

TRANSTELECOM JSC

Financial statements
for the year ended 31 December 2015
and independent auditor`s report

TRANSTELECOM JSC

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TRANSTELECOM JSC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Management of Transtelecom JSC ("the Company" hereafter) is responsible for the preparation of the financial statements that fairly present financial position of the Company as at 31 December 2015, and results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- maintaining adequate accounting records that are sufficient to disclose and explain the Company's transactions as well as providing relevant and accurate information regarding the Company's financial position, and ensuring compliance with IFRS;
- maintaining statutory accounting records in compliance with legislation of the Republic of Kazakhstan and accounting standards;
- taking all reasonably available steps to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

The financial statements for the year ended 31 December 2015 were authorized and approved for issue by the management of the Company on 11 March 2016.

On behalf of management of the Company:

Pshembayev D. M.
President

11 March 2016
Astana

Bozshina K. S.
Acting chief accountant

11 March 2016
Astana

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To: the Board of Directors and the shareholder of Transtelecom JSC

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

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Member of Deloitte Touche Tohmatsu Limited

Opinion

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

Emphasis of matter

As described in Notes 19 and 24 to the financial statements, 88% of the Company's trade receivables as at 31 December 2015 (2014: 87%) and 75% of the Company's revenue for the year ended 31 December 2015 (2014: 79%) were from transactions with National Company Kazakhstan Temir Zholy JSC and its subsidiaries, which are related parties of the Company. Our opinion is not qualified in respect of this matter.

Alua Yessimbekova
Engagement Partner
Certified Public Accountant
New Hampshire, USA
License No. 07348
dated 12 June 2014

Yekaterina Abdrashitova
Qualified Auditor
Qualification Certificate
No. MF-0000209
dated 1 October 2014
Republic of Kazakhstan

DELOITTE, LLP

Deloitte, LLP
State license for the audit activity in the Republic of Kazakhstan №0000015, type MFU-2, issued by the Ministry of Finance of the Republic of Kazakhstan dated 13 September 2006

Nurlan Bekenov
General Director
Deloitte, LLP

11 March 2016
Almaty

TRANSTELECOM JSC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015
(in thousands of tenge)

	Notes	31 December 2015	31 December 2014
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	5	62,656,012	58,595,744
Intangible assets	6	4,382,992	3,354,370
Other non-current assets	7	2,030,976	2,335,067
		69,069,980	64,285,181
CURRENT ASSETS:			
Inventories	8	659,385	461,256
Trade accounts receivable from related parties	23	10,892,797	4,624,752
Trade accounts receivable	9	1,193,806	686,187
Prepaid income tax		233,294	191,794
Other current assets	10	1,596,487	1,504,702
Cash and cash equivalents	11	7,393,490	4,217,569
		21,969,259	11,686,260
Non-current assets held for sale	5	353,431	-
TOTAL ASSETS		91,392,670	75,971,441
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	12	12,241,487	12,241,487
Additional paid-in capital	12	244,190	244,190
Retained earnings		8,182,246	4,129,343
		20,667,923	16,615,020
NON-CURRENT LIABILITIES:			
Long-term borrowings	13	47,590,139	41,272,251
Long-term portion of finance lease obligations	14	2,021,227	2,447,763
Employee benefit obligations	15	412,407	366,409
Deferred tax liabilities	18	1,932,268	887,453
		51,956,041	44,973,876
CURRENT LIABILITIES:			
Short-term borrowings and current portion of long-term borrowings	13	9,350,138	2,904,577
Current portion of finance lease obligations	14	432,553	362,159
Current portion of employee benefit obligations	15	32,796	34,854
Trade accounts payable	16	7,481,342	9,733,671
Taxes payable and other obligatory payments		221,759	507,755
Income tax payable		9,580	5,174
Other current liabilities	17	1,240,538	834,355
		18,768,706	14,382,545
TOTAL EQUITY AND LIABILITIES		91,392,670	75,971,441

On behalf of management of the Company:

Pshembayev D. M.
President

11 March 2016
Astana

Bozshina K. S.
Acting chief accountant

11 March 2016
Astana

The notes on pages 9-40 form an integral part of these financial statements. The independent auditor's report is on pages 2-3.

TRANSTELECOM JSC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

(in thousands of tenge)

	Notes	2015	2014
REVENUE FROM RENDERING SERVICES	19	32,669,074	21,616,183
COST OF RENDERING SERVICES	20	(20,841,096)	(14,610,902)
GROSS PROFIT		11,827,978	7,005,281
General and administrative expenses	21	(2,533,371)	(1,697,871)
OPERATING PROFIT		9,294,607	5,307,410
Finance costs	22	(5,286,321)	(2,992,766)
Finance income		419,061	268,939
Foreign exchange gain, net		1,057,410	7,590
Other income, net		70,983	765,210
PROFIT BEFORE TAX		5,555,740	3,356,383
INCOME TAX EXPENSE	18	(1,044,815)	(208,219)
PROFIT FOR THE YEAR		4,510,925	3,148,164
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	15	14,203	5,432
TOTAL PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR		4,525,128	3,153,596

On behalf of management of the Company:

Pshembayev D. M.
President

11 March 2016
Astana

Bozshina K. S.
Acting chief accountant

11 March 2016
Astana

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TRANSTELECOM JSC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
(in thousands of tenge)

	Share capital	Additional paid-in capital	Retained earnings	Total equity
At 1 January 2014	12,241,487	244,190	1,059,495	13,545,172
Profit for the year	-	-	3,148,164	3,148,164
Other comprehensive income for the year (Note 15)	-	-	5,432	5,432
Total profit and comprehensive income for the year	-	-	3,153,596	3,153,596
Dividends (Note 12)	-	-	(83,748)	(83,748)
At 31 December 2014	12,241,487	244,190	4,129,343	16,615,020
Profit for the year	-	-	4,510,925	4,510,925
Other comprehensive income for the year (Note 15)	-	-	14,203	14,203
Total profit and comprehensive income for the year	-	-	4,525,128	4,525,128
Dividends (Note 12)	-	-	(472,225)	(472,225)
At 31 December 2015	12,241,487	244,190	8,182,246	20,667,923

On behalf of management of the Company:

Pshembayev D. M.
President

11 March 2016
Astana

Bozshina K. S.
Acting chief accountant

11 March 2016
Astana

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TRANSTELECOM JSC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015
(in thousands of tenge)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		5,555,740	3,356,383
Adjustments for:			
Finance costs	22	5,286,321	2,992,766
Depreciation and amortization	20, 21	6,885,598	4,270,263
Accrual of allowance for doubtful debts	21	6,687	439,404
Change in provision for idle property, plant and equipment	21	-	(39,153)
Change in provision on remuneration of executive personnel	21	336,886	199,508
Recovery of VAT, fines and penalties provision	21	(280,535)	(638,456)
Foreign exchange gain (net)		(1,057,410)	(7,590)
Finance income		(419,061)	(268,939)
Loss from disposal of property, plant and equipment and intangible assets		-	38,557
Employee benefit obligations	15	84,492	47,335
Cash flows from operating activities before changes in working capital		16,398,718	10,390,078
Changes in working capital:			
Change in trade accounts receivable		(6,629,570)	(3,800,129)
Change in inventories		1,829	(109,369)
Change in other current assets		1,049,273	(2,509,311)
Change in trade accounts payable		2,918,212	6,376,262
Change in taxes payable and other obligatory payments		39,165	259,891
Change in other current liabilities		75,314	342,237
Change in employee benefit obligations		(26,349)	(20,257)
Cash generated from operating activities		13,826,592	10,929,402
Interest paid		(5,224,131)	(2,923,723)
Income tax paid		(81,720)	(170,000)
Net cash generated by operating activities		8,520,741	7,835,679
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment and advances paid for non-current assets		(18,234,078)	(30,731,839)
Purchase of intangible assets		(75)	(1,667)
Placement of deposits		(28,709)	(30,000)
Interest received		319,046	268,701
Net cash used in investing activities		(17,943,816)	(30,494,805)

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015
(in thousands of tenge)

	Notes	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings		(2,227,350)	(9,413,479)
Proceeds from borrowings		14,700,192	32,275,976
Dividends paid	12	(472,225)	(83,748)
Repayment of finance lease obligations		(362,159)	(269,449)
Net cash generated by financing activities		11,638,458	22,509,300
NET CHANGE IN CASH		2,215,383	(149,826)
Influence of foreign exchange on cash balances and their equivalents in foreign currency		960,538	-
CASH at the beginning of the year	11	4,217,569	4,367,395
CASH at the end of the year	11	7,393,490	4,217,569

On behalf of management of the Company:

Pshembayev D. M.
President

11 March 2016
Astana

Bozshina K. S.
Acting chief accountant

11 March 2016
Astana

The notes on pages 9-40 form an integral part of these financial statements. The independent auditor's report is on pages 2-3.

