

TRANSTELECOM JSC

Financial Statements
for the Year Ended 31 December 2018

TRANSTELECOM JSC

TABLE OF CONTENTS

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018	1
INDEPENDENT AUDITOR'S REPORT	2-4
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018:	
Statement of Financial Position	5
Statement of Profit or Loss and Other Comprehensive Income	6
Statement of Changes in Equity	7
Statement of Cash Flows	8-9
Notes to the Financial Statements	10-57

TRANSTELECOM JSC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2018

Management is responsible for the preparation of the financial statements that present fairly the financial position of Transtelecom JSC (the "Company") as at 31 December 2018, and the 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 a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the 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 show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with IFRS and legislation of the Republic of Kazakhstan;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- detecting and preventing fraud and other irregularities.

The financial statements for the year ended 31 December 2018 were authorized by the management of the Company and approved for issue on 20 May 2019.

On behalf of Company management:

D. T. Zhexembekov
Acting President

20 May 2019
Nur-Sultan

K. S. Bozchshina
Chief Accountant

20 May 2019
Nur-Sultan

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Transtelecom JSC

Opinion

We have audited the financial statements of Transtelecom JSC, which comprise the statement of financial position as at 31 December 2018, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Emphasis of Matter

As described in Notes 23 and 19 to the financial statements, 71% of the Company's trade accounts receivable as at 31 December 2018 and 51% of its revenue from contracts with customers for the year ended 31 December 2018 were to National Company Kazakhstan Temir Zholy JSC (NC KTZh JSC) and its subsidiaries, which are related parties of the Company. Our opinion is not modified in respect of this matter.

We draw attention to Note 25 to the financial statements, which describes the uncertainty related to the outcome of the unresolved issue between NC KTZh JSC and the Company in respect of the payment of dividends declared for 2015. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Daulet Kuatbekov
Qualified Auditor
Qualification certificate No. 0000523,
dated 15 February 2002,
Republic of Kazakhstan

20 May 2019
Almaty

TRANSTELECOM JSC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(in thousands of tenge)

	Notes	31 December 2018	31 December 2017
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	6	74,515,648	60,018,120
Intangible assets	7	4,720,758	3,558,749
Other non-current assets	8	2,705,552	5,864,701
		81,941,958	**69,441,570**
CURRENT ASSETS:			
Inventories		941,552	1,333,086
Trade accounts receivable from related parties	23	18,460,166	7,249,101
Trade accounts receivable	9	3,705,991	3,056,320
Prepaid income tax		1,397,682	917,530
Other current assets	10	688,401	2,240,646
Advances paid		166,272	371,505
Cash and cash equivalents	11	1,612,814	3,193,658
		26,972,878	**18,361,846**
TOTAL ASSETS		**108,914,836**	**87,803,416**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	13	12,241,487	12,241,487
Additional paid-in capital	13	244,190	244,190
Retained earnings		13,653,859	12,346,486
		26,139,536	**24,832,163**
NON-CURRENT LIABILITIES:			
Long-term borrowings	14	38,851,836	34,126,544
Long-term portion of finance lease obligations	15	577,964	1,526,422
Employee benefit obligations		463,595	379,700
Deferred tax liabilities	18	4,139,571	3,470,534
Deferred revenue		15,982	-
		44,048,948	**39,503,200**
CURRENT LIABILITIES:			
Short-term borrowings and current portion of long-term borrowings	14	13,416,145	12,984,884
Current portion of finance lease obligations	15	1,242,650	481,521
Trade accounts payable	16	17,674,958	6,213,225
Dividends payable	13	2,339,661	2,162,824
Taxes payable and other obligatory payments		345,721	279,918
Other current liabilities	17	3,671,531	1,318,135
Current portion of employee benefit obligations		35,686	27,546
		38,726,352	**23,468,053**
TOTAL LIABILITIES		**82,775,300**	**62,971,253**
TOTAL EQUITY AND LIABILITIES		**108,914,836**	**87,803,416**

On behalf of Company management:

D. T. Zhexembekov
Acting President

20 May 2019
Nur-Sultan

K. S. Bozchshina
Chief Accountant

20 May 2019
Nur-Sultan

The notes below are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of tenge)

	Notes	2018	2017
REVENUE	19	74,691,339	71,022,449
COST OF SALES	20	(57,506,993)	(53,898,837)
GROSS PROFIT		**17,184,346**	**17,123,612**
General and administrative expenses	21	(7,012,642)	(4,369,123)
OPERATING PROFIT		**10,171,704**	**12,754,489**
Finance costs	22	(5,832,792)	(5,988,767)
Finance income		485,842	257,117
Foreign exchange gain/(loss), net		98,169	(275,632)
Other income, net		314,495	81,933
PROFIT BEFORE INCOME TAX		**5,237,418**	**6,829,140**
INCOME TAX EXPENSE	18	(1,288,356)	(1,497,538)
PROFIT FOR THE YEAR		**3,949,062**	**5,331,602**
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation		(29,718)	4,710
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,919,344**	**5,336,312**

On behalf of Company management:

D. T. Zhexembekov
Acting President

20 May 2019
Nur-Sultan

K. S. Bozchshina
Chief Accountant

20 May 2019
Nur-Sultan

The notes below are an integral part of these financial statements.

TRANSTELECOM JSC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of tenge)

	Share capital	Additional paid-in capital	Retained earnings	Total equity
As at 1 January 2017	**12,241,487**	**244,190**	**11,346,724**	**23,832,401**
Profit for the year	-	-	5,331,602	5,331,602
Other comprehensive income for the year, net of income tax	-	-	4,710	4,710
Total comprehensive income for the year	-	-	5,336,312	5,336,312
Dividends (Note 13)	-	-	(4,336,550)	(4,336,550)
As at 31 December 2017	**12,241,487**	**244,190**	**12,346,486**	**24,832,163**
Effect of the application of IFRS 9 (Note 3)	-	-	(212,750)	(212,750)
As at 1 January 2018 (restated)	**12,241,487**	**244,190**	**12,133,736**	**24,619,413**
Profit for the year	-	-	3,949,062	3,949,062
Other comprehensive income for the year, net of income tax	-	-	(29,718)	(29,718)
Total comprehensive income for the year	-	-	3,919,344	3,919,344
Dividends (Note 13)	-	-	(2,399,221)	(2,399,221)
As at 31 December 2018	**12,241,487**	**244,190**	**13,653,859**	**26,139,536**

On behalf of Company management:

D. T. Zhexembekov
Acting President

20 May 2019
Nur-Sultan

K. S. Bozchshina
Chief Accountant

20 May 2019
Nur-Sultan

The notes below are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of tenge)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		5,237,418	6,829,140
Adjustments for:			
Finance costs	22	5,832,792	5,988,767
Depreciation and amortisation	20, 21	8,460,511	7,793,953
Accrual of allowance for doubtful debts		42,027	30,458
Accrual of allowance for other long-term assets		1,102,052	-
Change in provision on remuneration of executive personnel	21	1,065,590	367,775
Recovery of provision for staff reduction		-	(4,980)
Accrual of VAT, fines and penalties provision		-	10,743
Foreign exchange (gain)/loss, net		(98,169)	275,632
Finance income		(485,842)	(257,117)
Loss from disposal of property, plant and equipment and intangible assets		93,254	22,452
Employee benefit obligations		127,690	27,868
Cash flows from operating activities before changes in working capital and other balances		**21,377,323**	**21,084,691**
Changes in working capital and other balances:			
Change in trade accounts receivable		(12,556,856)	3,499,517
Change in inventories		391,534	(642,555)
Change in advances paid		(205,233)	2,945,013
Change in other current and non-current assets		1,554,798	(1,392,477)
Change in trade accounts payable		8,640,521	(1,684,736)
Change in taxes payable and other obligatory payments		413,913	18,644
Change in advances received		(45,231)	(6,704,357)
Change in other current liabilities		1,321,015	(202,461)
Change in employee benefit obligations		(65,373)	(34,303)
Cash generated from operating activities		20,826,411	16,886,976
Interest paid		(6,102,536)	(6,481,525)
Interest received		64,545	267,717
Income tax paid		(1,447,581)	(1,680,741)
Net cash generated by operating activities		**13,340,839**	**8,992,427**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment and advances paid for non-current assets		(17,297,219)	(10,445,270)
Purchase of intangible assets		(1,616,264)	(575,086)
Withdrawal of deposit accounts		47,981	26,965
Net cash used in investing activities		**(18,865,502)**	**(10,993,391)**

