whether there is evidence of a possible impairment of the asset. If such indicators occur, or if annual impairment of the asset is required, the Company assesses the recoverable amount of the asset. Intangible assets at the development stage are not depreciated but are tested annually for impairment regardless of the presence/absence of signs of impairment. The recoverable amount of an asset or a cash-generating unit (CGU) is the higher of the following fair values of the asset (CGU) less the cost of sale and the value in use of the asset (CGU). The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of the inflows generated by other assets or groups of assets. If the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount, the asset is considered impaired and deducted from its recoverable amount. In assessing value in use, future cash flows are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions (if any) are taken into account. In their absence, an appropriate assessment model is applied.

Impairment losses for continuing operations (including impairment of inventories) are recognized in the statement of profit or loss as an expense category that corresponds to the function of the impaired asset.

Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial assets

Initial recognition and measurement

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

The classification of financial assets upon initial recognition depends on the characteristics stipulated by the cash flow agreement for the financial asset and the business model used by the Company to manage these assets. Except for trade receivables, which do not contain a significant financing component or for which the Company has applied practical expedient, the Company initially measures financial assets at fair value, increased for financial assets not measured at fair value through profit or loss, by expenses on the deal. Trade receivables that do not contain a significant financing component or for which the Company has applied practical facilitation are measured at transaction price, as described in the Revenue from contracts with customers section.

For a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, the contractual terms of this asset must determine the receipt of cash flows, which are "solely payments of principal and interest" on the unpaid principal portion. This assessment is called the cash flow test (SPPI test) and is carried out at the level of each instrument. Financial assets for which cash flows do not meet the "cash flows" criterion are classified as measured at fair value through profit or loss, regardless of the business model.

The business model used by the Company to manage financial assets describes how the Company manages its financial assets to generate cash flows. The business model determines whether cash flows will result from the receipt of contractual cash flows, the sale of financial assets, or both. Financial assets classified as measured at amortized cost are held within the framework of the business model, the purpose of which is to hold financial assets to obtain contractual cash flows, while financial assets classified as measured at fair value through other comprehensive income are held within the framework of the business model, the goal of which is achieved both by obtaining the cash flows stipulated by the contract and by selling financial assets.

All transactions of purchase or sale of financial assets that require the delivery of assets within the period established by law or following the rules adopted in a particular market are recognized at the date of the transaction, i.e., at the date when the Company undertakes to buy or sell assets.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

Subsequent measurement

For subsequent measurement, financial assets are classified into four categories:

- Financial assets measured at amortized cost (debt instruments);
- Financial assets at fair value through other comprehensive income with the subsequent reclassification of accumulated gains and losses (debt instruments);
- Financial assets classified at the discretion of the organization as measured at fair value through other comprehensive income without subsequent reclassification of accumulated gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

Financial assets measured at amortized cost

Financial assets measured at amortized cost are subsequently measured using the effective interest method, and impairment requirements apply to them. Gains or losses are recognized in profit or loss if the asset is derecognized, modified, or impaired.

The Company classifies trade receivables, long-term bonds receivable, and cash placed with credit institutions as financial assets measured at amortized cost.

Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value, and net changes in their fair value are recognized in the statement of profit or loss.

This category includes derivatives and investments in quoted equity instruments, which the Company did not at its discretion classify, without the right of cancellation, as measured at fair value through other comprehensive income. Dividends on quoted equity instruments are recognized as other income in the statement of profit or loss when the right to receive dividends is established.

Derecognition

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

- The rights to receive cash flows from the asset have expired; or
- The Company transferred its rights to receive cash flows from the asset or undertook to pay a third party the received cash flows in full and without significant delay under the "transit" agreement; and either
 - (a) Transferred almost all of the risks and rewards of the asset, or
 - (b) Did not transfer, but it does not retain practically all of the risks and benefits of the asset, but transferred control of the asset.

If the Company transferred its rights to receive cash flows from the asset or entered into a transit agreement, it assesses whether it retained the risks and benefits associated with the ownership right, and, if so, to what extent. If the Company has not transferred, but has not retained practically all the risks and benefits of the asset, and has not transferred control of the asset, the Company continues to recognize the transferred asset to the extent that it continues to participate in it. In this case, the Company also recognizes the corresponding liability. The transferred asset and related liability are measured on a basis that reflects the rights and obligations retained by the Company.

Continuing participation, which takes the form of a guarantee for the transferred asset, is measured at the lower of the initial carrying amount of the asset or the maximum amount of consideration that may be required to be paid by the Company.

National Information Technologies JSC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

Impairment

The Company recognizes the estimated allowance for expected credit losses (ECLs) for all debt instruments that are not measured at fair value through profit or loss. ECLs are calculated based on the difference between the cash flows due under the contract and all cash flows that the Company expects to receive, discounted using the original effective interest rate or its approximate value.

In respect of trade and other receivables, the Company has adopted the simplified approach provided by the standard and calculated the expected credit losses for the entire term. The Company used the provision matrix, based on its experience of credit losses, adjusted for forecast factors specific to borrowers and general economic conditions. In the case of other debt financial assets, including loans issued, expected credit losses are calculated for 12 months. 12-month expected credit losses are part of the expected credit losses for the entire period, which is the expected credit losses that arise as a result of defaults on a financial instrument that are possible within 12 months after the reporting date. However, in the event of a significant increase in the credit risk of a financial instrument from the time of initial recognition, the estimated loss allowance is estimated at the amount equal to the expected credit losses for the entire term.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition, respectively, as financial liabilities at fair value through profit or loss, loans, and borrowings, payables, or derivatives.

All financial liabilities are initially recognized at fair value, less (in the case of loans, borrowings, and payables) directly related to transaction costs.

The Company's financial liabilities include trade and other payables.

Subsequent measurement

For the subsequent measurement, financial liabilities are classified into the following two categories:

- Financial liabilities measured at fair value through profit or loss;
- Financial liabilities measured at amortized cost (loans and borrowings).

Derecognition

The recognition of a financial liability is terminated if the obligation is settled, canceled, or has expired. If an existing financial liability is replaced by another obligation to the same lender on substantially different terms or if the terms of the existing obligation are significantly changed, such a replacement or changes are taken into account as the derecognition of the initial obligation and the beginning of recognition of a new obligation, and the difference in their carrying amount is recognized in the statement of profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount is presented in the statement of financial position when there is a currently legally protected right to offset recognized amounts and when there is an intention to settle on a net basis, realize assets, and at the same time pay off liabilities.

Cash and cash equivalents

Cash includes funds in current bank accounts and deposits with a maturity of up to 3 months. Cash in credit institutions in the statement of financial position has an initial maturity of up to one year.

Reverse repurchase agreements

Securities purchased under agreements to resell ("reverse repo") are recorded as cash and cash equivalents. The difference between the purchase and resale prices represents interest income and is accrued over the term of the "reverse repo" agreement using the effective interest method. If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

National Information Technologies JSC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

Accounts receivable

Accounts receivable are reflected in the financial statements at the initial invoice amount less a provision for doubtful debts. For provisions for doubtful debts, the predicted expected loss model is used following the requirements of IFRS 9 Financial Instruments. In respect of trade and other receivables, the Company uses the simplified approach provided by the standard - calculates the amount of the allowance for impairment based on the expected credit losses for the entire period using the provision matrix based on its experience of credit losses, adjusted for forecast factors specific for borrowers and general economic conditions.

Provision for receivables is periodically reviewed and, if necessary, adjustments are recorded as an expense (income) in the period when they become known.

The Company establishes provisions for doubtful claims at the date of preparation of the financial statements following the requirements of IFRS 9 Financial Instruments.

Accounts receivable are divided into a short-term debt, which must be repaid within one year of the operating cycle, and long-term debt.

Inventories

Inventories are accounted for using the weighted average cost method. Inventories are valued at a lower cost or net realizable value. Cost includes expenses incurred in connection with the delivery and bringing of inventory to the current state. The net realizable value of inventories is based on the estimated selling price, net of costs associated with the sale.

Provisions

Provisions are recognized if the Company has a current obligation (legal or practical) arising from a past event, the outflow of economic benefits that will be required to settle this obligation is probable, and a reliable estimate of the amount of such obligation can be obtained. If the Company intends to receive a reimbursement of provisions, then the reimbursement is recognized as a separate asset, but only if the receipt of reimbursement is not in doubt. The expense related to the provision is recognized in the statement of comprehensive income. If the effect of the time value of money is material, provisions are determined by discounting future cash flows at a pre-tax rate that reflects the current market for the time value of money and, where possible, the risks associated with the liability. Using discounting, an increase in the provision due to the passage of time is recognized as a financial expense.

Leases

At contract inception, the Company evaluates whether the agreement is a lease or whether it contains signs of a lease. In other words, the Company determines whether the contract transfers the right to control the use of the identified asset for a certain period in exchange for compensation.