1. NATURE OF THE BUSINESS

Transtelecom JSC (hereafter - "the Company") was established in accordance with the legislation of the Republic of Kazakhstan in 1998 as a state subsidiary entity. In 2004, the Company was reorganized into Joint Stock Company Transtelecom. The certificate of state re-registration of the legal entity No.31014-1910-AO was issued by the Department of Justice of Almaty on 15 June 2004. The certificate of state re-registration of the legal entity No.42964-1901-AO was issued by the Department of Justice of Astana on 17 April 2012 in connection with relocation of central office to Astana.

The primary activity of the Company is the provision of telecommunication services, a full range of construction and installation works, as well as conducting research and project activities in the territory of the Republic of Kazakhstan. As at 31 December 2015 and 2014, the Company had 15 branches in different cities of the Republic of Kazakhstan.

According to the Order of the Agency of the Republic of Kazakhstan on Regulation of Natural Monopolies on Republican Section of the State Register of Natural Monopolies No.16-ОД dated 24 January 2005, the Company was included into the Republican Section of the State Register of Natural Monopolies on connecting operators' transmission of telephone traffic (local, international, from/to cellular operators network) from the connected operators' telecommunication network. Besides, based on the Order No.26 of the Committee for the Protection of Competition under the Ministry of Industry and Trade of the Republic of Kazakhstan dated 24 February 2005, the Company was included into the State Register of the companies with dominant (monopolistic) position on the market of local telephone and telegraph communication services.

The sole shareholder of the Company is National Company Kazakhstan Temir Zholy JSC (further – "NC KTZh JSC" or the "Shareholder").

Sovereign Wealth Fund "Samruk-Kazyna" JSC on behalf of the Government is an ultimate shareholder of the Company.

In accordance with the Complex plan of privatization for 2014-2016, approved by the Resolution of the Government of the Republic of Kazakhstan of 31 March 2014 No.280, NC KTZh JSC intended to realize 49% shares of the Company.

On 12 May 2015 NC KTZh JSC concluded an agreement to sell 49% shares of the Company for 9,000,000 thousand tenge to the third party. According to agreement, ownership rights are transferred after signing the act of acceptance. As at 31 December 2015 the sale is not completed.

The head office of the Company is located at the following address: 10 Kunayev str., Astana, 010000, Republic of Kazakhstan.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Amendments to IFRS and new interpretations that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs and a new interpretation issued by International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015.

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions;
- Annual improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle;

Acceptance of aforementioned standards and interpretations did not result in changes in accounting policies of the Company and did not have significant effect on the financial statements of the Company.

The Company did not early adopt any other standards, amendment and interpretation that have been issued but are not yet effective.

New and revised IFRS issued but not yet effective	**Effective date - for annual periods beginning on or after**
The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:	
IFRS 16 Leases	1 January 2019
IFRS 9 Financial instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to IAS 7 – Statements of Cash Flow	1 January 2017
Amendments to IFRS 11 – Accounting for Acquisition of Interests in Joint Operations	1 January 2016
Amendments to IAS 1 – Disclosure Initiative	1 January 2016
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
IFRS 14 – Regulatory Deferral Accounts	1 January 2016
Amendments to IAS 27 - Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants	1 January 2016
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016, with limited exceptions
Amendments to IFRS 10, IFRS 12 and IAS 28 – *Investment Entities: Applying the Consolidation Exception*	1 January 2016

All the above mentioned standards and amendments are effective starting from the dates above with earlier application permitted.

IFRS 16 Leases was announced in January 2016. IFRS 16 supersedes IAS 17 Leases and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however remains largely unchanged and the distinction between operating and finance leases is retained. The management of the Company anticipates that the application of this standard may have an impact on the Company's financial statements. The Company is currently assessing an impact of the new standard on the financial results.

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company plans to adopt the new standard on the required effective date. During 2015 the Company has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The Company expects changes in loss allowance methodology and will perform a detailed assessment in the future to determine the extent.

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The standard is effective for annual periods beginning on 1 January 2018.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The management of the Company anticipates that the application of IFRS 15 in the future may have a significant impact on amount and timing of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

Management anticipates that the adoption of other standards listed above will not have a material impact on the financial statements of the Company in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

These financial statements have been prepared on the historical cost basis, except for certain financial instruments which should be stated at fair value.

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

Certain property, plant and equipment of the Company were revalued to determine deemed (initial) cost at the transition date of IFRS.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36. In addition, for financial reporting purposes, fair value measurements are categorized into levels based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement:

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

Going concern

These financial statements have been prepared based on the assumption that the Company will continue as a going concern, which assumes the realization of the Company's assets and discharge of its liabilities in the normal course of business within the foreseeable future.

Currency

The currency of the Republic of Kazakhstan is Kazakhstan tenge ("tenge"), which is the functional currency of the Company and the presentation currency of these financial statements. All the financial information presented in tenge has been rounded to the nearest thousand.

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

Foreign exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

Exchange rates of foreign currency in which the Company had significant transactions are presented as follows:

	31 December 2015	31 December 2014
Exchange rate as at the end of the year (to tenge)		
1 US Dollar ("USD")	339.47	182.35
1 Euro	371.31	221.97
	2015	**2014**
Average exchange rate for the year (to tenge)		
1 US Dollar ("USD")	222.25	179.19
1 Euro	246.48	238.10

Property, plant and equipment

Property, plant and equipment are stated at their initial cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended use.

The cost of the Company's self-constructed assets includes the cost of all materials used in construction, direct labor on the project, financing costs that are directly attributable to the project, and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalized as soon as the asset is ready for its intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net proceeds from disposal and the carrying value of the asset) is included in profit or loss in the period in which the asset is derecognized.

Further expenditures on property, plant and equipment are capitalized to the extent that the flow of the future economic benefits is probable and these expenditures can be reliably measured.

Deprecation is computed under the straight-line method utilizing the useful economic lives of the assets, which are as follows:

Buildings and constructions	10-100 years
Machinery and equipment	5-14 years
Vehicles	4-15 years
Other assets	5-10 years
Equipment under financial lease agreements	3-14.5 years

Land is not depreciated.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of a) their carrying amount and b) fair value less costs to sell.

Intangible assets

Intangible assets that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. To compile the financial statements, the Company classifies intangible assets into following groups:

Class of intangible asset	Useful lives
License	5-15 years
Software	5-15 years
Other	1-10 years

Impairment of property, plant and equipment and intangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leases

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

The Company as a lessor

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

The Company as a lessee

Assets held under finance lease are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in statement of profit or loss and other comprehensive income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense evenly over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Inventories

Inventories are valued at the lower of cost or net realizable value. Costs of inventories are determined on the weighted average cost principle. Net realizable value is the estimated selling price in the ordinary course of the business, less the estimated cost of completion and estimated costs necessary to make the sale.