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of tenge)

	Notes	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings	15.1	(12,302,443)	(9,282,442)
Proceeds from borrowings	15.1	17,780,175	3,000,000
Dividends paid	15.1	(998,781)	(606,245)
Repayment of finance lease obligations	15.1	(485,533)	(811,224)
Net cash generated by/(used in) financing activities		**3,993,418**	**(7,699,911)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		(1,531,245)	(9,700,875)
Effects of foreign exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(44,741)	(221,012)
Allowance for cash and cash equivalents		(4,858)	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	11	**3,193,658**	**13,115,545**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	11	**1,612,814**	**3,193,658**

On behalf of Company management:

D. T. Zhexembekov
Acting President

20 May 2019
Nur-Sultan

K. S. Bozchshina
Chief Accountant

20 May 2019
Nur-Sultan

The notes below are an integral part of these financial statements.

1. NATURE OF OPERATIONS

Transtelecom JSC (the "Company") was established in accordance with Kazakhstan law in 1998 as a state subsidiary entity. In 2004, The Company was reorganised 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 Nur-Sultan (Astana) on 17 April 2012 in connection with relocation of central office to Nur-Sultan (Astana).

The primary activity of the Company is the provision of a wide range of telecommunications and IT services, the implementation of a full range of construction and installation works, as well as conducting survey and design activities on the territory of the Republic of Kazakhstan. As at 31 December 2018 and 2017, the Company had 13 branches in different cities of the Republic of Kazakhstan.

On 19 June 2018, the Board of Directors decided to establish representative offices of Transtelecom JSC in China (Shenzhen). In addition, the regulation on representative office of Transtelecom JSC in China (Shenzhen) was approved.

As at 31 December 2018, representative offices of Transtelecom JSC in Minsk and Moscow were opened, acting on the basis of regulations dated 27 December 2017.

According to the Order No.16-ОД of the Agency of the Republic of Kazakhstan on Regulation of Natural Monopolies "On Republican Section of the State Register of Natural Monopolies" dated 24 January 2005, the Company was included in the Republican section of the State Register of Natural Monopolies as a provider of service for usage of telephone underground conduits. In addition, based on the Order No.494-ОД dated 31 December 2015 of the Regulation of Natural Monopolies Committee and based on the order No.212-ОД dated 12 August 2016 of Ministry of National Economy of the Republic of Kazakhstan, the Company was included into the State Register of the companies with dominant (monopolistic) position on a certain commodity market for the following types of services:

- telegraph service;
- service for leasing direct pairs (lines);
- service of primary access to the Internet (for telecom operators);
- internet access services for ultimate customers.

As at 31 December 2018, the shareholders of the Company were Joint Stock Company National Company Kazakhstan Temir Zholy (NC KTZh JSC) (51%) and Mukhanov Marlen Savitovich (49%).

National Welfare Fund Samruk-Kazyna JSC on behalf of the Government is an ultimate shareholder of NC KTZh JSC.

On 16 April 2018, the sale-purchase contract between Mukhanov M. S. and NC KTZh JSC to sell 26% minus one share of Transtelecom JSC to Mukhanov M. S. was concluded. As at 31 December 2018 the transaction had not been completed.

The head office of the Company is located at the following address: 10 Kunayev Str., Nur-Sultan, 010000, Republic of Kazakhstan.

2. STATEMENT OF COMPLIANCE

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New and amended IFRS Standards that are effective for the current year

In the current year, the Company applied a number of standards, amendments and interpretations, which affected the amounts in the financial statements for the reporting period.

- IFRS 9 *Financial Instruments*;
- IFRS 15 *Revenue from Contracts with Customers;*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*;
- Amendments to IFRS 2 – *Classification and Measurement of Share-based Payment Transactions*;
- IAS 40 – *Transfers of Investment Property*;
- Amendments to IFRS 4 – *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*;
- Annual Improvements to IFRSs 2014-2016 Cycle.

These changes had no significant effect on the Company's financial statements, except for IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers.*

IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. IFRS 9 brings together three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Company has opted for the modified retrospective application, and the aggregate accumulated effect of the initial application was recognised through the opening balance of retained earnings at 1 January 2018. The Company has applied IFRS 9 in accordance with the transitional provisions.

Classification and measurement of financial assets

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Company continues to measure all its financial assets at amortised cost. The trade accounts receivables, cash, restricted cash, other accounts receivable have been reclassified as financial assets at amortised cost because they are held within a business model whose objective is to collect the contractual cash flows and they have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company analysed the contractual cash flow characteristics of these instruments and concluded that all financial assets meet the criteria for classification at amortised cost under IFRS 9.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Company to recognize a loss allowance for expected credit losses on amounts in credit institutions, trade and other receivables and contract assets.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months expected credit losses. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets in certain circumstances.

Accounting for modifications or exchanges of debt liabilities that do not result in derecognition

As at 1 January 2018, the Company assessed the effect of modifications or exchanges of debt liabilities that do not result in derecognition in accordance with the new requirements of IFRS 9, and recognised the difference between the carrying value of financial liabilities resulting from the application of IFRS 9 of 184,666 thousand tenge in retained earnings.

The table below presents a reconciliation of the classification of financial assets and financial liabilities between the previously applied valuation categories in accordance with IAS 39 and their new valuation categories adopted upon the transition to IFRS 9 as at 1 January 2018. The table does not include line items not affected by the changes. Therefore, the subtotals and totals cannot be calculated based on the amounts presented below:

	IAS 39		IFRS 9		Effect of the application of IFRS 9
Financial assets	**Accounting method**	**Amount**	**Accounting method**	**Amount**	**Amount**
Cash and cash equivalents	Amortised cost (loans and accounts receivable)	3,193,658	Amortised cost	3,176,928	(16,730)
Other short-term financial investments	Amortised cost (loans and accounts receivable)	66,717	Amortised cost	65,616	(1,101)
Trade accounts receivable	Amortised cost (loans and accounts receivable)	10,305,421	Amortised cost	10,295,168	(10,253)
Financial liabilities					
Borrowings	Amortised cost	(47,111,428)	Amortised cost	(47,296,094)	(184,666)
Total effect of the initial application of IFRS 9					**(212,750)**

IFRS 15 Revenue from Contracts with Customers

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition, which is applied to all revenue contracts, based on the transfer of control on the goods and services to the customer. The Company has opted for the modified retrospective application, and the aggregate accumulated effect of the initial application was recognised through the opening balance of retained earnings at 1 January 2018.

The Company analysed contracts with customers based on the 5-step approach introduced by the standard, as well as analysed the following main provisions: consideration for the combination of contracts, the date of transfer of control to the customer, accounting for bundle sales, accounting for discounts, principal versus agent considerations, accounting for the incremental costs of obtaining a contract with a customer and for the costs incurred to fulfil a contract, determining the method for measuring the progress of performance obligation.