The Company as a lessee

The Company takes a unified approach to the recognition and measurement of all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease obligations for making lease payments and right-of-use assets that represent the right to use underlying assets.

Right-of-use assets

The Company recognizes right-of-use assets at commencement of the lease (that is, the date on which the underlying asset becomes available for use). Assets in the form of a right-of-use are measured at historical cost, less accumulated depreciation, and accumulated impairment losses, adjusted for revaluation of lease obligations. The initial cost of right-of-use assets includes the recognized lease obligations, initial direct costs incurred, and lease payments incurred on the date the lease commences or before that date, net of any incentive lease payments received. Right-of-use assets are amortized on a straight-line basis over the shorter of the following periods: the lease term or the estimated useful life of the assets. Right-of-use assets are also tested for impairment.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

Lease liabilities

At the commencement of the lease, the Company recognizes lease obligations that are measured at the present value of the lease payments that must be made during the lease term. Lease payments include fixed payments (as well as substantially fixed payments) less any incentive payments on a lease receivable, variable lease payments (as that depend on the index or rate, and the amount that is expected to be paid on residual value guarantees. Lease payments also include the exercise price of the purchase option, if there is sufficient confidence that the Company will exercise this option, and payment of penalties for terminating the lease, if the lease term reflects the potential exercise by the Company of the option to terminate the lease. Variable lease payments that are independent of the index or rate are recognized as an expense (unless incurred for producing inventories) in the period in which an event or condition occurs that leads to the payments.

To calculate the present value of the lease payments, the Company uses the rate of raising additional borrowed funds on the date the lease begins, since the interest rate laid down in the lease agreement cannot be easily determined. After the lease commencement date, lease obligations increase to reflect interest accruals and decrease to reflect lease payments made.

Short-term leases and low-value assets leases

The Company applies the recognition exemption for short-term leases to its short-term leases (that is, to contracts for which, at the commencement of the lease, the lease term is not more than 12 months and which do not contain an option to purchase the underlying asset). The Company also applies for the exemption from recognition for leases of low-value assets to leases whose value is considered low. Lease payments for short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

The Company as a lessor

Leases for which the Company retains almost all of the risks and rewards associated with owning an asset are classified as operating leases. The resulting rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss because of its operational nature. Initial direct costs incurred when entering into an operating lease are included in the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent leases are recognized as revenue in the period in which they are received.

Financial liabilities

For financial liabilities, the categories remain the same: at fair value and amortized cost. The Company's financial liabilities include trade and other payables.

Trade and other payables

Trade payables are initially measured at fair value and subsequently measured at historical cost.

The recognition of financial liability in the statement of financial position is terminated if the obligation is settled, canceled, or has expired. If an existing financial liability is replaced by another liability to the same lender, on substantially different conditions, or if the terms of the existing liability are significantly changed, such a replacement or changes are accounted for as the derecognition of the original liability and the beginning of recognition of the new liability, and the difference in their carrying amount is recognized in the report about comprehensive income.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined based on market quotes or dealer quotes (buy quotes for long positions and sell quotes for short positions), without deducting transaction costs.

For financial instruments that are not traded in an active market, fair value is determined by applying appropriate valuation techniques. The techniques may include the use of prices, recently completed commercial transactions, the current fair value of similar instruments; discounted cash flow analysis, or other valuation models.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

The best evidence of the fair value of a financial instrument at initial recognition is usually the transaction price, that is, the fair value of the consideration paid or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is not supported by current quoted prices in an active market for a similar asset or liability and is not based on valuation methods using only observable inputs, the financial instrument is initially measured at fair value adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the difference is recognized in profit or loss appropriately over the life of the instrument, but no later than when the valuation is fully supported by observable inputs or when the transaction is completed.

Income tax

Income tax includes current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items included in other comprehensive income and allocated to equity, in which case it is recognized in other comprehensive income.

The current income tax is calculated following the tax legislation of the Republic of Kazakhstan and represents the amount that is expected to be paid or reimbursed from the state budget about taxable profit or loss for the current and previous periods. Deferred tax is accounted for using the balance sheet method and reflects the tax effect of all material temporary differences between the book value of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities determined for tax purposes. Deferred income tax assets and liabilities are calculated at tax rates that apply to the period when the asset is realized/used or the liability is settled based on tax rates that are effective at the reporting date.

Deferred income tax assets concerning temporary differences reducing the tax base and tax losses transferred to future periods are recognized only if there is a sufficient probability of future taxable profit that can be reduced by such deductions. Deferred income tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Employee benefits

Employee benefits include short-term employee benefits, salaries, social security contributions, annual paid leave and sick leave, compensation, and warranties provided for by the labor legislation of the Republic of Kazakhstan, bonuses, and non-monetary benefits, and other payments.

The Company recognizes the undiscounted amount of short-term employee benefits payable in exchange for the services provided by the employee.

Revenue from contracts with customers

The activities of the Company are related to the following main types of work and services:

- Ensuring compliance with common requirements in the field of information and communication technologies and ensuring information security and the rules for implementing the service model of informatization;
- Systematic maintenance and support of Internet resources of state bodies and objects of information and communication infrastructure of "electronic government" following the list approved by the authorized body;
- Provision of information and communication services to state bodies based on the information and communication infrastructure of "electronic government" following the catalog of information and communication services;
- Provision of communication services to state bodies, their subordinate organizations, local self-government bodies, and other informatization entities defined by the authorized body and connected to the unified transport environment of state bodies, for the functioning of their electronic information resources and information systems, etc.

Revenue in respect of core activities is recognized over a while (periodically), as the criteria for recognition of revenue over the period are met, that is, the buyer simultaneously receives and consumes the benefits provided by the Company.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

Contracts entered into by the Company with customers, as a rule, include one or several performance obligations, which appear on the same temporary basis. The Company does not have the effect of variable consideration as the contract does not provide for other promises, which may constitute separate performance obligations (for example, guarantees, reward points provided under the customer loyalty program), for which it is necessary to distribute part of the transaction price.

As a rule, the Company receives payments from customers after the provision of services. In rare cases, the Company receives short-term advance payments. As a result of using the practical simplification provided by IFRS 15, the Company does not adjust the promised amount of compensation taking into account the influence of a significant component of financing, if at the time of conclusion of the contract it expects that the period between the transfer of the promised service to the customer and payment by the customer of the service will not exceed one year.

Contract assets

An asset under the contract is the Company's right to receive compensation in exchange for services transferred to the buyer. If the Company transfers the services to the customer before the customer makes a reimbursement or until the reimbursement becomes payable, the contractual asset is recognized in respect of the received reimbursement.

Trade receivables

Receivables represent the Company's right to compensation which is unconditional (i.e., the moment when such compensation is payable is due only to the passage of time). The accounting policies for financial assets are discussed in IFRS 9 Financial Instruments.

Contractual obligations

A contractual obligation is an obligation to transfer to the customer services (goods) for which the Company will receive a refund (or received) from the customer. If the customer pays a refund before the Company transfers the service to the customer, a contractual obligation is recognized at the time the payment is made or when the payment becomes payable (whichever occurs earlier). Contractual obligations are recognized as revenue when the Company fulfills its contractual obligations.

Other income and expenses

Other income includes income in the form of income from disposal of assets, income from exchange rate differences, other income (fines, penalties, income from the recovery of impairment losses on financial assets).

Expenses are recognized as incurred and recorded in the financial statements in the period to which they relate on an accrual basis. Expenses include expenses necessary to generate income (expenses included in the cost), general and administrative expenses, selling expenses, remuneration expenses, other expenses arising in the ordinary course of business of the Company.

Share capital

Costs of services paid to third parties directly related to the issue of new shares, except cases of business combinations, are recorded in equity as a decrease in the amount received as a result of this issue. Any excess of the fair value of the consideration received over the par value of shares issued is recognized as share premium.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Information on dividends is disclosed in the statements if they were recommended before the reporting date, and also recommended or declared after the reporting date, but before the date of approval of the financial statements for the issue.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

Related parties

Related parties include the Sole Shareholder of the Company, key management personnel, and organizations in which a significant portion of the voting shares are directly or indirectly owned by the Sole Shareholder or key management personnel of the Company and organizations controlled by the Government of the Republic of Kazakhstan (Note 27).

For users of the financial statements to be able to form an opinion on the impact of the relationship between related parties on the Company, information is disclosed on the relationship between related parties in cases where there is control regardless of whether transactions between these related parties were carried out.

Events after the reporting period

Events after the reporting period are both favourable and adverse events that occur between the reporting date and the date the financial statements are authorized for issue. Events that occurred after the end of the reporting year and which are not adjusting events disclosed in the notes to the financial statements, if they are material.

Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the financial statements. Data on such liabilities are disclosed in the notes to the financial statements unless the outflow of resources representing economic benefits is unlikely.

Contingent assets are not recognized in the financial statements. If there is a reasonable probability of obtaining economic benefits associated with such assets, data on these assets are disclosed in the notes.