Other short-term financial investments

Short-term financial investments include short-term deposits with original maturity of between three months and one year.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

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

Financial assets

Loans and trade receivables

Trade receivables, loans issued and other receivables with fixed or determinable payments that are not quoted at the active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method less any impairment. Interest income is recognized by applying an effective interest rate, except short-term receivables when recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Derecognition of financial assets

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

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

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Company retains control), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial liabilities

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized using effective interest method.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are settled, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation (either based on legal regulations or implied) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

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

When some or all of an economic benefits on provision recovery is expected to be recovered by the third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Retirement benefit costs

In accordance with the legislative requirements of the Republic of Kazakhstan the Company pays into an cumulative pension funds the amount equivalent to 10% of each employee's salary but not more than 160,230 tenge per month (2014: 149,745 tenge per month). These amounts are expensed when they are incurred. Pension fund payments are withheld from employees' salaries and included with other salary costs in the statement of profit or loss and other comprehensive income.

Defined benefit scheme

In accordance with a Labor Union Agreement the Company provides certain benefits to its employees upon their retirement ("Defined Benefit Scheme"). Pursuant to this agreement, the Company provides the following benefits:

- one-time retirement grant;
- annual financial support to pensioners; and
- funeral aid.

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest income), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest income/(expense) is calculated by applying the discount rate at the beginning of the period to the net assets/(liabilities) of the pension plan as of that date.

Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Company presents the first two components of expenses in profit or loss as a part of cost of sales and in general and administrative expenses. The remeasurement category is reflected in other comprehensive income.

The retirement benefit obligation recognized in the statement of financial position represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

The discount rate for the Company's obligations to employee benefits obligations is determined by market yields on government securities on the reporting date. Based on the analysis of data on the Kazakhstan Stock Exchange (KASE), the average yield on government securities MEUKAM was 7.29%.

Income taxes

The income tax expense represents the sum of current tax payable and deferred income tax.

Current income tax

Currently tax payable is based on taxable income for the year. Taxable income differs from net profit as reported in the statement of comprehensive income as it excludes income or expense items that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current income tax is calculated using tax rate effective at the reporting date.

Deferred tax

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

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

A deferred tax asset or liability is recorded at tax rates that are expected to apply in the period when the liability is settled or the asset realized.

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

Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably. Sales are recognized less value added tax.

Revenues of the Company consists of:

a) the provision of local, domestic long-distance and international long-distance telephone services which consist of:
   (i) charge for telephone services, which vary depending on distance and duration of the telephone call, and
   (ii) monthly telephone service fee;
b) provision of Internet and data transmission services,
c) provision of telegraph services,
d) trunk rental,
e) provision of construction services and
f) other services, including conducting research and project activities, which includes urban planning, maintenance of trunk, international, long-distance and local connection, provision of information technology services, including the supply of software products, consulting services, and services for the implementation and maintenance of information systems.

The Company records revenue from services as follows:

(i) revenues from provision of local, domestic long distance and international long distance telephone services are recognized at the same period in which the corresponding services have been rendered;
(ii) monthly telephone service fees are recognized in the month in which the telephone services are provided to customer;
(iii) revenues from the Internet and data transmission services are recognized when the services are provided to customers;
(iv) revenues from trunk rent are recognized evenly during the period of the agreement;
(v) revenues from the services of telegraph are recognized when the services are provided to customers;
(vi) revenues from provision of other services are recognized as related services are provided to customers.

Changes in classification and accounting policy

Certain reclassifications have been made to the statement of financial position as of 31 December 2014 to conform to the presentation as of 31 December 2015, as the current year presentation provides a better view of the financial position of the Company. In 2015, the Company has revised presentation of trade accounts

receivable from related parties which are now presented in separate line item in the Company's statement of financial position. Previously they were shown within trade accounts receivable.

During 2015 the Company has revised presentation of property tax and other obligatory payments in the statement of profit or loss and other comprehensive income. Taxes and other obligatory payments, related to the property directly involved in rendering of services by the Company have been reclassified to cost of sales. Management believes that the current year presentation provides a better view of profit or loss for the period. Therefore, retrospective reclassifications have been made to the statement of profit or loss and other comprehensive income for year ended 31 December 2014 to comply with the presentation for the year ended 31 December 2015.

	Year ended 31 December 2014 (as previously reported)	Reclassification effect	Year ended 31 December 2014 (as reclassified)
Statement of financial position:			
Trade accounts receivable from related parties	-	4,624,752	4,624,752
Trade accounts receivable	5,310,939	(4,624,752)	686,187
Statement of profit or loss and other comprehensive income:			
Cost of sales	(14,407,853)	(203,049)	(14,610,902)
General and administrative expenses	(1,900,920)	203,049	(1,697,871)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying accounting policies

Finance lease – Company as a lessee

The Company entered into a finance lease of telecommunication equipment (see Note 14). Under the lease agreement the ownership of the equipment is not transferred to the lessee at the end of the lease term and the lease covers many separate assets. The Company determined that this lease mainly transfers all risks and rewards inherent in the title to this equipment, therefore the lease is classified as a finance one. Also management of the Company applied its judgment over lease payments allocation between the separate assets, and also for the determination of lease inception date and measurement of present value of minimum lease payments for every separate asset.

Key sources of estimation uncertainty

Employee benefits

The Company uses the actuarial method of evaluation to determine the carrying value of retirement benefit obligations and related current service cost (see Note 15). It requires use of demographic assumptions regarding future characteristics of existing and resigned employees to which benefits are due (mortality during and after

employment, statistics of changes in the number of employees, etc.), and financial assumptions (discount rate, future annual material aid, future annual minimum salary).
These assumptions including methods used may have a significant impact on the carrying value of retirement benefit obligations and the related current service cost.

Impairment of non-current assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

The determination of the recoverable amount of assets (or cash-generating units) involves the use of management estimates. Methods used to determine the value-in-use include discounted cash flow-based methods. These estimates, including the methodologies used, may have a material impact on the fair value and ultimately the amount of any impairment of non-current assets.

Allowance for doubtful debts

The Company creates allowance for doubtful receivables. Significant judgments are used to determine these provisions. In determining doubtful debts the historic and expected behavior of customers is considered. The changes in the economy or individual conditions of the customer can require adjustments of the allowance for doubtful debts in these financial statements. As at 31 December 2015 and 2014, allowance for doubtful debts were 687,753 thousand tenge and 681,549 thousand tenge, respectively.

Useful economic lives of property, plant and equipment

As disclosed in Note 3, the Company considers useful economic lives of property, plant and equipment at the end of each annual reporting period. The evaluation of the useful economic life of an asset depends on factors such as economic use, maintenance programs, technological improvements and other business conditions. The evaluation of useful economic lives of property, plant and equipment by management reflects relevant information available at the date of approval of these financial statements.

Estimation of litigation issues

The Company participates in the different litigation issues concerning its economic activities. The Company uses estimations to assess probability of unfavorable outcome from claims received or potential claims and their influence on a financial position or financial performance of the Company. Estimations are based on probability to win or lose dispute and the amount of probable payments. Differences between estimations and actually paid amounts if those arise in future accounting periods, may significantly affect the financial results of the Company.