Based on the analysis of the Company's regular revenue streams for the year ended 31 December 2017, the terms of contracts and based on the facts and circumstances existing at that date, the application of the new standard starting from 1 January 2018 did not have a material impact on the financial statements, except for the requirement for more detailed disclosure (Note 19). Accordingly, the opening balance as at 1 January 2018 were not restated. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group's consolidated financial statements are Described in Note 4.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Company has adopted the terminology used in IFRS 15 to describe such balances. The term deferred income is used in respect of the government grant balances that are not within the scope of IFRS 15.

New and revised IFRS in issue but not yet in effect

As at the date of approval of these financial statements, the Company has not applied the following new and revised IFRS, which have been issued but are not yet effective:

- IFRS 16 *Leases*[1];
- IFRS 17 *Insurance Contracts*[3];
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*[1];
- Amendments to IFRS 28 *Long-term Interests in Associates and Joint Ventures*[1];
- Annual Improvements to IFRS standards, 2015–2017 cycle[1];
- Amendments to IFRS 19 *Employee Benefits*[1];
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Long-term Interests in Associates and Joint Ventures*[4];
- IFRIC 23 *Uncertainty over Income Tax Treatments*[1];
- Amendments to IFRS 3 *Business Combinations*[2];
- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*[2].

[1] Effective for annual periods beginning on or after 1 January 2019, with early application permitted;
[2] Effective for annual periods beginning on or after 1 January 2020, with early application permitted;
[3] Effective for annual periods beginning on or after 1 January 2021, with early application permitted;
[4] Effective for annual periods beginning on or after a date to be determined. Early application is permitted.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under IFRS 16, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows, respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The management of the Company expects that the application of IFRS 16 in the future may significantly affect assets and liabilities because it recognised assets as a form of right to use and lease liabilities in relation to agreement in which the Company is a lessee, except those that meet the criteria of short-term lease or the lease of low-value assets in accordance with IFRS 16.

Preliminary estimated shows that the amount under these contracts relates to lease other than short-term lease and lease of low-value assets, the Company will reflect an asset in the form of right to use of 207,523 thousand tenge and the related lease liability of 207,523 thousand tenge for all such lease contracts.

The management of the Company expects that the application of other standards, amendments and interpretations effective on or after 1 January 2019 will not have a significant effect on the financial statements during the period of their application.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 IFRSs.

Fair value is defined as the amount that would have been received on the sale of an asset or paid in the transfer of an obligation, as part of a voluntary transaction between market participants on the valuation date, regardless of the immediate observability of this value or its determination by another method. In assessing an asset or a liability at fair value, the Company takes into account the characteristics of the asset or liability if market participants consider them. For estimates and disclosures in these financial statements, fair value is determined in the manner described above, with the exception of lease arrangements regulated by IAS 17, as well as estimates that are comparable but not equal to fair value (for example, net realisable value in the estimation of reserves under IAS 2 or the value in use when assessing impairment under IAS 36). In addition, in the preparation of financial statements, the fair value measurement is classified by hierarchy levels, depending on the observability of the input data and their relevance to the valuation:

- 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. This assumes the realisation of its main activity and the discharge of liabilities in the normal course of business within the foreseeable future.

As at 31 December 2018, current liabilities of the Company exceeded current assets by 11,753,474 thousand tenge (31 December 2017: by 5,106,207 thousand tenge). The management believes that the Company will be able to continue as a going concern within the foreseeable future.
The working capital deficit is explained by the following factors:

- Accomplishment of investment activities, due to the implementation of the projects: "Data Processing Centre (DPC)", "HSC FOCL Construction at the Zhetygen-Altynkol section"; connection of large housing complexes, work under the framework of a "Modernisation and Development of Local Telecommunications Networks" project. This led to accounts payable of 17,674,958 thousand tenge, represented mainly by amounts due for property, plant and equipment.
- The decision to pay dividends of 2,399,221 thousand tenge. Dividends were partially set off on net basis with receivables from parent company, and part of the dividends was paid in cash.
- Short-term financial liabilities on borrowings and finance lease for the total amount of 14,658,795 thousand tenge.

Despite the resulting deficit of working capital and a decrease in current liquidity ratios, management does not expect difficulties in fulfilling obligations, based on following assumptions:

- Increase in profitability of core activities due to the growth in sales of telecommunication and IT services on the basis of property, plant and equipment items commissioned under projects such as DPC, Zhetygen-Altynkol, Modernisation and Development of Local Telecommunication Networks, Modernisation and Development of Transport and Transit Network, as well as other projects under which the spare capacity is exist.
- Development of a transport and transit network by increasing the speed and capacity of the backbone network and organising/upgrading two junction points with China and Russia as the main customers in this direction of activity. Under this project two memorandums were concluded about technical specification of organising junction points and collaboration related to data transit and rent of channels, under which main revenue contracts are expected to be concluded.
- Increase the workload of existing assets.
- Possibility to use non-revolving credit line under the contract with EDB with available limit of 1,270,412 thousand tenge.
- Opportunity to obtain additional credit facility for working capital replenishment (Note 26).
- Regular monitoring of debt liabilities by management.

Management believes that the Company generates and will continue to generate a sufficient level of operating profit in the future, to fulfil its obligations, and has an access to credit facilities. As a result of the above, management believes that the Company will continue as a going concern in the foreseeable future.
These financial statements do not include any adjustments that would be necessary should the Company be unable to continue as going concern.

Functional and presentation currency

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

In preparing the financial statements, transactions in currencies other than the entity's functional currency (the foreign currencies) are recognised at the rates of exchange prevailing as at the transaction dates. Monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing as at the date of financial statements. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the exchange 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 arising from changes in foreign exchange rates are recognised 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 2018	31 December 2017
Exchange rates at the end of the year (to tenge)		
1 US Dollar ("USD")	384.20	332.33
1 Euro	439.37	398.23
	2018	**2017**
Average exchange rate for the year (to tenge)		
1 US Dollar ("USD")	344.90	332.25
1 Euro	406.77	396.92

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 labour 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 capitalised as soon as the asset is ready for its intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Further expenditures on property, plant and equipment are capitalised 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 utilising 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.

Intangible assets

Intangible assets that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over estimated useful lives. The estimated useful life and amortisation 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 financial statements, the Company classifies intangible assets in the following groups:

Class of intangible assets	Useful lives
Licenses	5-10 years
Software	5-10 years
Other intangible assets	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 recognised immediately in profit or loss.

Inventories

Inventories are valued at the lower of cost or net realisable value. Costs of inventories are determined on the weighted average cost principle. Net realisable 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 a sell.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Company as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Company accounts for the assets, liabilities, revenue and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenue and expenses.

When a Company transacts with a joint operation (such as a sale or contribution of assets), the Company is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Company's financial statements only to the extent of other parties' interests in the joint operation.

When a Company transacts with a joint operation (such as a purchase of assets), the Company does not recognise its share of the gains and losses until it resells those assets to a third party.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

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 recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The Company's portfolio of financial instruments includes the following types of financial assets:

- trade accounts receivable;
- funds in credit institutions;
- other accounts receivable.

These financial assets are recognised at amortised cost in the statement of financial position.

Impairment of financial assets

The Company has revised its methodology for calculating impairment losses in accordance with IFRS 9 for each class of asset mentioned above. The overall effect of changes in the methodology for calculating impairment losses is presented in the table above.

Trade accounts receivable

The Company applies the simplified approach to recognise lifetime expected credit losses for its trade receivables. A default is determined based on the number of days overdue.

The Company reduces the gross carrying amount of accounts receivable if it does not expect to recover them in full or in part. Accounts receivable for which the period has expired shall be written off. Write-off is an event that leads to derecognition.