Changes in accounting policies and disclosures

The accounting policy can be changed only if the change required by IFRS or leads to the provision of more reliable and more relevant information about the financial position of the results of operations or cash flows of the Company.

Change in classification

As of 31 December 2019, the financial statement position was revised to present it in current year format.

The impact on the statement of financial position as of 31 December 2019 is presented as follows:

	31 December 2019 (according to issued report)	Reclassification	31 December 2019 (restated)
Current assets			
Cash and cash equivalents	5,043,391	17,972,706	23,016,097
Cash in credit institutions	17,972,706	(17,972,706)	-
Total	23,016,097	-	23,016,097

The impact on the statement of cash flow for the year ended 31 December 2019, is presented as follows:

	For the year ended 31 December 2019 (according to issued report)	Reclassification	For the year ended 31 December 2019 (restated)
Net cash from operating activities	3,703,383	(100,382)	3,603,001
Bank deposits in credit institutions	(812,533,000)	812,533,000	-
Withdrawal of bank deposit	817,158,912	(817,158,912)	-
Purchase of intangible assets	(1,201,803)	-	(1,201,803)
Purchase of property, plant, and equipment	(2,430,518)	-	(2,430,518)
Repayment of long-term financial investments	5,382	-	5,382
Net cash from investing activities	998,973	(4,625,912)	(3,626,939)
Net cash from financing activities	(2,761,602)	-	(2,761,602)
Net change of cash and cash equivalents	1,940,754	(4,726,294)	(2,785,540)
Cash and cash equivalents at the year-beginning	3,128,279	22,699,000*	25,827,279
Cash and cash equivalents at the year-end	5,043,391	17,972,706**	23,016,097

* Amount of short-term deposits as of 31 December 2018

** Amount of short-term deposits as of 31 December 2019

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

Change in estimates

A change in estimates can affect only the current period or the current and future periods. The results of changes in accounting estimates should be included in the same classification items of the profit and loss account in which the specified accounting values were previously taken into account.

The nature and magnitude of the changes in the estimates that have a material effect in the current period or whose significant impact is expected in subsequent periods should be disclosed. If it is practically impossible to quantify, this fact is to be disclosed.

4. SIGNIFICANT JUDGMENTS AND KEY SOURCES OF UNCERTAINTY IN ESTIMATES

Use of professional judgment, assumptions and estimates

The preparation of financial statements following IFRS requires the management of the Company to use professional judgment, estimates and accounting assumptions. These assumptions and estimates affect the reported amounts of assets and liabilities, disclosures on contingent assets and liabilities on the day the financial statements are prepared, and the reported amounts of profit and loss during the reporting period.

Actual results may differ from these estimates. The most significant estimates relate to the recognition and impairment of financial assets, the determination of the term and rate of leases, policies for a trusteeship agreement, development costs, the useful lives of property, plant, and equipment, intangible assets, and the determination of deferred taxes, taxation, and estimated tax liabilities.

Assumptions and estimates of the Company are based on the inputs that it had at the time of preparation of the financial statements. However, current circumstances and assumptions regarding the future may change due to market changes or circumstances beyond the control of the Company.

Estimates and related assumptions are regularly reviewed. Changes in estimates are reflected in the period in which the assessment was revised if the change affects only that period or in the period to which the change relates and in future periods if the change affects both current and future periods.

The main assumptions and estimates regarding future developments and key sources of uncertainty in estimates at the end of the reporting period that are associated with the risk of significant adjustments to the amounts of assets and liabilities in the next financial year are discussed below:

Recognition and impairment of financial assets

Calculating the allowance for impairment of financial assets, the company applies the expected credit loss model following the requirements of IFRS 9 Financial Instruments.

In respect of trade and other receivables, the Company has adopted the simplified approach provided by the standard and calculated expected credit losses for the entire term. The Company used the provision matrix based on its experience with credit losses adjusted for forecast factors specific to borrowers and general economic conditions. As of 31 December 2020, provisions were recognized for trade receivables for KZT 6,036 thousand (as of December 31, 2019: KZT 3,423 thousand) (Note 14). The small amount of the provision is explained by the fact that the main customers of the Company are government bodies of the Republic of Kazakhstan, financed from the government budget and, accordingly, have low credit risk.

Concerning the impairment of cash in current and deposit accounts with credit institutions, the Company has adopted a general approach, which involves the analysis of credit risks and the calculation of impairment losses, depending on the stages in which the financial assets are located. Following the Methodology for calculating provisions following IFRS 9 Financial Instruments and based on the calculations made, the Company recognized a provision for impairment of cash on current accounts with credit institutions on 31 December 2020, for KZT 11,059 thousand (2019: KZT 30,117 thousand) (Note 12).

In 2019, the Management of the Company revised the assessment regarding the recognition/ non-recognition of provisions for impairment in respect of cash placed on deposits with credit institutions since the Company immediately opens a new deposit for the next term after closing the deposit, the credit risk about cash on deposit accounts in credit institutions is maintained. In the financial statements as of 31 December 2020, for these assets, a provision for impairment was recognized for KZT 45,923 thousand (2019: KZT 101,294 thousand) (Note 12).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)
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Current value of non-current financial assets measured at amortized cost (bonds)

In November 2017, the National Bank of the Republic of Kazakhstan, together with the Government of the Republic of Kazakhstan and "Kazakhmys" Corporation LLP being a third party, signed a framework agreement to improve the financial condition of "RBK" Bank JSC. Following the Government Decree of 7 November 2017, 27 December 2017, bank deposits in "RBK" Bank JSC with a carrying value of KZT 364,189 thousand were converted into 15-year coupon bonds of "DSFK Special Financial Company LLP (DSFK)" at a par value of 1 tenge with an interest rate of 0.01% per annum. "Kazakhmys" Corporation LLP (the 'Guarantor') issued a guarantee covering the amount in the range of KZT 100,119 thousand in 5 years. The guarantee conditions are as follows:

- The maximum liability of the Guarantor does not exceed KZT 100,119 thousand;
- A claim under the Guarantee can be made only on the condition that after 5 years from the date of placement of the bonds, all bondholders will receive from the DSFK a total amount of at least KZT 122,000,000 thousand;
- The size of the Guarantor's maximum liability is reduced (on a proportional basis) by the amount of the bond repurchase received by all bondholders over the amount of the repurchase for KZT 72,000,000 thousand.

For reference: the total amount of DSFK placed bonds is KZT 335,000,000 thousand.

As of the reporting date, the total amount of cash received from DSFK as a result of the repurchase of bonds amounted to KZT 16,524 thousand (2019: KZT 5,382 thousand) of the outstanding KZT 364,189 thousand. Provision for impairment for KZT 239,010 thousand was recognized in the financial statements as of the reporting date (2019: KZT 255,535 thousand) (Note 18).

In these financial statements, non-current assets (bonds) are stated at the discounted value of expected cash flows using a discount rate of 11% per annum.

Any future changes regarding the terms and amounts of early redemption of bonds, changes in the credit rating or financial position of the issuer or the Guarantor, credit institutions in which the Company's cash and bank deposits are placed, may affect the assessment of the carrying amount of financial assets. Management periodically reviews available information regarding possible risks associated with the above financial assets.

Determining the lease term under contracts with an option to extend or an option to terminate the lease - the Company as a lessee

The Company defines the lease term as a non-premature termination period of the lease, together with the periods for which the option to extend the lease is provided if there is sufficient confidence that it will be exercised or the periods for which the option to terminate the lease is provided if there is sufficient confidence that it will not be executed.

The Company has had land leases for more than one year, several equipment leases, which include an option to terminate the lease. The Company uses judgment to assess whether it has sufficient assurance that it will exercise the option to terminate the lease. At the same time, it takes into account all relevant factors that lead to the emergence of an economic incentive to exercise any of the options. Upon lease commencement, the Company reassesses the lease term in the event of a significant event or change in circumstances that is controlled by the Company and affects its ability to exercise (or not exercise) the option to terminate the lease (for example, a significant improvement in the leased property or a significant adaptation of the leased asset to the needs of the Company).

The Company did not take into account the termination option when determining the lease term under equipment rental agreements for a lease term of up to 4 years. The periods in respect of which an option to terminate the lease is provided shall be taken into account by the Company when determining the lease term only if there is sufficient confidence that they will be fulfilled. Leased equipment is necessary to ensure the production capacities of the Company for the fulfillment of contractual obligations. Currently, there is no way to easily replace these assets without a significant negative impact on the production process.

Note 20 provides complete information about leases with option termination that were not considered in determining the lease term.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

Lease - determining the rate of raising additional borrowed funds

A Company cannot easily determine the interest rate laid down in a lease. Therefore, it uses the rate of attracting additional borrowed funds - this is the rate at which the Company could attract for the same period and with the same security the borrowed funds necessary to obtain an asset with a cost similar to the cost of an asset in the form of a right of use in similar economic conditions. Thus, the percentage reflects what the Company should have paid; its determination requires estimates if there are no observable rates. The Company determines the rate of raising additional borrowed funds using the observable source data - according to the statistics of the National Bank of the Republic of Kazakhstan on the date the lease begins.