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and constructions	Machinery and equipment	Vehicles	Other assets	Capital construction in progress	Total
Cost							
At 1 January 2014	206,496	2,473,992	36,200,267	203,661	342,043	9,950,893	49,377,352
Additions	206	-	31,717	-	19,939	31,214,922	31,266,784
Internal transfers	-	846,247	29,789,324	48,583	157,535	(30,841,689)	-
Transfer to intangible assets	-	-	-	-	-	(2,970,463)	(2,970,463)
Disposals	-	(80,840)	(75,855)	-	(16,713)	-	(173,408)
At 31 December 2014	**206,702**	**3,239,399**	**65,945,453**	**252,244**	**502,804**	**7,353,663**	**77,500,265**
Additions	-	133,894	53,152	882	19,162	12,320,712	12,527,802
Internal transfers	-	184,148	15,143,152	54,161	26,497	(15,407,958)	-
Reclassification	-	(16,730)	275,677	-	(258,947)	-	-
Transfer to intangible assets	-	-	-	-	-	(1,775,129)	(1,775,129)
Transfer to inventories	-	-	(94,200)	-	-	(105,740)	(199,940)
Transfer to non-current assets held for sale	(26,057)	(429,532)	-	-	-	-	(455,589)
Disposals	-	-	(19,826)	-	(273)	-	(20,099)
At 31 December 2015	**180,645**	**3,111,179**	**81,303,408**	**307,287**	**289,243**	**2,385,548**	**87,577,310**
Accumulated depreciation							
At 1 January 2014	-	(1,170,266)	(13,566,723)	(104,851)	(168,719)	-	(15,010,559)
Charge for the year	-	(114,965)	(3,872,089)	(20,462)	(60,594)	-	(4,068,110)
Provision for idle property, plant and equipment	-	(37,653)	1,459	-	41	-	39,153
Disposals	-	43,760	74,995	-	16,240	-	134,995
At 31 December 2014	**-**	**(1,203,818)**	**(17,362,358)**	**(125,313)**	**(213,032)**	**-**	**(18,904,521)**
Charge for the year	-	(161,711)	(5,919,229)	(29,387)	(28,689)	-	(6,139,016)
Reclassification	-	9,462	(104,996)	-	95,534	-	-
Disposals	-	-	19,803	-	278	-	20,081
Transfer to non-current assets held for sale	-	102,158	-	-	-	-	102,158
At 31 December 2015	**-**	**(1,253,909)**	**(23,366,780)**	**(154,700)**	**(145,909)**	**-**	**(24,921,298)**
Carrying value							
At 31 December 2014	**206,702**	**2,035,581**	**48,583,095**	**126,931**	**289,772**	**7,353,663**	**58,595,744**
At 31 December 2015	**180,645**	**1,857,270**	**57,936,628**	**152,587**	**143,334**	**2,385,548**	**62,656,012**

As at 31 December 2015 and 2014, the Company had property, plant and equipment received under finance lease agreement with net book value of 1,484,500 thousand tenge and 1,855,625 thousand tenge, respectively. Lessor's title for these leased assets is the collateral for the Company's financial lease obligations (see Note 14).

As at 31 December 2015, cost of fully depreciated property, plant and equipment amounted to 6,923,020 thousand tenge (31 December 2014: 4,090,643 thousand tenge).

During 2015 the Company capitalized borrowing costs for 228,417 thousand tenge (2014: 182,587 thousand tenge) (see Note 22).

As at 31 December 2015, capital construction in progress was presented, mainly, by the equipment and magistral fiber–optic network for the construction of a hardware-software complex of fiber-optic communication lines (hereinafter – "FOCL") and the equipment for the implementation of hardware-software complex of the locomotive level and locomotive depot level within the implementation of the strategic investment project "Automated control system for power dispatch traction" (hereinafter – "ACS PDT").

During 2015, the hardware-software system related to engines, digital equipment and magistral fiber-optic networks were transferred from construction in progress to the machinery and equipment group and transmission devices. The total costs recognized in the carrying amount of property, plant and equipment and intangible assets in the course of its construction during 2015 was 15,407,958 thousand tenge and 1,774,001 thousand tenge, respectively.

During December 2015 the Company concluded the agreement to sale a part of the administrative building owned by the Astanatranstelecom branch which is not used any more. No impairment loss was recognized in respect of the part of the building reclassified to assets held-for-sale as of 31 December 2015, because the management believes that the fair value (estimated at the current market prices of similar property with similar location) less selling expenses exceeds its carrying value, amounted as 353,431 thousand tenge.

There is no information on claims and other external limitations on usage of assets.

Capital commitments

In 2015, the Company concluded an agreement with KazBuildCommunicationService LLP No.138/06 dated 6 May 2015 on future purchase of property, plant and equipment. According to the agreement, contractor has to perform complex construction works related "Last mile" sections of fiber-optic telecommunication network at the railroad objects on total amount of 3,968,389 thousand tenge.

6. INTANGIBLE ASSETS

	Licenses	Software	Other	Total
Cost				
At 1 January 2014	450,387	315,152	4,422	769,961
Additions	1,139,720	381,187	1,451,223	2,972,130
Disposals	(501)	(3,658)	-	(4,159)
At 31 December 2014	1,589,606	692,681	1,455,645	3,737,932
Additions	75	-	-	75
Transfer from construction-in-progress (Note 5)	112,413	6,320	1,656,396	1,775,129
At 31 December 2015	1,702,094	699,001	3,112,041	5,513,136
Accumulated amortization				
At 1 January 2014	(84,141)	(97,371)	(3,912)	(185,424)
Charge for the year	(91,373)	(55,501)	(55,279)	(202,153)
Disposals	501	3,514	-	4,015
At 31 December 2014	(175,013)	(149,358)	(59,191)	(383,562)
Charge for the year	(206,533)	(117,484)	(422,565)	(746,582)
At 31 December 2015	(381,546)	(266,842)	(481,756)	(1,130,144)
Carrying value				
At 31 December 2014	1,414,593	543,323	1,396,454	3,354,370
At 31 December 2015	1,320,548	432,159	2,630,285	4,382,992

During 2015 and 2014, as part of the projects on Modernization and development of a transport and transit networks and ACS PDT the Company acquired intangible assets, which included licenses, software and services directly connected with installation of this software and systems and represented in other intangible assets.

As at 31 December 2015 and 2014, other intangible assets also include a land project in the amount of 331,989 and 380,327 thousand tenge respectively with useful life of 10 years, which provides limited right to the target use of land with the servitude for the operation of fiber-optic communication line to an existing magistral fiber-optical line.

7. OTHER NON-CURRENT ASSETS

	31 December 2015	31 December 2014
Advances paid	820,577	111,670
Long-term portion of value added tax ("VAT") recoverable	557,700	2,223,397
Non-current receivables from employees	652,699	-
	2,030,976	2,335,067

As at 31 December 2015, the Company reclassified the value added tax to other long-term assets in amount of 557,700 thousand tenge (2014: 2,223,397 thousand tenge), reimbursement of this amount is expected in a period which exceeds twelve months.

As at 31 December 2015 and 2014, advances paid are mainly represented by advances for design of construction of the magistral fiber-optical communication lines.

As at 31 December 2015, the Company purchased 45 apartments from NC KTZh JSC for 871,110 thousand tenge and sold them to employees on terms of repayment during next 15 years at 13.10% discount rate. Liabilities of employees are accounted as non-current receivables in amount of 652,699 thousand tenge.

8. INVENTORIES

	31 December 2015	31 December 2014
Spare parts	207,643	169,914
Materials	174,272	159,987
Fuel	20,267	16,131
Other	257,203	115,224
	659,385	461,256

As at 31 December 2015, inventories included emergency stock of the Company of 259,216 thousand tenge (31 December 2014: 265,474 thousand tenge).

9. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable of the Company were denominated in the following currencies:

	31 December 2015	31 December 2014
Tenge	727,554	521,895
USD	429,308	164,263
Russian Rubles	5,313	29
Евро	31,631	-
	1,193,806	686,187

10. OTHER CURRENT ASSETS

	31 December 2015	31 December 2014
VAT recoverable	1,115,371	543,757
Short-term receivables from employees (Note 7)	218,411	-
Interest receivable	100,015	-
Other short-term financial investments	58,947	30,238
Advances to suppliers	13,160	872,399
Prepaid taxes other than income tax	12,588	10,345
Receivables from employees	3,369	795
Other accounts receivable	603,685	575,563
	2,125,546	2,033,097
Allowance for doubtful debts	(529,059)	(528,395)
	1,596,487	1,504,702

For the years ended 31 December, the movement in the allowance for doubtful debts was presented as follows:

	2015	2014
Allowance for doubtful debts at the beginning of the year	(528,395)	(96,467)
Accrued during the year	(664)	(433,671)
Written-off during the year against previously created allowance	-	1,743
Allowance for doubtful debts at the end of the year	(529,059)	(528,395)

Short-term receivables from employees include short-term portion of prepaid expenses at discounted value in the amount of 188,627 thousand tenge and current portion of receivables in the amount of 29,784 thousand tenge.