Other accounts receivable

For other accounts receivable, the Company recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Funds in credit institutions

At each reporting date, the Company allocates financial instruments at a stage presented below. The purpose of IFRS 9 is to ensure the organization uses a multi-factor and unified approach to credit risk analysis, so that a potential deterioration in a credit risk can be detected at a relatively early stage.

Funds in credit institutions include such assets as cash and cash equivalents, short-term financial investments, accrued interest and restricted cash. Financial assets in the form of funds in credit institutions fall under the definition of default when they are more than 90 days overdue or due to a credit institution's failure to fulfil its obligations as a result of financial difficulties.

The probability of default of a credit institution is determined based on external ratings. The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade'.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another 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 recognises 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 recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Company's financial liabilities are represented by 'other financial liabilities', recognized subsequently at amortised cost. Company's other financial liabilities include trade accounts payable

Trade accounts payable for operating activity and other payables

Trade accounts payable for operating activity and other payables are charged on the fact that the counterparty has fulfilled its contractual obligations. The company initially recognized trade accounts payable for operating activities and other payables, excluding advances received, at fair value and subsequently at amortized cost using the effective interest method.

Borrowings

Borrowings are initially recognized at fair value less transaction costs incurred. Borrowings are subsequently measured at amortized cost; any difference between the amount of funds received (less transaction costs) and cost to maturity is recognized in the statement of profit or loss and other comprehensive income during the borrowing period using the effective interest method.

Borrowings are classified as current liabilities if the Company does not have an unconditional right to defer repayment of this liability for at least twelve months after the date of the statement of financial position.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, they are discharged, cancelled, or have expired. The difference between the carrying amount of a financial liability that has been derecognised, and compensation paid or payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

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.

The income received as a result of temporary investment of borrowed funds, until they are spent for the acquisition of qualifying assets, is deducted from borrowing costs.

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

Provisions

Provisions are recognised when the Company has obligations (legal or constructive) that have arisen as a result of past events, and the likelihood that the Company will have to repay these obligations is high, and their amount can be reliably estimated.

The amount recognised 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 recognised 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 the amount equivalent to 10% of each employee's salary but not more than 212,130 tenge per month (2017: 183,442 tenge per month) to cumulative pension funds. 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 comprehensive income.

Defined benefit plan

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

- one-time retirement grant;
- annual financial support to pensioners;
- funeral aid for funeral services;
- anniversaries of employees and to pensioners;
- financial assistance on denture treatment; and
- other benefits.

Obligations and expenses for remuneration under the Pension plan, with the established amount of payments determined by using the method of the projected unit of exchange. This method considers each year worked as raising the right to receive remuneration for an additional unit, and measures each unit separately to reflect the final commitment. Expenses for the provision of benefits are recognised in profit or loss in order to distribute the total remuneration during the working period of employees according to the pension plan formula with the established amount of payments. This obligation is measured at the present value of the estimated future cash flow using a discount rate similar to the government bond rate, whose currency and terms are comparable to the currency and the estimated terms of the Defined benefit plan obligation.

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

Income tax

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

Current tax

Current income tax payable is calculated on the basis of taxable profit for the year. Taxable profit differs from net profit recorded in the statement of profit or loss and other comprehensive income because it does not include amounts of income and expenses that are taxable or deductible in other periods and also do not include amounts that will never be recognised as either taxable or deductible. The Company's liability for current income tax is calculated at the tax rate that was effective at the balance sheet date.

Deferred tax

Deferred tax is recognised 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 recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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.

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

Current and deferred taxes are recognised in profit or loss, except when they relate to items directly attributable to other comprehensive income or equity (in which case the relevant tax is also recognised directly in equity).

Revenue recognition

Revenue of the Company includes:

1) Revenue from rendering communication services, including:
   a) 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) Internet access and data transmission services;
   c) provision of telegraph services;
   d) provision of trunk channels;
2) Construction and installation works; and
3) IT services, including research and project activities; comprising of technical maintenance of trunk, international long-distance, domestic long-distance and local communication lines; information technology services with provision of software products, consulting services, and the implementation and maintenance of information systems.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer. The Company recognises revenue when it transfers control of a product or service to a customer.

Revenue is recognised when goods or services are transferred to the customer at a price set for the transaction, equal to the cost of consideration less the discounts provided and value added tax ("VAT").

Revenue from barter transactions including advertising services is recognised when goods are sold or services are rendered in exchange for dissimilar goods or services. The revenue is measured at the fair value of the goods or services received. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up.

Revenue from contracts with customers

The Company reflects revenue from the rendering of services as follows:

(i) Revenue from rendering local, domestic long-distance and international long-distance telephone services is recognised at the same period in which the corresponding services have been rendered;
(ii) Monthly telephone service subscriber fees are recognised in the month when telephone services were rendered;
(iii) Revenue from Internet access and data transmission services are recognised when the services were rendered to a customer;
(iv) Revenue from provision of trunk channels are recognised evenly during the period of the agreement;
(v) Revenue from sale of equipment is recognised at the moment of control transfer. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from the asset.

Accounting for revenue from communication services

The Company recognises revenue from communication services as the services are rendered at the reporting date, as the obligation to provide the service is satisfied over time, and the customer simultaneously receives and consumes the benefits provided by the Company's performance as it performs.

Revenue is measured based on the use of traffic minutes, the volume of data transferred, or at the end of determined period of time (monthly subscription fee).

As part of the bundle offers, the Company separately recognises revenue for each unit of a product or service if the product or service is distinct, that is, the services are separately valuable to customer. The transaction price for the bundle is allocated to the stand-alone component of goods or services in a bundle. Wherein fair value is determined as the stand-alone selling price on the market after all possible volume discounts.

Accounting for revenue under construction contracts

Construction and installation works

Revenue is recognised over time as an asset under customer control is enhanced. Revenue is measured using output methods. The extent of completion of services to a customer is measured as the ratio of services rendered as at the reporting date to the total volume of services.

Works are carried out on annual prepayment terms.

When a particular milestone is reached the customer is sent a relevant statement of work signed by a third party assessor. If the milestone payment exceeds the revenue recognised to date, then the Company recognises a contract liability for the difference. Practically, there is no significant financing component in the construction contracts with customers, since the period between revenue recognition (based on the output method) and the payment, is less than one year. There is not considered to be a significant financing component in construction contacts with customers as the period between the recognition of revenue under the output method and the milestone payment is always less than one year.

In the circumstances, when the Company is not able to reasonably measure the outcome of a performance obligation, but the it expects to recover the costs incurred in satisfying the performance obligation, the revenue is recognized only to the extent of the costs incurred.

Accounting of revenue from IT projects

Revenue from IT projects is recognised over time as the services are rendered at the reporting date, as the performance obligation to render services is satisfied over time, and the customer simultaneously receives and consumes the benefits provided by the Company's performance as it performs. Revenue is measured using output methods. The extent of completion of services to a customer is measured as the ratio of services rendered as at the reporting date to the total volume of services.

Contract costs

Applying practical expedient, incremental costs of obtaining a contract with the customer were recognized as an expense when incurred based on the fact that the estimated amortization period of the asset is one year or less.

Other income in the statement of profit or loss and other comprehensive income includes rental income, the type of income which is not subject to IFRS 15.

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 recognised 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 recognised on a straight-line basis as expenses over the lease term.

The Company as a lessee

Assets held under finance lease are initially recognised 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 recognised immediately in statement of profit or loss and other comprehensive income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised 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 recognised as a liability. The aggregate benefit of incentives is recognised 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 4, 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 recognised 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 agreement of certain telecommunication equipment with Grand Telecom LLP (Note 15). 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.