Fiduciary management agreement of property

Based on Agreement No. 2/38 of 07 November 2019, the Company was transferred to fiduciary management without redemption for five (5) years, the state information system "Unified electronic document management system of state bodies of the Republic of Kazakhstan" of the Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan. The property, which includes the "ESED0" software product with a book value of KZT 105,254 thousand and licensed software with a book value of KZT 2,128 thousand was transferred to the Company on 15 November 2019. Within the framework of the concluded fiduciary management agreement, the Company undertakes to transfer government bodies to cloud workflow by changing the platform. Since property rights do not transfer to the Company, Management decided to reflect the assets received under this agreement on off-balance accounts, without reflection in the financial statements.

Useful lives of property, plant, and equipment and intangible assets

The Company estimates the remaining useful lives of property plant and equipment, depreciable intangible assets at least at the end of each financial year and, if the expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates following IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. These estimates can have a significant effect on the carrying amounts of property, plant, and equipment, intangible assets, and depreciation recognized in the statement of comprehensive income.

Development costs

Development costs are capitalized following the Company's Accounting Policies. The initial capitalization of costs is based on management's judgment that technological and economic feasibility is exposed, as a rule, when the project reaches a certain stage following the established project implementation model. To determine the amounts that can be capitalized, management makes assumptions regarding the expected cash flows from the project, discount rates, and the expected period of receipt of benefits. As of December 31, 2020, the carrying amount of capitalized costs amounted to KZT 41,603 thousand (2019: KZT 16,103 thousand) (Note 21). This amount includes significant investments in the development of Investment projects developed for the provision of public services and financed from the state budget of the Republic of Kazakhstan.

Impairment of property, plant, and equipment and intangible assets

At each reporting date, the Company determines whether there is an indication of a possible impairment of assets. If such an indication exists, the Company calculates the recoverable amount of the asset. The recoverable amount of an asset is the greater of the following: the fair value of the asset or cash-generating unit less costs to sell and value in use of the asset. The recoverable amount is determined for an individual asset unless the asset generates cash inflows that are largely independent of the inflows generated by other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and written off to its recoverable amount. In assessing value in use, expected cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

As of 31 December 2020, and 2019, the Company determined that there was no indication of impairment of non-financial assets.

Deferred tax

The Company following the tax legislation of the Republic of Kazakhstan only after the reporting period determines the obligation to calculate and pay corporate income tax. Deferred tax is calculated using the balance sheet method by determining the temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred tax assets and liabilities is reviewed at each reporting date. Changes in the measurement of deferred tax assets and liabilities are recognized in the statement of comprehensive income.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

Taxation and estimated tax liabilities

At estimating tax risks, management considers as possible areas of non-compliance with tax laws that the Company cannot challenge or does not believe that it can successfully appeal if additional taxes are assessed by tax authorities. Such a definition requires substantial judgments and may change as a result of changes in tax laws and regulations, determination of expected results from pending tax litigation, and the result of compliance checks carried out by tax authorities.

5. SALES REVENUE

Detailed information on revenue is presented in the following table:

	2020	2019
Maintenance, administration, system and technical servicing, hosting, communication services to the Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan	32,397,669	34,228,809
Technical maintenance of hardware and IS	8,924,368	6,085,296
System and technical services provided to the Ministry of Finance of RK, Treasury Committee, National Bank of RK	873,921	573,182
Other	1,372,707	497,674
Total	43,568,665	41,384,961

Sales represent revenue from the provision of information services, system, and technical services, communication services, etc. Services are rendered in the territory of the Republic of Kazakhstan, contracts with customers are concluded in Kazakhstan currency. Core customers are the state authorities of the Republic of Kazakhstan.

Revenue recognition terms

	2020	2019
Revenue is recognised over a period of time	43,568,665	41,384,961
Total revenue from contracts with customers	43,568,665	41,384,961

Contract balances

	31 December 2020	31 December 2019
Trade receivables (Note 14)	220,800	179,189
Contract liabilities	14,614	13,177

No interest is accrued on trade receivables, as their maturity is generally 30 calendar days after the approval of the relevant documents. As of 31 December 2020, a valuation allowance for expected credit losses on trade receivables was recognized for KZT 6,036 thousand (31 December 2019, for KZT 3,423 thousand) (Note 14).

Contractual liabilities represent short-term liabilities under contracts where the Company fulfills its contractual obligations and transfers services to the customer after the reporting date.

The Company utilizes a practical expedient concerning the disclosure of the remaining performance obligations as the Company's original expected contractual terms with customers do not exceed one year.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

6. COST OF GOODS SOLD

	2020	2019
Communication services	17,244,288	19,536,582
Salary and related taxes	6,828,095	6,932,784
Depreciation and amortisation (Notes 19, 21)	2,275,994	1,941,545
Amortisation of the right for asset use (Note 20)	1,492,284	199,297
Rent expenses (Note 20)	944,527	1,079,903
Unified Contact Center services	815,126	207,408
Lease of a licensed software	617,847	515,123
Provision for unused vacations, bonuses, and related taxes expenses	589,400	554,010
Maintenance services	370,413	224,165
Utilities	225,131	222,879
Travel expenses	146,807	211,488
Materials	116,800	170,869
Insurance costs	116,645	231,975
Staff training	94,563	83,455
Advisory and information services	10,490	9,753
Other expenses	1,672,472	1,426,845
Total	33,560,882	33,548,081

7. ADMINISTRATIVE EXPENSES

	2020	2019
Salary and related taxes	912,593	874,202
Rent expenses (Note 20)	103,802	104,664
Provision for unused vacations, bonuses, and related taxes expenses	115,257	39,930
Transportation costs	30,238	30,363
Depreciation and amortisation (Notes 19, 21)	26,861	25,077
Materials	15,490	17,405
Travel expenses	6,913	23,983
Audit and advisory services	6,050	9,000
Staff training	5,878	6,635
Social, cultural, and sport events costs	3,343	57,502
Other expenses	70,419	134,516
Total	1,296,844	1,323,277

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)
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8. OTHER INCOME AND EXPENSES

	2020	2019
Reversal of cash provision (Note 12)	131,411	-
Fines and penalties	104,892	42,467
Reversal of provision for CIT penalty for the past periods (Note 24)	47,068	-
Income from reversal of provision of impairment (Note 18)	8,054	7,458
Income from assets disposal	7,922	19,696
Income from the reversal of impairment loss	6,317	-
Other	10,271	14,181
Total	315,935	83,802
Expenses for provisions establishment	(26,702)	(131,311)
Expenses from impairment of financial instruments	(56,982)	(126,494)
Expenses from assets disposals	(12,633)	(11,414)
Expenses from impairment of non-financial assets (Note 15)	(6,305)	(10,775)
Expenses from impairment of receivables	(4,454)	-
Expenses for the establishment of provision and writing off bad debt	-	(2,920)
Other expenses	(6,239)	(20,759)
Total	(113,315)	(303,673)

9. FINANCE INCOME

	2020	2019
Income on accrued rate of return on deposits (Note 13)	968,586	959,877
Accrued coupon return on bonds (Note 13)	34	35
Reverse discount on financial assets accounted for under depreciable assets (Note 18)	16,524	7,255
Total	985,144	967,167

10. FINANCE COSTS

	2020	2019
Long-term lease interest fee (Note 20)	589,981	86,365
Total	589,981	86,365

11. INCOME TAX EXPENSES

	2020	2019
Current tax expenses for the reporting period	2,311,426	1,672,656
Deferred tax (recovery)/expenses	(362,191)	184,590
Total	1,949,235	1,857,246

The amount of taxes levied is calculated following the applicable tax rates in the Republic of Kazakhstan. Since the Company is incorporated in the Republic of Kazakhstan the income tax rate was 20% in 2020 (2019: 20%).