For the years ended 31 December 2015 and 31 December 2014, other current assets were presented in following currencies:

	31 December 2015	31 December 2014
Tenge	1,562,530	1,504,702
USD	33,957	-
	1,596,487	1,504,702

11. CASH

	31 December 2015	31 December 2014
Deposits with maturities of less than 3 months	7,088,211	3,201,502
Cash on bank accounts	305,188	1,016,027
Petty cash	91	40
	7,393,490	4,217,569

Cash was denominated in the following currencies:

	31 December 2015	31 December 2014
Tenge	4,854,724	3,226,406
USD	2,538,409	991,064
Russian Ruble	353	88
Euro	4	11
	7,393,490	4,217,569

12. SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

Share capital

As at 31 December 2015 and 2014, the Company's issued and paid share capital equaled to 12,241,487 thousand tenge. The Shareholder is entitled to dividends, a portion of the Company's property in case of its liquidation, and preemptive right in purchasing the Company's shares or other securities convertible to the Company's shares.

In October 2013, the Shareholder of the Company took the decision to increase share capital by 6,610,000 thousand tenge by issuing additional shares with par value 1,000 tenge each, which in 2014 were purchased by the Shareholder using its pre-emptive rights. The contribution performed by cash.

On 30 April 2015, according to the decision of the Board of Directors of the Company payment of dividends were declared for the results of 2014 in the amount of 472,225 thousand tenge (2014: 83,748 thousand tenge).

As at 31 December 2015 and 2014, the Company did not have any preferred shares.

Additional paid-in capital

Additional paid-in capital is presented by difference between nominal and fair value of interest-free loan obtained from NC KTZh JSC in 2011, net of deferred tax.

13. BORROWINGS

	Currency	Maturity	Interest rate	31 December 2015	31 December 2014
Borrowings:					
Development Bank of Kazakhstan JSC ("DBK")	Tenge	2024	8.0%	24 372,567	15,243,667
Eurasian Development Bank ("EADB")	Tenge	2020	9.0%	18,161,549	12,561,846
Eurasian Development Bank ("EADB")	Tenge	2024	9.0%	7,584,456	7,297,514
Development Bank of Kazakhstan JSC ("DBK")	Tenge	2018	7.6%	6,821,705	9,093,726
				56,940,277	44,196,753
Less: current portions of long-term borrowings payable within 12 month				(9,350,138)	(2,904,577)
Less: not amortized part of lump-sum commission				-	(19,925)
				47,590,139	41,272,251

NC KTZh JSC is a guarantor with respect to the received loans.

The repayment schedule of principal amount of debt and accrued interest as of 31 December presented as follows:

	31 December 2015	31 December 2014
Within 1 year	9,350,138	2,904,577
1-2 years	9,152,393	6,860,520
2-3 years	9,152,393	7,303,157
3-4 years	6,925,043	7,303,157
More than 4 years	22,360,310	19,805,417
	56,940,277	44,176,828

14. FINANCE LEASE OBLIGATIONS

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Obligations under finance lease:				
Not more than 1 year	842,121	842,121	432,553	362,159
More than 1 year and not more than 5 years	2,671,566	3,513,687	2,021,227	2,447,763
	3,513,687	4,355,808	2,453,780	2,809,922
Less future finance charges	(1,059,907)	(1,545,886)	-	-
Present value of minimum lease payments	2,453,780	2,809,922	2,453,780	2,809,922
Included in the financial statements as:				
Current portion			432,553	362,159
Non-current portion			2,021,227	2,447,763

In December 2004, the Company entered into an agreement with TeleKRONA LLP according to which TeleKRONA LLP was obligated to construct a turnkey fiber-optic network during the period stipulated by the contract, and the Company was obliged to lease this network in parts as far as it is commissioned, for the period till 1 January 2020.

In October 2015, there was a transfer of ownership of leased network from TeleKRONA LLP to Grand Telecom LLP, which resulted in ratification of additional agreement according to which Grand Telecom LLP becomes a lessor from October 2015. There were no other amendments to lease terms.

For the year ended 31 December 2015, the Company incurred contingent rent expenses related to indexation of payments and change in VAT rate of 767,173 thousand tenge (2014: 333,611 thousand tenge).

For the year ended 31 December 2015 and 2014, average interest rate was 18.25% per annum. All lease obligations were denominated in tenge.

15. EMPLOYEE BENEFIT OBLIGATIONS

Employee retirement benefit obligations are payable in accordance with a Labor Union Agreement concluded between the Company and its employees for 2015-2017.

	31 December 2015	31 December 2014
Present value of employee benefit obligations	445,203	401,263
Liability falling due within one year	(32,796)	(34,854)
Liability falling due after one year	412,407	366,409

Below is the reconciliation of the carrying values of the defined benefit scheme obligations for the years ended 31 December:

	31 December 2015	31 December 2014
Total liabilities at the beginning of the year	401,263	379,617
Current service cost	19,482	17,683
Interest cost	27,596	23,916
Past service cost	10,615	-
Payments made during the year	(26,349)	(20,257)
Actuarial loss recognized in profit or loss for the year	26,799	5,736
Actuarial income recognized in other comprehensive income for the year	(14,203)	(5,432)
Total liabilities at the end of the year	445,203	401,263
Liability falling due within one year	(32,796)	(34,854)
Liability falling due after one year	412,407	366,409

For the year ended 31 December 2015, the Company recognized expenses on post-employment benefits of 84,492 thousand tenge, including actuarial loss in amount of 26,799 thousand tenge (2014: expenses of 47,335 thousand tenge, including actuarial loss in amount of 5,736 thousand tenge) recognized in profit or loss (see Notes 20 and 21).

Pension plans with fixed payments may result in actuarial risks for the Company, including risks associated with interest rates fluctuations, longevity risks and salary risks:

- Interest rate risk. Decrease in interest rates will increase the Company`s liabilities.
- Longevity risk. Current obligations are calculated taking into account mortality rates during working period, as well as after leaving the Company. Increase in expected longevity will increase the Company`s liabilities.
- Salary risk. Obligations are calculated based on future salaries. Increase in salaries will increase the Company`s liabilities.

The estimates of the Company's obligations were made on the basis of the published statistical data regarding mortality and the actual Company's data concerning the number, age, sex and experience of the employees' and pensioners' and the Company's employee's turnover statistics. Other principal assumptions at the reporting date were as follows:

	31 December 2015	31 December 2014
Discount rate	7.3%	6.7%
Expected annual increase of material assistance in future	5.9% (on average)	4.5%
Expected annual increase of minimal salary in future	7.2% (on average)	4.5%

The Defined Benefit Scheme is unfunded.

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher (lower), the defined benefit obligation would decrease by 44,966 thousand tenge (increase by 53,870 thousand tenge).
- If the expected growth rate of salary, inflation, monthly calculation index growth increases (decreases) by 1%, the defined benefit obligation would increase by 56,541 thousand tenge (decrease by 47,637 thousand tenge).
- If the life expectancy increases (decreases) by one year for both male and female, the defined benefit obligation would increase by 15,582 thousand tenge (decrease by 16,027 thousand tenge).
- If the employee turnover increases (decreases) by 1%, the defined benefit obligation would decrease by 11,575 thousand tenge (increase by 12,466 thousand tenge).

The presented above sensitivity analysis may not reflect actual changes in the defined benefit obligation; because it is unlikely that the change in assumptions would occur in isolation of one another (some assumptions are interrelated).