The Company entered into Islamic Lease Agreement with Al Sakr Finance JSC regarding lease of certain buildings (Notes 6, 15). Under the lease agreement, the ownership of the assets is transferred to the lessee at the end of the lease term and the Company becomes responsible for safety and risks associated with any damage or loss of the asset leased from the asset acceptance date. Determining that fact that the lease transfers almost all risks and rewards inherent to the ownership of the buildings, the Company classified it as a finance lease.

Business model assessment

Classification and measurement of financial assets depends on whether the contract cash flows are solely payments of principal and interest on principal amount outstanding and the objective of business model.

Significant increase in credit risk

The Company measures an allowance for expected credit losses on financial instruments in the amount equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.

Revenue from contracts with customers - methods for measuring progress

The Company applies the output method for measuring the progress toward complete satisfaction of a performance obligation of fulfilment of the performance obligation, taking into account the nature of the goods or services that the Company promised to transfer to the customer. The Company applied judgments in choosing a single method for assessing the degree of fulfilment of the performance obligation, which includes two or more goods and/or services, and which is carried out over time.

The Company applies a practical expedient regarding the right to recognise revenue on the basis of direct measurement of the value to the customer of the goods or services transferred to date. The management applied judgment that practical expedient can be used when change in price directly corresponds to changes in value to the customer.

The output method is applied consistently with respect to similar performance obligations and in similar circumstances.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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.

The Company performed the impairment indicators analysis of non-current assets as at 31 December 2018. Based on the analysis no impairment indicators were identified.

Allowance for doubtful debts

The Company creates allowance for doubtful trade and other accounts receivable. Significant judgments are used to determine these allowance. 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 2018 and 2017, allowance for doubtful debts was 638,199 thousand tenge and 785,141 thousand tenge, respectively.

Expected credit losses allowance

The Company, depending on the degree of deterioration in the credit quality of a financial asset since its initial recognition, recognises an allowance for possible losses at each reporting date using analytical approach:

- analysis of trade accounts receivable at the reporting date and its grouping by maturity;
- application of certain debt loss ratios (the longer the overdue period - the higher the ratio).

The Company applies simplified approach for measuring the loss allowance at an amount equal to lifetime ECL on financial asset for all assets.

The Company applied a provision matrix based on the default rate or loss ratio when calculating the impairment loss.

Useful lives of property, plant and equipment

As disclosed in Note 4, the Company considers useful lives of property, plant and equipment at the end of each annual reporting period. The evaluation of the useful life of an asset depends on factors such as economic use, maintenance programs, technological improvements and other business conditions. The evaluation of useful 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 operating activities. The Company estimates the probability of unfavourable outcome of issues at the stage of examination or any potential issues and their impact on the financial position and financial results of the Company. Estimations based on probability to win or lose dispute and the amount of probable payments. Differences between estimated and actually paid amounts if those arise in future accounting periods, may significantly affect the financial results of the Company.

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and constructions	Machinery and equipment	Vehicles	Other assets	Capital construction in progress	Total
Cost							
As at 1 January 2017	**180,645**	**3,288,113**	**83,199,642**	**361,356**	**333,258**	**6,692,984**	**94,055,998**
Additions	8,756	862,449	119,202	-	7,833	4,070,389	5,068,629
Internal movements	-	5,463	6,579,170	21,030	18,291	(6,623,954)	-
Disposals	-	-	(121,215)	-	(4,599)	(22,407)	(148,221)
As at 31 December 2017	**189,401**	**4,156,025**	**89,776,799**	**382,386**	**354,783**	**4,117,012**	**98,976,406**
Additions	-	-	290,642	-	5,930	22,741,081	23,037,653
Internal movements	-	429,773	17,660,065	-	36,324	(18,126,162)	-
Transfers to intangible assets (Note 7)	-	-	(236,832)	-	-	-	(236,832)
Disposals	-	-	(141,719)	-	(3,649)	(446,590)	(591,958)
As at 31 December 2018	**189,401**	**4,585,798**	**107,348,955**	**382,386**	**393,388**	**8,285,341**	**121,185,269**
Accumulated depreciation							
As at 1 January 2017	**-**	**(1,415,477)**	**(30,087,833)**	**(187,845)**	**(171,542)**	**-**	**(31,862,697)**
Charge for the year	-	(190,827)	(6,961,264)	(37,295)	(31,807)	-	(7,221,193)
Change in classification	-	1,486	(1,486)	-	-	-	-
Disposals	-	-	121,023	-	4,581	-	125,604
As at 31 December 2017	**-**	**(1,604,818)**	**(36,929,560)**	**(225,140)**	**(198,768)**	**-**	**(38,958,286)**
Charge for the year	-	(187,676)	(7,542,784)	(34,553)	(32,041)	-	(7,797,054)
Internal movements	-	622	228	-	(850)	-	-
Transfers to intangible assets (Note 7)	-	-	27,629	-	-	-	27,629
Disposals	-	-	54,876	-	3,214	-	58,090
As at 31 December 2018	**-**	**(1,791,872)**	**(44,389,611)**	**(259,693)**	**(228,445)**	**-**	**(46,669,621)**
Carrying value							
As at 31 December 2017	**189,401**	**2,551,207**	**52,847,239**	**157,246**	**156,015**	**4,117,012**	**60,018,120**
As at 31 December 2018	**189,401**	**2,793,926**	**62,959,344**	**122,693**	**164,943**	**8,285,341**	**74,515,648**

The Company owns property, plant and equipment received under financial lease agreements with Grand Telecom LLP with the carrying value of 371,125 thousand tenge and 742,250 thousand tenge as at 31 December 2018 and 2017, respectively. Lessor's title for these leased assets is the collateral for the Company's financial lease obligations.

On 26 December 2017, the Company entered into an Islamic Lease Agreement with Al Sakr Finance JSC, as a result, three buildings with adjacent land plots have been obtained. The lease term is 4 years. After fulfilment of obligations under the lease agreement, the leased asset transfers to the Company's ownership. As at 31 December 2018 and 2017, the carrying value is 865,762 thousand tenge and 875,612 thousand tenge, respectively. The effective rate is 16.7%. Subsequently, the property objects will be re-equipped for implementation of the Data Processing Centre (DPC) project. The buildings received by the Company under the lease agreement are pledged as collateral under the agreement. As at 31 December 2018, installation of the walls of technical premises, heating, installation of metal structures for the elevator and reinforcement of the first floor for the engine room, which are accounted as construction in progress.

On 28 December 2018, the Company entered into a leasing agreement with QBG Partners LLP for the supply of computer equipment. Lease term is from the date of signing until 31 December 2020. Ownership passes to the Company upon expiration of the contract after the fulfilment of obligations to pay all lease payments. As at 31 December 2018, the carrying amount of the leased asset is 258,000 thousand tenge, excluding VAT. The effective rate is 14%. The equipment is intended for use in the framework of the provision of services for the maintenance of computer and peripheral office equipment of Intergas Central Asia JSC.

As at 31 December 2018, the cost of the fully depreciated property, plant and equipment of the Company amounted to 12,072,898 thousand tenge (31 December 2017: 8,182,660 thousand tenge).

During 2018, the Company capitalised borrowing costs for financing of:

- construction of a hardware-software complex for a fiber-optic communication line on the "Makat-Mangyshlak" sites;
- complex work on the construction of Last mile sites.

The total borrowing costs capitalised amounted to 210,160 thousand tenge (2017: 65,668 thousand tenge).

As at 31 December 2018, construction in progress was mainly represented by equipment for the construction of a fiber-optic communication lines of the Last mile, Makat-Mangyshlak sites, local lines as well as construction in progress equipment and works related to the modernization of the network and the capital repairs of communication houses.

During 2018 property, plant and equipment mainly represented by the sections of the fiber-optic communication line on the Makat-Mangyshlak site, as well as objects associated with iCloud services of DPC have been commissioned from the construction in progress for a total of 18,126,162 thousand tenge (2017: the Last mile sites, as well as the integrated security system in the amount of 6,623,954 thousand tenge).