Сод. ДНОСТОРОННЕ ОНЫХ ДНЕЙ National Information Technologies JSC

NOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

Reconciliation of corporate income tax expense applicable to income before income tax is as follows:

	2020		2019	
Profit before tax	9,294,686		7,139,736	
Applicable tax rate, %	20%		20%	
Income tax at the applicable rate	1,858,937		1,427,947	
Other non-deductible expenses	(271,893)		429,299	
Change in temporary differences estimates	362,191		-	
Tax expenses for the year	1,949,235		1,857,246	

	2020	Change	2019	Change	2018
Deferred income tax asset					
Estimated liabilities for employees-related provisions	157,760	9,666	148,094	(3,246)	151,340
Provision for impairment of receivables	1,207	522	685	499	186
Provision for impairment of inventories	3,979	(1,124)	5,103	1,794	3,309
Provision for estimated liabilities	5,340	2,998	2,342	2,342	-
Lease	90,586	83,034	7,552	7,552	-
Taxes and deductions	2,881	(1,289)	4,170	(10,312)	14,482
Total deferred income tax asset	(261,753)	(93,807)	167,946	(1,371)	169,317
Deferred tax liabilities					
Property, plant, and equipment	(543,281)	268,384	(811,665)	(183,219)	(628,446)
Total deferred tax liabilities	(543,281)	268,384	(811,665)	(183,219)	(628,446)
Net deferred tax liabilities	(281,528)	362,191	(643,719)	(184,590)	(459,129)

Movement in deferred income tax is as follows:

	2020	2019
As of 1 January	643,719	459,129
Recognised in the statement of profit or loss	(362,191)	184,590
As of 31 December	281,528	643,719

12. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019 (restated)
Bank deposits	14,800,000	18,074,000
Cash held with current accounts in Halyk Bank of Kazakhstan JSC, KZT	1,861,379	5,017,645
Purchase and reverse repurchase agreements ('reverse repo') with an initial term of less than three months - without a credit rating	5,998,328	-
Cash held with current accounts in Halyk Bank of Kazakhstan JSC, USD	-	55,858
Cash held with savings deposits	1,672	-
Cash held with current accounts in Bank CenterCredit JSC, KZT	-	5
Impairment loss allowance	(56,982)	(131,411)
	22,604,397	23,016,097

The rating of these banks according to Standard & Poor's international rating agency is disclosed in Note 29.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

Amounts due from credit institutions are denominated in KZT and are placed for varying periods of up to 3 months, depending on the cash requirements of the Company. Interest is accrued on such deposits at rates ranging from 7.00% to 10% per annum (2019: at rates from 7.75% to 10% per annum). Financial income represents interest on bank deposits. The table below represents bank deposits as of 31 December 2020, and 2019.

	Placement terms	Interest rate	31 December 2020	31 December 2019
BankCenterCredit JSC	3 months	9%	-	5,187,000
BankCenterCredit JSC	1 month	8,25%	3,400,000	-
Jysan Bank JSC	Up to 1 month	8%	2,300,000	-
ForteBank JSC	Up to 1 month	8,25%	3,400,000	-
ATF Bank JSC	3 months	10%	-	-
Halyk Bank of Kazakhstan JSC	Up to 1 month	7,50	5,700,000	5,000,000
ForteBank JSC	Up to 1 month	8,25%	-	4,187,000
Total			14,800,000	3,700,000
				18,074,000

In 2019, the Company's management revised its estimate in respect of recognition/non-recognition of impairment provision for cash deposited with credit institutions since the Company immediately opens a new deposit for the next term after the deposit is closed, the credit risk in respect of cash deposited with credit institutions persists.

Movements in impairment loss allowance as at 31 December were as follows:

	2020	2019
1 January	131,411	4,916
Accrued	56,982	131,411
Reversed	(131,411)	(4,916)
31 December	56,982	131,411

13. OTHER CURRENT FINANCIAL ASSETS

Accrued and paid interest on deposits for 2020 and 2019 by bank and interest on bonds are as follows:

	As of 1 January 2020	Accrued (Note 9)	Repaid	Bank fee	CIT withheld	As of 31 December 2020
BankCenterCredit JSC	22,037	228,844	(211,290)	-	(37,286)	2,305
ATF Bank JSC	5,123	217,370	(189,888)	-	(32,605)	-
Halyk Bank of Kazakhstan JSC	-	225,571	(191,735)	-	(33,836)	-
ForteBank JSC	837	264,112	(219,295)	(31)	(38,706)	6,917
Eurasian Bank JSC	-	22,259	(18,920)	-	(3,339)	-
Repo securities	-	9,918	-	-	-	9,918
Jysan Bank JSC	-	511	-	-	-	511
DPSK Specialised Financial Company LLP	-	35	(30)	-	(5)	-
Total	27,997	968,620	(831,158)	(31)	(145,777)	19,651

	As of 1 January 2019	Accrued (Note 9)	Repaid	Fee CIT withheld	CIT withheld	As of 31 December 2019
BankCenterCredit JSC	19,890	287,383	(245,433)	-	(39,803)	22,037
ATF Bank JSC	72	138,175	(112,398)	-	(20,726)	5,123
Halyk Bank of Kazakhstan JSC	5,187	204,981	(178,643)	-	(31,525)	-
ForteBank JSC	1,106	190,565	(162,169)	(40)	(28,625)	837
Eurasian Bank JSC	-	138,773	(117,957)	-	(20,816)	-
DPSK Special Financial Company LLP	-	35	(30)	-	(5)	-
Total	26,255	959,912	(816,630)	(40)	(141,500)	27,997

National Information Technologies JSC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

14. TRADE RECEIVABLES

	31 December 2020	31 December 2019
Trade receivables	226,836	182,983
Loss allowance from impairment	(6,036)	(3,423)
Total	<u>220,800</u>	<u>179,560</u>

Short-term trade and other receivables are presented in Kazakhstan tenge. The aging analysis of unimpaired trade receivables is as follows:

	31 December 2020	31 December 2019
1 to 30 days	207,444	173,174
31 to 60 days	-	1,586
61 to 90 days	-	-
91 to 120 days	9,807	-
121-180 days	-	474
181 days and over	9,585	7,749
Total	<u>226,836</u>	<u>182,983</u>

The Company applies the expected credit loss approach prescribed in IFRS 9, which is based on an estimate of expected credit losses, whereby a provision is calculated based on expected lifetime credit losses for all trade receivables.

To estimate expected credit losses, trade receivables have been grouped based on overall credit risk characteristics and days overdue. Levels of expected credit losses are based on due dates through 31 December 2020, and 2019, respectively, and similar historical credit losses incurred during that period. Historical loss levels are not adjusted for current and projected macroeconomic information as there is no material effect. The estimated allowance for credit losses on trade receivables is determined following the reserve matrix as of 31 December 2020, and 2019 as follows:

	2020	2019
1 January	3,423	929
Accrued	4,454	2,651
Written off	(1,717)	-
Reversed	(124)	(157)
31 December	<u>6,036</u>	<u>3,423</u>

The analysis of trade receivables by the counterparty is as follows:

	31 December 2020	31 December 2019
NC JSC State Corporation 'Government for Citizens'	124,531	26,862
Banknote Factory of the National Bank of RK	6,864	5,760
National Bank of the Republic of Kazakhstan RSE	3,734	2,224
Transtelecom JSC Branch in Nur-Sultan	1,683	2,094
Maximus LLP	902	3,468
National Atomic Company Kazatomprom JSC	656	390
NIH Zerde JSC	162	31,989
Republican Notary Chamber Private Institution	21	24,247
Information Technology Center of the Department of Digital Technologies of Almaty Oblast SI	-	38,252
Other	88,283	47,697
Total	<u>226,836</u>	<u>182,983</u>

National Information Technologies JSC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

15. INVENTORIES

	31 December 2020	31 December 2019
Raw and materials		
Spare parts	133,170	119,764
Fuel	27,704	36,159
Inventories received for free	9,468	24,453
Promotional materials	7,261	7,261
Other materials	6,866	15,320
Loss allowance from impairment of inventories	46,050	34,461
Total	(19,895)	(25,514)
	<u>210,624</u>	<u>211,904</u>

Movement of allowance for impairment of inventories is as follows:

	2020	2019
1 January		
Accrued (Note 8)	25,514	16,544
Written off	6,305	10,775
31 December	(11,924)	(1,805)
	<u>19,895</u>	<u>25,514</u>

16. VAT RECOVERABLE

	31 December 2020	31 December 2019
Value-added tax recoverable		
VAT for a non-resident	1,322,052	556,083
VAT payable for a non-resident	12	12
Total	2,822	2,884
	<u>1,324,886</u>	<u>558,979</u>

17. OTHER CURRENT ASSETS

	31 December 2020	31 December 2019
Prepaid expenses		
Expenses of claims	533,874	553,949
Receivables from employees	23,556	-
Total	3,256	5,106
	<u>560,686</u>	<u>559,055</u>

18. FINANCIAL ASSETS AT AMORTIZED COST

	31 December 2020	31 December 2019
Bonds receivable		
Net of impairment	339,130	355,654
Net of discount	(239,010)	(255,535)
	(18,860)	(26,913)
Total	<u>81,260</u>	<u>73,206</u>

National Information Technologies JSC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

In November 2017, the National Bank of the Republic of Kazakhstan, together with the Government of the Republic of Kazakhstan and "Kazakhmys" Corporation" LLP being a third party, signed a framework agreement to improve the financial condition of "RBK" Bank" JSC. Following the Government Decree of 07 November 2017, 27 December 2017, bank deposits in "RBK" Bank" JSC with a carrying value of KZT 364,189 thousand were converted into 15-year coupon bonds of "DSFK Special Financial Company LLP (DSFK)" at a par value of 1 tenge with an interest rate of 0.01% per annum. "Kazakhmys" Corporation" LLP (the 'Guarantor') issued a guarantee covering the amount in the range of KZT 100,119 thousand in 5 years. The guarantee conditions are as follows:

- The maximum liability of the Guarantor does not exceed KZT 100,119 thousand;
- A claim under the Guarantee can be made only on the condition that after 5 years from the date of placement of the bonds, all bondholders will receive from the DSFK a total amount of at least KZT 122,000,000 thousand;
- The size of the Guarantor's maximum liability is reduced (on a proportional basis) by the amount of the bond repurchase received by all bondholders more than the amount of the repurchase for KZT 72,000,000 thousand.