Furthermore, in sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method on the reporting date.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

16. TRADE ACCOUNTS PAYABLE

	31 December 2015	31 December 2014
Payable to other related and third parties	6,601,794	9,703,224
Payable to NC KTZh JSC and its subsidiaries (Note 23)	879,548	30,447
	7,481,342	9,733,671

Trade accounts payable of the Company was denominated in the following currencies:

	31 December 2015	31 December 2014
Tenge	7,310,541	9,624,696
USD	156,483	88,229
Russian Rubles	14,318	20,746
	7,481,342	9,733,671

As at 31 December 2015 and 2014, trade accounts payable of the Company are mainly represented by accounts payable for the purchase of property, plant and equipment, inventories and intangible assets.

17. OTHER CURRENT LIABILITIES

	31 December 2015	31 December 2014
Remuneration to key management	508,793	319,028
Provisions for unused vacations	249,617	225,242
Advances received from customers	222,772	46,635
Operating leasing liabilities	58,438	32,731
Accrued salaries	6,075	1,778
Other	194,843	208,941
	1,240,538	834,355

As at 31 December, advances received for the sale of a part of the building which belongs to the Astanatranstelecom branch was recognized as assets held for sale in amount of 134,723 thousand tenge (Note 5).

18. INCOME TAX

	2015	2014
Adjustment of current income tax of prior years	-	(561,069)
Deferred tax expense	1,044,815	769,288
Total income tax expense	1,044,815	208,219

Deferred tax amounts calculated by applying the statutory tax rates in effect at the respective reporting dates to the temporary differences between the tax basis of assets and liabilities and the amounts reported in financial statements, are as follows:

	31 December 2015	31 December 2014
Deferred tax assets		
Tax loss carryforward	590,547	1,119,224
Allowance for doubtful debts	137,511	136,271
Discount on apartments	113,176	-
Remuneration to employees	67,377	63,806
Provision for unused vacations	49,923	45,048
Taxes	10,692	10,387
Other provisions	11,629	71,138
Total deferred tax assets	980,855	1,445,874
Deferred tax liabilities		
Difference in carrying value of property, plant and equipment and intangible assets	(2,913,123)	(2,333,327)
Total deferred tax liabilities	(2,913,123)	(2,333,327)
Deferred tax liabilities, net	(1,932,268)	(887,453)

	2015	2014
Deferred tax liabilities, net, at the beginning of the year	(887,453)	(118,165)
Deferred tax recognized in profit or loss	(1,044,815)	(769,288)
Deferred tax liabilities, net, at the end of the year	(1,932,268)	(887,453)

In 2015 and 2014, the statutory effective income tax rate in Kazakhstan was 20%.

As at 31 December 2015, tax loss carried forward amounted to 2,952,737 thousand tenge (31 December 2014: 5,596,120 thousand tenge). In accordance with tax code of the Republic of Kazakhstan, tax loss carried forward, which is recognized for tax purposes, is expired within ten years from the origination date. Accordingly, most of the Company's tax losses carried forward as of 31 December 2015 will expire in 2023-2024 for tax purposes.

Below is a reconciliation of theoretical income tax with the actual income tax expense recorded in the Company's statement of profit or loss and other comprehensive income:

	2015	2014
Profit before income tax expense	5,555,740	3,356,383
Tax at statutory rate 20%	1,111,148	671,277
Reverse of previously charged accruals based on act of tax audit (see Note 25)	(56,107)	(127,511)
Adjustments of the current income tax of previous years (see Note 25)	-	(561,069)
Effect of other permanent differences	(10,226)	225,522
Income tax expenses	1,044,815	208,219

19. REVENUE FROM RENDERING SERVICES

	2015	2014
Revenue from NC KTZh JSC and its subsidiaries (see Note 23)	24,664,521	17,171,422
Revenue from sale of goods and services to third parties and other related parties	8,004,553	4,444,761
	32,669,074	21,616,183

In 2015, sales to NC KTZh JSC and its subsidiaries approximated 75% of the total revenue amount (2014: 79%).

The table below presents the Company's revenue for the years ended 31 December by the type of services provided:

	2015	2014
Trunk rent	9,874,077	5,515,100
Project ACS PDT	9,460,492	5,158,433
Internet	2,632,833	1,656,634
Telegraph	1,957,589	2,571,531
Rent of data transmission lines	1,525,824	1,282,600
Long-distance and international connection	1,240,069	1,394,133
Service of the industrial-engineering communication tools at KazTransOil JSC	1,180,378	-
International transit	1,153,498	835,862
Implementation and support of IT infrastructure	870,003	-
Local connection	850,838	907,304
Project ISU Park	712,185	377,794
Modernization of hierarchical system SCADA project at KazTransOil JSC	477,340	-
Project Expo 2017	312,500	303,571
Project ACS Magistral	178,524	1,345,460
Providing services by 105 call center	52,367	-
Construction services for the implementation of interval traffic control system	-	159,822
Other revenues	190,557	107,939
	32,669,074	21,616,183

From November 2013 and during 2015, the Company provided services within the project ACS PDT to Locomotive JSC, which involves complex automation of business processes in the locomotive sector.

20. COST OF RENDERING SERVICES

	2015	2014
Depreciation and amortization	6,708,401	4,135,824
Salary	3,749,714	3,031,378
Third party services	3,282,559	2,020,575
Operating lease expenses	1,737,176	1,086,710
Materials	1,621,295	1,280,122
Communication expenses	1,041,493	991,028
Professional services	1,035,219	705,244
Social tax	364,388	300,215
Taxes and other related expenses included in cost of sales (other)	308,325	161,552
Electricity	163,395	112,823
Business trip expenses	138,029	107,764
Fuel	91,832	82,975
Employee benefits obligations (Note 15)	69,861	41,497
Insurance expenses	53,407	56,579
Personnel training	45,854	31,189
Accrual of provision for unused vacations	19,511	82,973
Construction services for the implementation of interval traffic control system	-	146,951
Other expenses	410,637	235,503
	20,841,096	14,610,902

Third party services consists of subcontractors' services within the projects of ACS PDT, ACS Magistral, ISU Park and Expo 2017 and KazTransOil in the amount of 1,736,831 thousand tenge (2014: 1,045,789 thousand tenge), 53,941 thousand tenge (2014: 440,252 thousand tenge), 668,023 thousand tenge (2014: 356,409 thousand tenge) and 292,431 thousand tenge (2014: 178,125 thousand tenge), and 531,333 thousand tenge (2014: nil), respectively.

21. GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
Salary	871,118	845,214
Professional services	553,883	94,306
Provision on remuneration of executive personnel	336,886	199,508
Taxes, other than income tax	278,058	29,156
Depreciation and amortization	177,197	134,439
Social tax	100,973	80,076
Rent expenses	98,122	90,075
Bank services	43,127	41,961
Business trip and representative expenses	42,906	36,353
Personnel training	35,618	20,367
Advertisement expenses	26,118	54,318
Employee benefits obligations (Note 15)	14,631	5,838
Insurance expenses	14,336	22,263
Materials	10,415	9,619
Accrual of allowance for doubtful debts	6,687	439,404
Accrual of provisions for unused vacation	4,864	19,674
Expenses of assets disposal	18	93,993
Recovery of VAT, fines and penalties provision (Note 25)	(280,535)	(637,555)
Recovery of provision for idle property, plant and equipment	-	(39,153)
Other expenses	198,949	158,015
	2,533,371	1,697,871

21. FINANCE COSTS

	2015	2014
Interest expense on borrowings	4,267,602	2,315,467
Interest expense on financial lease	479,963	526,275
Contingent rent payments (see Note 14)	767,173	333,611
	5,514,738	3,175,353
Less borrowing costs capitalized to the cost of qualifying assets (see Note 5)	(228,417)	(182,587)
	5,286,321	2,992,766

22. RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is paid to the substance of the relationship, and not merely the legal form.

Related parties may enter into transactions in which non-related parties may not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between non-related parties.

The nature of related parties' relationships for those related parties with which the Company entered into significant transactions or had significant balances outstanding as at 31 December 2015 and 2014, are detailed below.