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

7. INTANGIBLE ASSETS

	Licenses	Software	Other	Total
Cost				
As at 1 January 2017	**1,725,171**	**744,618**	**2,727,390**	**5,197,179**
Additions	17,677	557,410	-	575,087
Disposals	-	-	(30)	(30)
As at 31 December 2017	**1,742,848**	**1,302,028**	**2,727,360**	**5,772,236**
Additions	34,164	1,457,743	124,357	1,616,264
Transfer from property, plant and equipment (Note 6)	236,832	-	-	236,832
Disposals	(5,723)	(2,832)	-	(8,555)
As at 31 December 2018	**2,008,121**	**2,756,939**	**2,851,717**	**7,616,777**
Accumulated amortisation				
As at 1 January 2017	**(567,162)**	**(371,824)**	**(701,743)**	**(1,640,729)**
Charge for the year	(185,565)	(114,450)	(272,746)	(572,761)
Disposals	-	-	3	3
As at 31 December 2017	**(752,727)**	**(486,274)**	**(974,486)**	**(2,213,487)**
Charge for the year	(196,633)	(194,079)	(272,746)	(663,458)
Transfer from property, plant and equipment (Note 6)	(27,629)	-	-	(27,629)
Disposals	5,723	2,832	-	8,555
As at 31 December 2018	**(971,266)**	**(677,521)**	**(1,247,232)**	**(2,896,019)**
Carrying value				
As at 31 December 2017	**990,121**	**815,754**	**1,752,874**	**3,558,749**
As at 31 December 2018	**1,036,855**	**2,079,418**	**1,604,485**	**4,720,758**

To facilitate the "Commercial Cloud Data Center Processing" project implementation Veeam Backup & Replication Enterprise Plus for VMware virtual machines backup software and ISPSystem VMmanager Cloud portal software were purchased for the amount of 1,457,741 thousand tenge.

As at 31 December 2018, there are no intangible assets pledged as collateral for liabilities.

8. OTHER NON-CURRENT ASSETS

	31 December 2018	31 December 2017
Non-current advances paid	3,107,387	5,566,560
Non-current receivables from employees	201,210	224,490
Long-term portion of VAT recoverable	94,496	73,551
Restricted cash	404,511	100
	3,807,604	**5,864,701**
Allowance for non-current advances paid	(818,655)	-
Allowance for restricted cash	(283,397)	-
	2,705,552	**5,864,701**

As at 31 December 2018, non-current advances paid were presented by the following advances:

- for the supply of Mobile diagnostic systems equipped with flaw detection, video monitoring, track measurement, spatial scanning and georadar. The supplier is Firm TBEMA JSC. The advance payment amount is 1,356,264 thousand tenge.
- to carry out complex work on the construction of "turnkey" IP network. The contractor of this project is Astana-New Technologies-2008 LLP. The advance payment amount is 932,468 thousand tenge.
- for the construction of a microprocessor-based automation and telemechanic system in the framework of the project "The system of interval control of train traffic in the Kandyagash – Nikeltau sites". The contractor of this project is TNS-INTEC LLP. The amount of the advance payment as at 31 December 2018 is 818,655 thousand tenge (31 December 2017: 818,655 thousand tenge). In 2018, the advance payment was provided for 100% due to the low probability of its return.

In 2015, the Company purchased 45 residential units from KTZh NC JSC and sold it to employees with a refund of housing cost for 15 years at a discount rate of 13.10%. As at 31 December 2018, liabilities of employees are recorded in non-current accounts receivable in the amount of 201,210 thousand tenge and in other current assets in the amount of 30,275 thousand tenge (31 December 2017: 224,490 thousand tenge and 138,587 thousand tenge, respectively).

On 14 August 2017, a money collateral pledge agreement have been concluded with Sberbank SB JSC, according to which the Company acts as a pledger. The value of the agreement's subject is 100 thousand tenge. According to the contract terms, the sum was placed into the pledgee's account. The purpose of the contract is to ensure the proper performance of obligations for the return of a Guarantee issued for a 3 years period. The subject of the collateral was recorded as long-term restricted cash in the Company's accounting records.

On 24 July 2018, the Company entered into a pledge agreement with the Eurasian Development Bank, according to which the Company pledges the funds placed on an account opened with Sberbank SB JSC, as collateral for the loan agreement with the Eurasian Development Bank of 8,950,587 thousand tenge and undertakes to ensure the minimum balance on the account in the amount of 10,000 thousand tenge. These funds are presented as non-current restricted cash.

In 2018, the rating of Tsesnabank JSC was reduced due to which the risk of default on the funds placed by the Company on deposits of this financial institution significantly increased. As a result, balances on deposit accounts, as well as unpaid remuneration in the total amount of 394,411 thousand tenge were classified into non-current restricted cash. Also, an allowance in the amount of 283,397 thousand tenge was accrued on these funds.

Financial assets in other non-current assets were denominated in the following currencies:

	31 December 2018	31 December 2017
Tenge	211,311	224,590
US Dollars	111,013	-
	322,324	**224,590**

9. TRADE ACCOUNTS RECEIVABLE

	31 December 2018	31 December 2017
Trade accounts receivable from third parties	3,805,724	3,308,064
Allowance for doubtful receivables	(99,733)	(251,744)
	3,705,991	**3,056,320**

The table below shows the risk profile of trade receivables based on the matrix of the Company's estimated allowance.

	Trade accounts receivables - the number of days overdue						
31 December 2018	**Not overdue**	**< 30 days**	**31 – 60 days**	**61 – 90 days**	**91 – 180 days**	**180 – 365 days**	**Total**
The percentage of expected credit losses	up to 0.37%	0.74%	1.53%	3.89%	up to 26.05%	up to 96.54%	
Gross carrying amount	2,097,212	611,528	286,464	707,306	27,915	75,299	**3,805,724***
ECL	**(7,388)**	**(4,196)**	**(4,217)**	**(26,435)**	**(4,446)**	**(53,051)**	**(99,733)**

* In accordance with the requirements of IFRS 9, the Company directly reduced the gross carrying amount of accounts receivable (that is, wrote off the gross value of accounts receivable from previously established allowance) in the amount of 173,102 thousand tenge, for which the Company does not have reasonable expectations regarding the refund of financial asset.

Movement in allowance for expected credit losses on trade accounts receivables for the years ended 31 December is as follows:

	2018	**2017**
Allowance for doubtful receivables under IAS 39 at the beginning of the year	**(251,744)**	**(219,562)**
Adjustment due to the application of IFRS 9	(10,253)	-
Allowance for expected credit losses on receivables under IFRS 9 at the beginning of the year	**(261,997)**	**Not applicable**
Accrued for the year	(42,027)	(32,602)
Written off during the year out of the previously created allowance	204,291	420
Allowance for expected credit losses on receivables under IFRS 9 at the end of the year	**(99,733)**	**(251,744)**

The Company's trade accounts receivables were denominated in the following currencies:

	31 December 2018	**31 December 2017**
Tenge	1,876,798	2,424,198
US Dollars	1,811,657	617,295
Euro	12,024	12,857
Russian rubles	5,512	1,970
	3,705,991	**3,056,320**

10. OTHER CURRENT ASSETS

	31 December 2018	**31 December 2017**
VAT recoverable	238,612	1,248,816
Prepayment for license usage	167,643	591,831
Prepaid taxes other than income tax	31,316	16,399
Other receivables from employees	30,275	138,587
Receivables from employees	22,343	2,015
Other short-term financial investments	18,736	66,717
Interest receivable	2,021	21,336
Other accounts receivable	715,921	688,342
	1,226,867	**2,774,043**
Allowance for doubtful debts	(538,466)	(533,397)
	688,401	**2,240,646**

For the years 2018 and 2017, the movement of the allowance for doubtful debts was as follows:

	2018	2017
Allowance for doubtful debts at the beginning of the year	(533,397)	(533,623)
Accrued for the year	(5,182)	(113)
Written off through the earlier created allowance during the year	113	339
Allowance for doubtful debts at the end of the year	**(538,466)**	**(533,397)**

As at 31 December 2018, short-term receivables from employees represent the current part of receivables in the amount of 30,275 thousand tenge (31 December 2017: this debt consisted of the value of the short-term part of future expenses at a discounted value of 109,245 thousand tenge and the current part of the receivable debt in the amount of 29,342 thousand tenge).