For reference: the total amount of DSFK placed bonds is KZT 335,000,000 thousand.

In these financial statements, non-current assets (bonds) are stated at the present value of expected cash flows using a discount rate of 11% per annum.

Any future changes regarding the terms and amounts of early redemption of bonds, changes in the credit rating or financial position of the issuer or the Guarantor, credit institutions in which the Company's cash and bank deposits are placed, may affect the assessment of the carrying amount of financial assets. Management periodically reviews available information regarding possible risks associated with the above financial assets.

As of the reporting date, the total amount of cash received from DSFK as a result of the repurchase of bonds amounted to KZT 16,524 thousand (2019: KZT 5,382 thousand) of the outstanding KZT 364,189 thousand. Provision for impairment for KZT 239,010 thousand was recognized in the financial statements as of the reporting date (2019: KZT 255,535 thousand).

	31 December 2020	31 December 2019
Bonds receivable (par value) as of the year-beginning	355,654	361,036
Repurchase (repayment)	(16,524)	(5,382)
Bonds receivable (par value) as of the year-end	<u>339,130</u>	<u>355,654</u>

Changes in fair value of bonds are as follows:

	2020	2019
As of 1 January	73,206	63,875
Repurchase (repayment)	(16,524)	(5,382)
Repurchase discount (Note 9)	16,524	7,255
Income from loss reversal (Note 8)	8,054	7,458
Bonds receivable (par value) as of the year-end	<u>81,260</u>	<u>73,206</u>

National Information Technologies JSC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)
(In thousands of Kazakhstan tenge)

19. PROPERTY, PLANT, AND EQUIPMENT

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other property, plant, and equipment	Construction in progress	Total
Cost as of 01 January 2019	24,970	879,308	13,095,184	255,085	695,774	259,811	15,210,132
Proceeds	-	3,418	994,643	-	334,230	1,363	1,333,654
Transferred from construction in progress	-	-	2,151	-	30,615	-	32,766
Transferred from non-current assets held for sale	-	-	-	4,850	-	-	4,850
Capitalised	-	4,460	68,848	1,647	338,653	-	413,608
Disposal	-	-	(2,863)	-	(44)	(174,837)	(177,744)
As of 31 December 2019	24,970	887,186	14,157,963	261,582	1,399,228	86,337	16,817,266
Proceeds	-	-	2,250,400	-	626,671	624,814	3,501,885
Internal transfer	-	9,547	9,989	-	468,961	(488,497)	-
Disposal	-	-	(88,602)	(6,097)	(5,703)	(104,167)	(204,569)
As of 31 December 2020	24,970	896,733	16,329,750	255,485	2,489,157	118,487	20,114,582
Accumulated depreciation as of 01 January 2019	-	(111,955)	(4,603,935)	(198,539)	(136,846)	-	(5,051,275)
Accrued for the year	-	(24,038)	(1,550,642)	(27,113)	(83,065)	-	(1,684,858)
Reversal of depreciation	-	-	143,906	94,669	8,221	-	246,796
Disposal	-	-	911	-	10	-	921
As of 31 December 2019	-	(135,993)	(6,009,760)	(130,983)	(211,680)	-	(6,488,416)
Accrued for the year	-	(24,567)	(1,492,708)	(37,059)	(160,948)	-	(1,715,282)
Disposal	-	-	80,441	4,438	3,155	-	88,034
As of 31 December 2020	-	(160,560)	(7,422,027)	(163,604)	(369,473)	-	(8,115,664)
Net carrying amount as of:							
31 December 2019	24,970	736,173	8,907,723	91,881	2,119,684	118,487	11,998,918
31 December 2020	24,970	751,193	8,148,203	130,599	1,187,548	86,337	10,328,850

Amortisation expenses are included in the following costs:

	2020 r.	2019 r.
Cost of goods sold (Note 6)	1,690,415	1,658,369
Administrative expenses (Note 7)	24,867	24,968
Reversal of depreciation from DAPP	-	1,521
Total	1,715,282	1,684,858

As of the reporting date, the sources of financing of property, plant, and equipment are own funds, there are no assets pledged as collateral for securing liabilities to third parties.

In 2019, the Company revised valuation concerning fully depreciated property, plant, and equipment, which resulted in reversal of accumulated depreciation of property, plant, and equipment equal to KZT 246,796 thousand including machinery and equipment equal to KZT 143,906 thousand, vehicles equal to KZT 94,669 thousand and other property, plant and equipment equal to KZT 8,221 thousand. The company engaged "Appraisal and Expertise" LLP, state license No. SPPO 116-ODI dated 13 July 2018, for plant, property, and equipment valuation (Appraisal Report No. 05/11-01 dated 18 November 2019, "Appraisal and Expertise" LLP).

As at 31 December 2020 the amount of fully depreciated property, plant and equipment amounted to KZT 73,418 thousand (31 December 2019: KZT 102,017 thousand).

National Information Technologies JSC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

20. LEASES

Right-of-use assets

The Company has leases of premises, land, and equipment used in operating activities. The leases of premises typically run for one year, the leases of land range from one to five years, and the leases of equipment run for up to four years. The Company's liabilities under lease agreements are secured by the lessor's title to the leased assets. Generally, the Company is not permitted to sublease or lease the leased assets, and equipment leases contain options to terminate the leases.

For leases of less than 12 months and leases of low-value land, the Company applies the recognition exemptions provided for short-term leases and low-value assets.

The carrying value of the right-of-use assets recognized and its changes during the period are as follows:

	Land	Equipment Right-of-use assets	Total right-of- use assets
Historical cost			
As of 1 January 2019 (restated)	433	-	433
Proceeds	-	3,384,516	3,384,516
As of 31 December 2019	433	3,384,516	3,384,949
Disposal	(389)	-	(389)
Proceeds	-	3,075,259	3,075,259
As of 31 December 2020	44	6,459,775	6,459,819
Accumulated depreciation			
As of 01 January 2019	-	-	-
Accrued depreciation	(208)	(199,089)	(199,297)
As of 31 December 2019	(208)	(199,089)	(199,297)
Accumulated depreciation	(191)	(1,492,093)	(1,492,284)
Disposal	389	-	389
As of 31 December 2020	(10)	(1,691,182)	(1,691,192)
Book value			
As of 31 December 2020	34	4,768,593	4,768,627
As of 31 December 2019	225	3,185,427	3,185,652

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

Lease liabilities

Below is the carrying value of lease liabilities and their changes during the reporting period:

	Land	Equipment	Total
As of 1 January 2019 (restated)	(498)	-	(498)
Surplus	-	(3,384,516)	(3,384,516)
Interest incurred	(60)	(86,305)	(86,365)
Paid	307	247,660	247,967
As of 31 December 2019	(251)	(3,223,161)	(3,223,412)
including:			
Current liabilities	(205)	(688,428)	(688,633)
Non-current liabilities	(46)	(2,534,733)	(2,534,779)
	(251)	(3,223,161)	(3,223,412)
Surplus	-	(3,075,259)	(3,075,259)
Interest incurred	(25)	-(589,956)	(589,981)
Paid	233	1,666,864	1,667,097
As of 31 December 2020	(43)	(5,221,512)	(5,221,555)
including:			
Current liabilities	-	(1,717,953)	(1,717,953)
Non-current liabilities	(43)	(3,503,559)	(3,503,602)
	(43)	(5,221,512)	(5,221,555)

Amounts recognised within profit or loss are presented below:

	2020	2019
Lease expenses relating to short-term leases are included in the Cost of services (Note 6)	944,527	1,079,903
Lease expenses relating to short-term leases included in Administrative expenses (Note 7)	103,802	104,664
Right-of-use assets amortisation expenses (Note 6)	1,492,284	199,297
Interest income from lease liabilities (Note 10)	589,981	86,365
Total	3,130,594	1,470,229

The Company has several equipment leases with lease termination options. Management includes such options in the leases to have flexibility in managing the leased assets portfolio and to ensure that they meet the Company's needs. Management exercises significant judgment in determining whether there is a reasonable assurance that these lease termination options will (or will not) be exercised (Note 2).