As at 31 December, amounts due to and from related parties (NC KTZh JSC and its subsidiaries and associates) comprised the following:

	Due from related parties		Due to related parties (Note 16)	
Company name	31 December 2015	31 December 2014	31 December 2015	31 December 2014
NC KTZh JSC	5,091,190	3,074,757	876,614	3,232
Locomotive JSC	5,415,883	1,401,494	-	-
Passenger Transportations JSC	29,649	42,069	-	-
Kaztemirtrans JSC	26,995	30,955	601	-
Kamkor Repair Corporation LLP	107	25,179	-	1,020
Other	68,108	30,239	2,333	26,195
	10,631,932	4,604,693	879,548	30,447

Transactions with related parties (NC KTZh JSC and its subsidiaries and associates) for the years ended 31 December were presented as follows:

	Services provided (Note 19)		Services received	
Company name	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
NC KTZh JSC	14,104,114	10,765,051	95,369	96,161
Locomotive JSC	9,574,450	5,313,143	36,063	6,902
Passenger Transportations JSC	398,888	534,675	182	8
Kaztemirtrans JSC	267,250	213,800	77,076	67,909
Militarized Railway Guard JSC	58,921	69,371	-	123,279
Locomotive Service Centre JSC	22,781	25,322	2,055	307
Kaztransservice JSC	36,330	38,852	107	100
Other	201,787	211,208	57,080	51,556
	24,664,521	17,171,422	267,932	346,222

The amounts due to and from other related parties as at 31 December, comprised the following:

	Due from related parties		Due to related parties	
Company name	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
KazTransOil JSC	213,529	-	28,048	-
Samruk-Kazyna Contract LLP	32,908	-	2,166	366
Kazakhtelecom JSC	6,911	11,628	29,238	59,430
Kedentransservice JSC	888	1,024	-	27
Other	6,629	7,407	4,153	2,807
	260,865	20,059	63,605	62,630

Transactions with other related parties for the years ended 31 December, were presented as follows:

	Services provided		Services received	
Company name	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
KazTransOil JSC	1,657,717	-	-	-
Kazakhtelecom JSC	136,880	182,811	352,302	560,925
Samruk-Kazyna Contract LLP	29,382	-	19,403	10,131
Kedentransservice JSC	9,955	11,751	-	-
Other	60,510	67,178	56,549	37,014
	1,894,444	261,740	428,254	608,070

As at 31 December 2015, the Company's key management personnel was comprised of 11 persons. For the year ended 31 December 2015, compensation to the key management personnel was 182,389 thousand tenge. As at 31 December 2014, the Company`s key management personnel was comprised of 13 persons. For the year ended 31 December 2014, compensation to the key management personnel was 114,956 thousand tenge. During 2015, the Company accrued provision for remuneration of key management personnel in amount of 336,886 thousand tenge (2014: 119,508 thousand tenge).

23. FINANCIAL INSTRUMENTS

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to the Shareholders through optimization of the debt and equity balances. The Company's overall strategy remains unchanged since 2014.

The capital structure of the Company comprises the share capital as disclosed in Note 12, additional paid-in capital and retained earnings.

Categories of financial instruments

As at 31 December, financial instruments were presented as follows:

	2015	2014
Financial assets		
Cash	305,279	1,016,067
Deposits with maturities less than 3 months	7,088,211	3,201,502
Other short-term financial investments	58,947	30,238
Trade accounts receivable	12,086,603	5,310,939
Other current assets	127,789	-
Non-current receivables	275,444	-
Financial liabilities		
Trade accounts payable	7,481,342	9,733,671
Other current liabilities (excluding provision and advances received from customers)	259,356	243,450
Finance lease obligations	2,453,780	2,809,922
Borrowings	56,940,277	44,176,828

Objectives of financial risk management

The Company controls and manages the financial risks relating to the operations of the Company through internal risk reports, which analyze exposures by degree and magnitude of risks. These risks include the risks connected with the Company's capital structure, decrease in profitability, fluctuations of exchange rates, credit risks and fluctuations of interest rates, etc. The following is a description of the Company's risk management policy.

Market risk

The Company's operations are primarily exposed to financial risks of changes in exchange rates (see Currency risk management below) and in interest rates (see Interest rate risk management below). The Company does not enter into agreements on derivative financial instruments to manage its exposure to interest rate risk and currency risk, since the management believes that such exposure will not have any material impact on the financial statements.

Currency risk management

The Company undertakes transactions denominated in foreign currencies. It causes the risk of loss due to changes in exchange rates. The Company also has assets and liabilities denominated in foreign currencies.

The carrying value of the Company's monetary assets and monetary liabilities denominated in foreign currencies as at 31 December was presented as follows:

	Assets		Liabilities	
	2015 000'KZT	2014 000'KZT	2015 000'KZT	2014 000'KZT
USD	3,001,674	1,155,327	156,483	88,229
Russian Rubles	5,666	117	14,318	20,746
Euro	31,635	11	-	-

Foreign currency sensitivity analysis

The Company is mainly exposed to the risk of changes in the exchange rate.

The following table details the Company`s sensitivity to a 30% increase or decrease in tenge against USD. 30% is the sensitivity rate used in internal foreign currency risk reports to the key management and represents management`s assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis focuses only on unregulated monetary resources in foreign currency and corrects them at the end of period taking into account 30% changes in foreign exchange rates.

	Impact of USD	
	2015	2014
Financial assets	(900,502)	(346,598)
Financial liabilities	46,945	26,469

The sensitivity analysis includes: a) external loans and accounts payable, b) receivables when loans or receivables/payables are represented in foreign currency, c) cash and cash equivalents in foreign currency.

Above-stated table represents the change of a currency position of the Company because of 30% strengthening and weakening tenge relatively the corresponding currency. Currently, the Company has open, long currency position. It indicates that assets of the Company exceed liabilities with respect to particular foreign currency.

As at 31 December 2015 and 2014, currency risk is primarily attributable to the risk on accounts receivable and accounts payable denominated in USD.

Credit risk management

Credit risk is primarily connected to trade accounts receivable and other current assets. The company has significant concentration of credit risk with respect to NC KTZh JSC and its subsidiaries and associates. For the year ended on 31 December 2015, 75% of the Company`s revenue resulted from NC KTZh JSC and its subsidiaries and associates (2014: 79%). As at 31 December 2015, 88% of the Company`s total trade receivables resulted from NC KTZh JSC and its subsidiaries (2014: 87%).

Carrying amounts of financial assets recognized in financial statements of the Company, less provision for impairment, represent the maximum value of credit risk.

Interest rates risk management

As at 31 December 2015, the Company does not have assets and liabilities with floating interest rates which results in the management`s decision not to disclose sensitivity analysis with respect to interest rates fluctuations. Risks related to interest rates are managed through contracting loans with fixed interest rates. However, according to loan agreements interest rates can be reconsidered in case of fluctuations of market interest rates. This, in fact, can lead to decrease in general profitability and/or increase in cash outflow on borrowings of the Company.

Liquidity risk management

Ultimate responsibility for liquidity risk management lies on with the Company's Shareholder, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Liquidity risk and interest rate risk tables

The following tables reflect contractual terms of the Company on its non-derivative financial liabilities. The table was prepared on the base of non-discounted cash flows projected on financial liabilities as at the earliest date when the Company may be required to repay. The table includes cash flows on both interest and principal payments.