As at 31 December 2018 and 2017, financial assets within the Company's other current assets were denominated in tenge.

11. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash on bank accounts	1,449,779	1,493,696
Deposits with maturities of less than 3 months	161,529	1,694,058
Cash on card accounts	6,364	5,783
Petty cash	-	121
	1,617,672	**3,193,658**
Allowance for impairment of cash and cash equivalents	(4,858)	-
	1,612,814	**3,193,658**

As at 31 December 2018, deposits were represented mainly by deposits placed in US dollars for up to three months at a rate of 1.5% per annum (31 December 2017: 3.5% per annum) in credit institutions rated from "B" to "BB+".

Cash and cash equivalents were denominated in the following currencies:

	31 December 2018	31 December 2017
Tenge	1,382,417	1,351,937
US Dollars	218,984	1,816,483
Russian ruble	11,413	-
Euro	-	25,238
	1,612,814	**3,193,658**

The Company has cash in the amount of 332,496 thousand tenge received from customers in the framework of the provision of services under joint operations contracts and subject to transfer to partners in joint operations (Note 17).

12. NON-CASH TRANSACTIONS

For 2018, non-cash financing operations of the Company that are not reflected in the statement of cash flows were as follows:

- The Company leased computer equipment and peripheral office equipment with a total value of 258,000 thousand tenge (2017: 866,865 thousand tenge).
- Dividends were paid to NC KTZh JSC in the amount of 1,223,603 thousand tenge by setting-off against accounts receivable (2017: 2,211,641 thousand tenge).

13. SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

Share capital

As at 31 December 2018 and 2017, the Company's issued and paid share capital amounted to 12,241,487 thousand tenge.

As at 31 December 2018 and 2017, the Company's share capital is as follows:

	31 December 2018		31 December 2017	
	Proportion	Number of shares	Proportion	Number of shares
NC KTZh JSC	51%	2,875,429	51%	2,875,429
M. S. Mukhanov	49%	2,762,668	49%	2,762,668

As at 31 December 2018 the Company did not have any preferred shares.

On 29 May 2018, according to the decision of General Shareholders Meeting, it was decided to pay dividends for 2017 of 2,399,221 thousand tenge (31 August 2017 for 2016 of 4,336,550 thousand tenge) in proportion to the existing shareholding structure in the following way:

- Transfer of cash to M. S. Mukhanov of 1,175,618 thousand tenge (2017: 2,124,910 thousand tenge);
- Offsetting by a proportionate reduction in overdue liabilities of NC KTZh JSC for the amount of 1,223,603 thousand tenge (2017: 2,211,641 thousand tenge).

From January to July 2018, M. S. Mukhanov was paid part of dividends in the amount of 940,000 thousand tenge (in 2017: 500,000 thousand tenge). As at 31 December 2018, dividend payable to M. S. Mukhanov in the amount of 1,695,501 thousand tenge was recorded as part of short-term dividends payable (31 December 2017: 1,518,664 thousand tenge).

On 31 August 2018, dividends were set-off against receivables from subsidiaries of NC KTZh JSC in the amount of 1,223,603 thousand tenge.

As at 31 December 2018 and 2017, dividends payable to KTZh NC JSC in the amount of 644,160 thousand tenge is reflected as short-term dividends payable (Note 25).

Additionally 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.

14. BORROWINGS

	Curren-cy	Maturity	Interest rate	31 December 2018	31 December 2017
Borrowings:					
Development Bank of Kazakhstan JSC ("DBK")	Tenge	2024	8%	16,486,202	19,483,692
Eurasian Development Bank ("EDB")	Tenge	2020	9%	8,419,157	11,613,107
Eurasian Development Bank	Tenge	2024	9%	5,802,945	6,695,672
Development Bank of Kazakhstan JSC	Tenge	2018	7.6%	-	2,274,372
Eurasian Development Bank	Tenge	2019	11.5%	4,016,611	4,015,335
Alfa Bank SB JSC	Tenge	2021	11.25%	4,798,370	3,029,250
Eurasian Development Bank	Tenge	2025	11.5%	7,800,391	-
Alfa Bank SB JSC	Tenge	2023	11.25%	4,944,305	-
				52,267,981	**47,111,428**
Less: current portions of long-term borrowings payable within 12 months				(13,416,145)	(12,984,884)
Long-term part				**38,851,836**	**34,126,544**

The total balance of debt on loans secured by the guarantee of NC KTZh JSC ("Garant") as at 31 December 2018 is 30,708,304 thousand tenge. These loans include:

- loan issued by the DBK, balance of debt 16,486,202 thousand tenge;
- loan, issued by EDB, balance of debt 8,419,157 thousand tenge;
- loan, issued by EDB, balance of debt 5,802,945 thousand tenge.

The repayment schedule of the principal and interest amounts as at 31 December under the loan agreements is as follows:

	31 December 2018	31 December 2017
Within 1 year	13,416,145	12,984,884
1-2 years	10,946,541	11,055,092
2-3 years	10,876,543	8,647,183
3-4 years	5,947,027	3,870,910
After 4 years	11,081,725	10,553,359
	52,267,981	**47,111,428**

Alfa Bank SB JSC

On 26 June 2017, the Company entered into the main loan agreement with Alfa-Bank SB JSC No.123.2090/2017 (hereinafter referred to as "ACS No.123") for working capital replenishment of not more than 3,000 million tenge, at 13.5% per annum and receiving bank guarantees in the total amount of 5,400 million tenge. The term of the credit line was 36 months, tranches were provided for up to 12 months. On 17 August 2018, an additional agreement was concluded, according to which the credit limit was increased from 3,000 million to 5,000 million tenge. Also, during 2018, additional agreements were signed to the existing tranches issued within the ACS No.123, with outstanding balance as at 31 December 2018 of 4,798,370 thousand tenge, according to which the rate was reduced to 11.25%, the loan terms were extended to 2021. The term of the credit line was extended until 30 November 2025.

On 17 August 2018, the Company entered into the main loan agreement with Alfa-Bank JSC SB No.125.2090/2018 (hereinafter referred to as "ACS No.125") for the implementation of the project "Modernisation and development of the transport and transit network" under which the non-revolving credit line was opened in the amount of 5,100 million tenge with a rate of 13.25% per annum. Within this line, the Company received 2 tranches:

- On 17 August 2018, in the amount of 3,750,000 thousand tenge at 13.25% per annum with maturity up to 17 June 2021. Subsequently, to this tranche additional agreements were concluded, according to which from 23 November 2018 the rate decreased to 11.25%, and the crediting period was extended until 17 June 2023;
- On 25 December 2018, in the amount of 1,350,000 thousand tenge at 11.25% per annum with maturity up to 17 June 2023.

As at 31 December 2018, total outstanding balance under ACS No.125 amounted to 4,944,305 thousand tenge.

The loans from Alfa-Bank SB JSC are secured with movable property of the Company, the carrying value of which as at 31 December 2018 was 2,935,788 thousand tenge, as well as the security of funds of an individual in the amount of 100 thousand tenge.