National Information Technologies JSC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

21. INTANGIBLE ASSETS

	Capitalized development	Software	Licenses	Total
Historical cost				
As of 01 January 2019	48,052	1,133,674	1,078,825	2,260,551
Proceeds	14,340	1,588,630	85,841	1,688,811
Disposal	(46,289)	-	-	(46,289)
As of 31 December 2019	16,103	2,722,304	1,164,666	3,903,073
Proceeds	-	23,806	147,420	171,226
Transferred from construction in progress	25,500	74,520	-	100,020
Disposal	-	(253,837)	(114,201)	(368,038)
As of 31 December 2020	41,603	2,566,793	1,197,885	3,806,281
Accumulated amortisation	-	(686,656)	(192,432)	(879,088)
As of 01 January 2019	-	-	-	-
Accrued amortisation	-	(182,852)	(100,433)	(283,285)
As of 31 December 2019	-	(869,508)	(292,865)	(1,162,373)
Accrued amortisation	-	(420,748)	(166,825)	(587,572)
Disposal	-	253,837	114,201	368,038
As of 31 December 2020	-	(1,036,419)	(345,489)	(1,381,908)
Book value				
As of 31 December 2020	41,603	1,530,374	852,396	2,424,373
As of 31 December 2019	16,103	1,852,796	871,801	2,740,700

Amortisation expenses are included in the following costs:

	2020	2019
Cost of goods sold (Note 6)	585,579	283,176
Administrative expenses (Note 7)	1,994	109
Total	587,573	283,285

22. TRADE PAYABLES

	31 December 2020	31 December 2019
Trade payables to the third parties	11,035,627	11,940,251
Payables to related parties	1,893	151,605
	11,037,520	12,091,856

Analysis of trade payables by aging is as follows:

	31 December 2020	31 December 2019
Less than 30 days	10,207,040	11,680,582
31 to 180 days	830,347	4,667
181-360 days	133	406,607
	11,037,520	12,091,856

As of 31 December 2020, and 2019, accounts payable are non-interest bearing and repayable within 30 to 360 days. Related party transactions are disclosed in Note 27.

Description of the processes used by the Company to manage liquidity risks is disclosed in Note 29.

National Information Technologies JSC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

Payables to suppliers for goods and services by currency:

	31 December 2020	31 December 2019
KZT	11,035,256	12,091,536
RUB	2,264	320
	<u>11,037,520</u>	<u>12,091,856</u>

The analysis of trade payables by the counterparty is as follows:

	31 December 2020	31 December 2019
Kazakhtelecom JSC Corporate Business Division (Corporate Sales Division of Kazakhtelecom JSC)	5,028,822	5,687,419
ASTEL JSC	1,403,693	1,476,604
TechnoPartners LLP	804,885	-
Art-IT LLP	675,163	-
VIK plus LLP	310,268	-
K-Cell JSC	308,437	-
AG TECH LLP	241,920	-
Kar-Tel LLP	190,205	241,920
KazTransCom JSC	154,893	285,792
Branch of Transtelecom in Nur-Sulan JSC	130,021	645,320
Arttelecom LLP	129,069	387,101
KT CLOUD LAB LLP	125,782	-
Telecontact Almaty LLP	115,132	232,297
Other	1,419,230	-
	<u>11,037,520</u>	<u>12,091,856</u>

23. EMPLOYEE BENEFITS

Salaries unpaid
Provision for unused vacations, bonuses and related taxes

	31 December 2020	31 December 2019
Salaries unpaid	16,024	8,016
Provision for unused vacations, bonuses and related taxes	788,798	740,472
	<u>804,822</u>	<u>748,488</u>

Employee benefits include short-term employee benefits such as salaries, paid annual leave and leave benefits, paid sick leave, compensation, and guarantees stipulated by the labor legislation of the Republic of Kazakhstan bonuses, provisions, and other payments provided for by internal regulations.

Movements in provisions for unused vacations, bonuses, and related taxes are presented as follows:

	31 December 2020	31 December 2019
1 January	740,472	756,698
Accrued	350,970	315,272
Used	(302,644)	(331,498)
31 December	<u>788,798</u>	<u>740,472</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (in thousands of Kazakhstan tenge)

24. PROVISIONS

	31 December 2020	31 December 2019
Legal claims liabilities		
Audit services liabilities	26,702	2,709
Penalties due (CIT)	-	9,000
Other liabilities	5,051	138,420
	<u>31,753</u>	<u>150,129</u>

Movement in provisions is as follows:

	31 December 2020	31 December 2019
1 January	150,129	-
Accrued (Note 8)	26,703	-
Paid	(91,353)	131,311
Reversal of provision for CIT penalty for the past periods (Note 8)	(47,068)	-
Reclassified to payables	(6,658)	-
	<u>31,752</u>	<u>150,129</u>

25. OTHER CURRENT LIABILITIES

	31 December 2020	31 December 2019
Pension deductions	104,997	98,080
Individual income tax	93,935	78,355
Social insurance	37,935	27,333
Social tax	887	11,059
Other current liabilities	7,401	93,113
	<u>245,155</u>	<u>307,940</u>

26. EQUITY

Equity as of 31 December 2020, is represented by 9,998,294 of outstanding ordinary shares (31 December 2019: 9,998,294) and amounts to KZT 13,497,723 thousand.

	2020	2019
Equity at the beginning of the reporting year (KZT thousand)	13,497,723	13,486,791
Equity increase (KZT thousand)	-	10,932
Equity as of the end of the reporting year (KZT thousand)	<u>13,497,723</u>	<u>13,497,723</u>

On 25 April 2019, the Board of "National Infocommunication Holding "Zerde" JSC decided to increase the number of the Company's authorized shares (9,987,362 ordinary shares) by 10,932 ordinary shares.

National Information Technologies JSC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

Calculation of the book value per share is as follows:

	31 December 2020	31 December 2019
Assets	44,293,423	41,022,750
Liabilities	(17,691,536)	(17,367,065)
Intangible assets	(2,424,373)	(2,740,700)
Share capital (preference shares)	-	-
Total net assets for ordinary shares (KZT thousand)	24,177,514	20,914,985
Common outstanding shares (pieces)	9,998,294	9,998,294
Book value per ordinary share (KZT)	2,418.164	2,091.850

Basic earnings per share are calculated by dividing net income/(loss) for the year by the weighted average number of shares outstanding during the year.

	2020	2019
Profit after tax	7,345,451	5,282,592
Weighted average number of shares outstanding (pieces)	9,998,294	9,992,828
Basic earning per share/KZT	0,73	0,53

There were no derivative financial instruments at the end of the reporting year that could require the Company to issue ordinary shares. There have been no other transactions involving ordinary shares between the reporting date and the date these financial statements were authorized for issue.

For the years ended 31 December, retained earnings are as follows:

	31 December 2020	31 December 2019
Retained earnings		
Balance as of 1 January	10,157,962	7,228,639
Adjustment*	-	246,731
Adjusted balance as of 1 January	10,157,962	7,475,370
Financial result for the reporting period	7,345,451	5,282,592
Dividends payment	(4,399,249)	(2,600,000)
Balance as of 31 December	13,104,164	10,157,962

* Adjustment of retained earnings of prior years amounted to KZT 246,731 thousand, including KZT 246,796 thousand related to the revision of previously used accounting estimates about depreciation charge on property, plant, and equipment (Note 19) and adjustment of retained earnings balance of KZT 65 thousand on the transition to IFRS 16 Leases by retrospective modified approach.

Dividends

In 2020, following the decisions of the Sole Shareholder, the Company declared for payment and fully paid dividends for 2019 in the total amount of KZT 4,399,249 thousand (2019: KZT 2,600,000 thousand).

27. RELATED PARTY TRANSACTIONS

Related party transactions

For these financial statements, parties are considered to be related if one party can control the other party or exercise significant influence over the other party in making financial or operational decisions. Parties that are under common control with the Company are also considered to be related. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties include the Company's Sole Shareholder, key management personnel, and entities in which a substantial interest in the voting power is owned, directly or indirectly, by the Sole Shareholder or key management personnel of the Company and entities controlled by the Government of the Republic of Kazakhstan. Related party transactions represent transfers of resources, services, or commitments between related parties, regardless of the charges.

National Information Technologies JSC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

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

Transactions with related parties of the Company as of 31 December 2020 were as follows:

	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
	2020			
Sole shareholder	144	-	144	-
Entities under common control of the Sole Shareholder:				
- "National Innovation Development Agency "QazInnovations" Joint Stock Company	-	-	-	-
Other entities and authorities controlled by the Government of the RK	1,693,298	380,859	39,889	1,893
	2019			
Sole Shareholder	35,723	-	31,955	-
Entities under common control of the Sole Shareholder:				
- Kaztelradio JSC	-	1,014	-	491
Other entities and authorities controlled by the Government of the RK	1,586,960	775,530	939	151,414
Total	1,622,683	776,544	32,894	151,905

Management remuneration

As of 31 December 2020, and 2019, the company management includes four and six key management personnel, respectively.