	Interest rate	Up to 1 year	1-5 years	Over 5 years	Total
31 December 2015					
Financial assets					
Interest-free					
Cash	-	305,279	-	-	305,279
Trade accounts receivable	-	12,086,603	-	-	12,086,603
Interest receivables	-	100,015	-	-	100,015
Interest-bearing					
Deposits with maturities less than 3 months	5.2-14.9%	7,088,211	-	-	7,088,211
Receivables from employees	13.10%	29,784	81,065	194,379	305,228
Other short-term financial investments	5.2-37%	58,947	-	-	58,947
Total financial assets		19,668,839	81,065	194,379	19,944,283
Financial liabilities					
Interest-bearing					
Finance lease obligations	18.25%	842,121	2,671,566	-	3,513,687
Loans with fixed interest rate	7.6-9%	10,172,128	44,825,570	16,424,129	71,421,827
Interest-free					
Trade accounts payable	-	7,481,342	-	-	7,481,342
Other financial liabilities	-	259,356	-	-	259,356
Total financial liabilities		18,754,947	47,497,136	16,424,129	82,676,212
Net financial assets/(liabilities)		913,892	(47,416,071)	(16,229,750)	(62,731,929)

31 December 2014					
Financial assets					
Interest-free					
Cash	-	1,016,067	-	-	1,016,067
Trade accounts receivable	-	5,310,939	-	-	5,310,939
Interest-bearing					
Deposits with maturities less than 3 months	6.5%	3,201,502	-	-	3,201,502
Other short-term financial investments	6.5%	30,238	-	-	30,238
Total financial assets		9,558,746	-	-	9,558,746
Financial liabilities					
Interest-bearing					
Finance lease obligations	18.25%	842,121	3,513,687	-	4,355,808
Loans with fixed interest rate	7.6%-9%	6,220,313	35,511,568	17,355,213	59,087,094
Interest-free					
Trade accounts payable	-	9,733,671	-	-	9,733,671
Other financial liabilities	-	243,450	-	-	243,450
Total financial liabilities		17,039,555	39,025,255	17,355,213	73,420,023
Net financial liabilities		(7,480,809)	(39,025,255)	(17,355,213)	(63,861,277)

The Company believes it will settle all other liabilities against cash inflows from operating activities and the proceeds from financial assets that are going to be matured in the near future.

Fair value of financial instruments

As at 31 December 2015 and 2014, the management of the Company considers that the carrying amount of financial assets and financial liabilities recorded at amortized cost in the financial statement approximate their fair values, except for borrowings received from international and Kazakhstani development institutions. For the purpose of fair value assessment, the Company determines described instruments' fair value hierarchy as level 2.

The fair value of the borrowings received from international and Kazakhstani development institutions – EADB, and DBK equaled to 50,413,936 thousand tenge. For the purpose of fair value assessment, the Company determines described instruments' fair value hierarchy as level 2.

24. COMMITMENTS AND CONTINGENCIES

Operating environment

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

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2015 and then in the first quarter of 2016, the oil price decreased significantly, which led to significant decrease in national export revenue. On 20 August 2015, the Government and the National Bank of Kazakhstan announced a transition to a new monetary policy based on free floating tenge exchange rate, and cancelled the currency corridor. In 2015 and in the first quarter of 2016 tenge depreciated significantly against major foreign currencies.

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

Legal issues

Kazakhstan Transit Telecommunications LLP

During 2011-2015, the Company participated in trials with Kazakhtsan Transit Telecommunications LLP (KT&T hereafter). As a result financial statements for year ended 31 December 2013 includes provisions on taxes and penalties in the amount of 1,479,161 thousand tenge, which were reversed consequently in the amount of 1,198,626 thousand tenge after recognition of the decision of Tax Department as invalid. During 2015 the Company reversed the remaining provision in the amount of 280,535 thousand tenge, which was excessively charged (see below "Tax and regulatory environment").

On 19 January 2015 according to decision of the Appeal judicial board of the Almaty city court, KT&T LLP was declared bankrupt with initiation of procedure of bankruptcy and appointment of the temporary administrator.

On 5 November 2015, specialized interdistrict court of Almaty made a decision to prolong bankruptcy proceedings by 19 January 2016. As a result of creditors meeting on 19 January 2016, the decision was made to prolong bankruptcy proceedings for three months from 19 January 2016 to 19 April 2016 and sell the property of KT&T by two lots.

In 2015, based on decision of Appellate judicial board of Almaty No.1a-752/2014 dated on 27 October 2014, the Company attained a right to demand compensation for material damage from Abdrahmanov M.M. in the amount of 2,098,794 thousand tenge for embezzling consigned property.

Tax and regulatory environment

The government of the Republic of Kazakhstan continues to reform the business and commercial infrastructure in its transition to a market economy. As a result, laws and regulations affecting businesses continue to change rapidly. These changes are characterized by poor drafting, different interpretations and arbitrary application by the authorities.

In particular, taxes are subject to review and investigation by a number of authorities enabled by law to impose fines and penalties. The lack of references to established provisions in Kazakhstan leads to the lack of clarity and integrity of the provisions. Frequent contradictions of legal interpretations both within state authorities and between the companies and state authorities create uncertainties and discrepancies. These facts create tax risks in Kazakhstan which are more significant than those generally available in countries with more developed tax systems.

Tax authorities are entitled to review accounting records during five years after the end of the period, in the course of which the taxable base is determined and taxes payable are assessed. Therefore, the Company can be subject to additional tax liabilities which can arise as a result of tax audits. The Company believes it has adequately provided for all tax liabilities based on its understanding of the tax legislation.

During 2013, Tax Department of Astana carried out a complex tax inspection of the Company for period 2007-2011. Based on the results of the inspection, taxes and penalties on amount of 1,201,479 thousand tenge were imposed on the Company.

The company recognized and reflected in the financial statements additional accrual of the taxes, related to an arithmetic mistake in amount of 2,853 thousand tenge. Based on the results of tax inspection, provision was created for 1,479,161 thousand tenge, which relates to the agreement on joint activity (see above). On 1 September 2014, based on the decision of Specialized interdistrict court of Astana No.02-3907-14 dated 28 May 2014 related to the appeal of the charged taxes and penalties, provisions were reversed in the amount of 1,198,626 thousand tenge. During 2015 the Company reversed corporate income tax for 280,535 thousand tenge (Note 21).

Environmental issues

The Company believes it is currently in compliance with all existing environmental, healthcare and labor safety laws and regulations of the Republic of Kazakhstan. However, these laws and regulations may change in the future. The Company is unable to predict the timing or extent to which these environmental, healthcare and

labor safety laws and regulations may change. Such change, if it occurs, may require the Company to modernize technology to meet more stringent standards.

Antimonopoly legislation

As stated in Note 1, the Company was included into the Republican section of the State Register of Natural Monopolies for telephone traffic services (local, long-distance, mobile operators) provided to communication operators. The antimonopoly regulation requires the Company to apply tariffs established for regulated communication services and to submit reports to the Kazakhstan Agency for Regulation of Natural Monopolies and Protection of Competition. In addition, the Company was included into the State Register of market participants enjoying a dominant (monopolistic) position in a certain commodity market of local telephone and telegraph services. The management believes that the Company complies with the requirements of the anti-monopoly legislation.

Compliance with loan covenants

The Company has to comply with covenants of the loan agreements with DBK and EADB. The management believes that the Company fully complied with loan covenants during the year ended 31 December 2015, and as at that date.

Finance lease obligations

As discussed in Note 14, the Company entered into the agreement for the financial lease of equipment till 1 January 2020. The original agreement amount was 19,317,000 thousand tenge, including VAT. Following the additional agreement as at 2 April 2009, the agreement amount was reduced to 14,483,297 thousand tenge, of which 10,273,378 thousand tenge were paid as at 31 December 2015 (31 December 2014: 9,304,939 thousand tenge).

25. EVENTS AFTER THE REPORTING DATE

On February 2016, the Company borrowed 508,367 thousand tenge, with maturity in June 2024, within the credit line agreement signed with Development Bank of Kazakhstan on realization of the FOCL project on the amount of 25,420,927 thousand tenge (Note 13). A grace period till June 2016 is granted for principal amount repayment, after which principal amount on the loan is payable in semi-annual instalments. Interest on the loan are payable in semi-annual instalments with annual interest rate of 8%. The loan was obtained under the guarantee of NC KTZh JSC.

On January 2016, the Company sold to the third party a part of administrative building of "Izumrudnyi Kvartal" for total amount of 396,244 thousand tenge including VAT, which was transferred at the reporting date to assets held for sale (Note 5).

26. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by management of the Company and authorized for issue on 11 March 2016.