The remuneration received by the key management personnel is included in administrative expenses and comprised the following:

	2020	2019
Salary	108,092	108,238
Bonuses	26,527	12,048
Medical insurance	-	744

28. CONTINGENT LIABILITIES

Legal proceedings

In the ordinary course of business, the Company is subject to legal actions and complaints. The Company's management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material effect on these financial statements or the financial position of the Company and the results of its operations for the foreseeable future except for provision for legal claims for KZT 26,702 thousand (2019: KZT 2,709 thousand) (Note 24).

The Company assesses the probability of liabilities arising from legal proceedings and claims and makes provision in the financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

The Company's management believes that possible future claims, both individually and in aggregate, will not have a material adverse effect on the Company's financial position or results of operations.

Taxation

Kazakhstan tax legislation is amended and updated with sufficient frequency. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities. Penalties are generally up to 50% of the taxes additionally assessed and interest is assessed at 1.25 times the refinancing rate of the National Bank. The Company's financial periods remain open to review by the tax authorities for five years. As of 31 December 2020 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Company's tax positions will be sustained.

Employee benefit obligations

The Company does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan, which requires current withholdings by the employer calculated as a percentage from current gross salary payments. Such deductions are expensed in the period in which they are incurred.

Environmental issues

The Company is subject to various environmental laws and regulations of the Republic of Kazakhstan. Management believes that the Company complies with all such laws and regulations; however, the possibility of the existence of contingent liabilities cannot be ignored.

Management believes that the Company's interpretation of the current environmental legislation in the Republic of Kazakhstan is appropriate and that possible future circumstances will not have a material effect on the financial position of the Company and, accordingly, no provision for environmental claims or penalties has been made in these financial statements.

29. FINANCIAL RISKS MANAGEMENT

Risk management policy is an integral part of strategic business planning and is a set of measures implemented at all levels of management. The Company is mainly exposed to credit, liquidity, and currency risks arising from all financial instruments. The financial risks associated with the Company's operations are controlled and managed through the analysis of risk exposures by degree and magnitude of risks.

Credit risk

The Company's management believes that the total amount of credit risk is equal to the sum of current assets less provisions recognised at the reporting date. The maximum exposure to credit risk is equal to the carrying amount of cash and cash equivalents and financial assets.

As of 31 December 2020 and 2019, the above items are presented as follows

	31 December 2020	31 December 2019
Cash and cash equivalents (Note 12)	22,604,397	23,016,097
Trade receivables (Note 14)	220,800	179,560
Total	<u>22,825,197</u>	<u>23,195,657</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

Ratings of the second-tier banks in which the Company holds cash according to the international rating agency Standard & Poor's are as follows.

	Cash balance on settlement accounts and deposits	Rating agency S&P	Cash balance on settlement accounts and deposits	Rating agency S&P
	2020		2019	
Halyk Bank JSC	1,863,051	BBB-/Stable	9,260,502	BB+/Positive
Halyk Bank JSC	5,700,000	BBB-/Stable	-	-
BankCenterCredit JSC	3,400,000	B2/Stable	5,187,005	B/Negative
Forte Finance JSC	5,998,328	B1/Stable	-	-
Jysan Bank JSC	2,300,000	B1/Stable	-	-
ATF Bank JSC	-	B-/Stable	5,000,000	B-/Stable
Forte Bank JSC	3,400,000	B1/Stable	3,700,000	B+/Stable
Total	22,661,379		23,147,507	

Total

* Source: Official websites of the banks as of 31 December of the relevant year.

Market risk

Market risk is the risk that movements in market prices, such as foreign exchange rates, interest rates, and other market prices will affect the Company's income. Market risk is dependent on the general health of a country's financial system and government policy. The Company manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Company does not have any derivative or other hedging instruments.

Liquidity risk

The Company's management oversees liquidity risk by continuously monitoring the forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk tables

The following tables detail the Company's contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

2020	Note	Up to one year	One to five years	Over five years	Total
Financial liabilities					
Trade payables	22	11,037,520	-	-	11,037,520
Lease liabilities	20	1,717,953	3,503,602	-	5,221,555
Total		12,755,473	3,503,602	-	16,259,075
2019	Note	Up to one year	One to five years	Over five years	Total
Financial liabilities					
Trade payables	22	12,091,856	-	-	12,091,856
Lease liabilities	20	991,663	2,974,295	-	3,965,958
Total		13,083,519	2,974,295	-	16,057,814

Expected maturities of the Company's non-derivative financial assets are presented in the table below. The table has been drawn up based on the undiscounted contractual maturities of the financial assets to be received for these assets, except where the Company expects the cash flows to occur in a different period.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (in thousands of Kazakhstan tenge)

	Note	Up to one year	One to five years	Over five years	Total
2020					
Financial assets					
Cash and cash equivalents	12	22,604,397	-	-	22,604,397
Trade receivables	14	220,800	-	-	220,800
Financial assets at amortized cost	18	-	-	363,709	363,709
Total		22,825,197	-	363,709	23,188,906
2019					
Financial assets					
Cash and cash equivalents	12	23,016,097	-	-	23,016,097
Trade receivables	14	179,560	-	-	179,560
Financial assets at amortized cost	18	-	-	355,654	355,654
Total		23,195,657	-	355,654	23,551,311
Net position for 2020		Up to one year	One to five years	Over five years	Total
Net position for 2019		10,069,724	(3,503,602)	-	6,566,122
		10,112,138	(2,974,295)	363,709	7,499,552

Currency risk

The Company is exposed to foreign exchange risk when carrying out sales, purchases, denominated in a currency other than the functional currency of the Company. The Company does not use hedging instruments to minimize the impact on financial results from fluctuations in foreign exchange rates

Foreign currency sensitivity analysis

The carrying amounts of financial assets and liabilities denominated in local and foreign currencies as of 31 December 2020 and 2019 are as follows

31 December 2020	Note	KZT	USD	RUB	Total
Financial assets					
Cash and cash equivalents	12	22,604,397	-	-	22,604,397
Total		22,604,397	-	-	22,604,397
Financial liabilities					
Trade payables	22	(11,035,256)	-	(2,264)	(11,037,520)
Total		(11,035,256)	-	(2,264)	(11,037,520)
Net position		11,569,141	-	(2,264)	11,566,877
31 December 2019					
Financial assets					
Cash and cash equivalents	12	22,960,239	55,858	-	23,016,097
Total		22,960,239	55,858	-	23,016,097
Financial liabilities					
Trade payables	22	(12,091,536)	-	(320)	(12,091,856)
Total		(12,091,536)	-	(320)	(12,091,856)
Net position		10,868,703	55,858	(320)	10,924,241

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (In thousands of Kazakhstan tenge)

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in foreign exchange rates. The sensitivity analysis includes financial liabilities denominated in currencies other than tenge.

	2020		2019	
	USD	RUB	USD	RUB
Financial assets	-	-	55,858	-
Financial liabilities	-	(2,264)	-	(320)

The following dollar exchange rates were in effect during the year:

	Tenge for 1 USD	
	2020	2019
Average rate for the year	412.95	382.75
Spot rate as of 31 December	420.71	381.18

The table below indicates the change in the financial liabilities due to the weakening of the tenge after the reporting date. A positive number indicates an increase in profit for the period, while a negative number indicates a decrease in profit. A weakening of the tenge by 10% against the US dollar would have an equal and opposite effect on profit.

	The US dollar - impact	
	2020	2019
+ 10%	-	5,586
- 10%	-	(5,586)

Fair value of financial instruments

Financial assets and liabilities maturing in less than one year, which include trade receivables, cash, and cash equivalents and trade payables, are carried at the current carrying amount that management believes approximates the fair value of these instruments due to their short-term nature.

Financial assets carried at amortised cost (bonds) are recorded in the financial statements at fair value based on expected cash flows using a discount rate of 11% per annum:

	Par value	Fair value	Quoted market price in an active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
As of 31 December 2020	339,130	81,260	-	-	81,206
As of 31 December 2019	355,654	73,206	-	-	73,206

Lease liabilities measured at amortised cost are recognised in the financial statements at fair value based on expected cash flows discounted at the commencement date of the lease (Note 20):

	Par value	Fair value	Quoted prices in an active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
As of 31 December 2020	6,755,775	5,221,555	-	-	5,221,555
As of 31 December 2019	3,965,958	3,223,412	-	-	3,223,412

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)
(In thousands of Kazakhstan tenge)

30. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure is represented by retained earnings and shares capital. The Company complies with the minimum capital requirements set by the Law on Joint Stock Companies of the Republic of Kazakhstan. The Company's strategy remains unchanged from 2019.

31. EVENTS AFTER THE REPORTING PERIOD

As of the date of approval and issue of these financial statements for the year ended 31 December 2020, there were no material events after the reporting date that had an impact on the financial performance of the Company.