EDB

On 24 July 2018, the Company entered into a loan agreement No.112 with the Eurasian Development Bank in order to implement an investment project. According to this agreement, the Company is provided with a non-renewable credit line for a period up to 2025. The loan was received on 7 August 2018 within this line, at 11.5% per annum. As at 31 December 2018, balance on this loan is 7,800,391 thousand tenge.

This loan is secured by the Company's real estate, the residual value of which as at 31 December 2018 was 292,529 thousand tenge, cash receivable under an agreement with NC KTZh JSC dated 16 March 2017, as well as a pledge of money in the amount of 10,000 thousand tenge (Note 8).

The loan with carrying value of 4,016,011 thousand tenge was secured by cash receivable under an agreement with NC KTZh JSC dated 31 December 2015.

The Company has to comply with all conditions of credit agreements with DBK, EDB, Sberbank SB JSC, Alfa-Bank SB JSC. Certain covenants are also established for the Guarantor. Management believes that the Company fully complies with the covenants of the loan agreements as at 31 December 2018. The Guarantor, in order to prevent cases of non-fulfilment of obligations to DBK, before the reporting date, received a waiver from the lender agreeing not to apply covenants as at 31 December 2018.

15. FINANCE LEASE OBLIGATIONS

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Obligations under finance lease:				
Not more than 1 year	1,456,316	1,003,887	1,242,650	481,521
More than 1 year and not more than 5 years	685,982	1,806,298	577,964	1,526,422
	2,142,298	2,810,185	1,820,614	2,007,943
Less future finance charges	(321,684)	(802,242)	-	-
Present value of minimum lease payments	**1,820,614**	**2,007,943**	**1,820,614**	**2,007,943**
Included in the financial statements as:				
Current portion			**1,242,650**	**481,521**
Non-current portion			**577,964**	**1,526,422**

During the year ended 31 December 2018, under the agreement with Grand Telecom LLP, the Company incurred contingent rent expenses related to the indexation of payments in the amount of 1,272,685 thousand tenge (2017: 1,321,662 thousand tenge) (Note 22).

For the years ended 31 December 2018 and 2017, under an agreement with Grand Telecom LLP, the average interest rate was 18.25%.

In 2017, the Company entered into an Islamic Lease Agreement with Al Sacre Finance JSC (Note 6). The average interest rate was 17.29%.

In 2018, the Company entered into a financial lease agreement with QBG Partners LLP (Note 6). The nominal rate under the contract is 14%.

All lease obligations were denominated in tenge.

15.1 RECONCILIATION OF LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

The table below details changes in the liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

31 December 2018 (thousand tenge)	1 January 2018 in accordance with IAS 39	Adjustment in accordance with IFRS 9	As at 1 January in accordance with IFRS 9	Cash flows from financial activities (i)	New finance leases contracts	Declared dividends	Offsetting dividend liabilities	Other changes, net (ii)	The effect of modifications that do not lead to derecognition	31 December 2018
Borrowings (Note 14)	47,111,428	184,666	47,296,094	5,477,732	-	-	-	(109,938)	(395,907)	52,267,981
Finance leases (Note 15)	2,007,943	-	2,007,943	(485,533)	288,960	-	-	9,244	-	1,820,614
Dividends payable	2,162,824	-	2,162,824	(998,781)	-	2,399,221	(1,223,603)	-	-	2,339,661
	51,282,195	**184,666**	**51,466,861**	**3,993,418**	**288,960**	**2,399,221**	**(1,223,603)**	**(100,694)**	**(395,907)**	**56,428,256**

31 December 2017 (thousand Tenge)	1 January 2017	Cash flows from financial activities (i)	New finance leases contracts	Declared dividends	Offsetting dividend liabilities	Other changes, net (ii)	31 December 2017
Borrowings (Note 14)	53,560,485	(6,282,442)	-	-	-	(166,615)	47,111,428
Finance leases (Note 15)	1,839,073	(811,224)	980,686	-	-	(592)	2,007,943
Dividends payable	644,160	(606,245)	-	4,336,550	(2,211,641)	-	2,162,824
	56,043,718	**(7,699,911)**	**980,686**	**4,336,550**	**(2,211,641)**	**(167,207)**	**51,282,195**

(i) Cash flows from bank loans, finance leases, as well as dividends paid, including a dividend tax, represent the net amount of receipts and payments on financial activities in the cash flow statement.
(ii) Other changes include accrued interest and interest payments.

16. TRADE ACCOUNTS PAYABLE

	31 December 2018	31 December 2017
Payable to other related and third parties	17,639,946	6,209,132
Payable to NC KTZh JSC and its subsidiaries (Note 23)	35,012	4,093
	17,674,958	**6,213,225**

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

	31 December 2018	31 December 2017
Tenge	16,238,309	5,818,901
US Dollars	1,394,822	378,152
Russian Rubles	38,861	15,868
Euro	2,966	304
	17,674,958	**6,213,225**

As at 31 December 2018 and 2017, 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 2018	31 December 2017
Salary payable	1,171,883	1,147
Remuneration to key management personnel	1,065,590	443,300
Provisions for unused vacations	374,435	338,577
Operating lease liabilities	198,749	176,328
Advances received from customers	114,013	159,244
Other liabilities	746,861	199,539
	3,671,531	**1,318,135**

Other liabilities are mainly represented by debts incurred in connection with the implementation of joint operations with counterparties - partners in the framework of the consortium agreements described in the table below.

Counterparty - Partner	Date of the consortium agreement	Total amount of services rendered under the contract concluded with the Customer for 2018	Company share,%	Share of the Company's revenue, excluding VAT, thousand tenge	Partner's revenue share, excluding VAT, thousand tenge	The amount of the obligation to the Partner	Activity	Customer
SilkNetCom LLP	7 June 2018	120,694	30.00%	36,208	84,486	-	Services for providing broadband access in rural areas at the Republic of Kazakhstan on the technology of fiber-optic communication lines	PA Ministry of Information and Communications of the Republic of Kazakhstan
KazTransCom JSC	15 October 2018	112,326	27.50%	30,890	81,436	-	Provision of services for the maintenance of communication equipment networks	Intergas Central Asia JSC
SmartHighTech LLP	22 October 2018	270,686	63.40%	171,615	99,071	89,071	Providing backup data network	National Information Technologies JSC
Soft Technology Utilities LLP	22 December 2017	1,219,229	75.00%-80.00%	954,652	264,578	243,425	Peripheral equipment maintenance services	Intergas Central Asia JSC
		1,722,935		**1,193,365**	**529,571**	**332,496**		

18. INCOME TAX

	2018	2017
Income tax expense	619,319	1,099,758
Deferred income tax expense	669,037	397,780
Total income tax expense	**1,288,356**	**1,497,538**

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 2018	31 December 2017
Deferred tax assets		
Allowance for doubtful debts	167,746	157,022
Discount on apartments	108,067	110,524
Remuneration to employees	227,455	95,860
Provision for unused vacations	74,887	67,715
Taxes	14,202	12,123
Other provisions	-	63
Total deferred tax assets	**592,357**	**443,307**
Deferred tax liabilities		
Difference in carrying value of property, plant and equipment and intangible assets	(4,731,928)	(3,913,841)
Total deferred tax liabilities	**(4,731,928)**	**(3,913,841)**
Deferred tax liabilities, net	**(4,139,571)**	**(3,470,534)**

The deferred taxes movement for 2018 and 2017 is as follows:

	2018	2017
Deferred tax liabilities, net, at the beginning of the year	(3,470,534)	(3,072,754)
Deferred tax liability recognised in profit or loss	(669,037)	(397,780)
Deferred tax liabilities, net, at the end of the year	**(4,139,571)**	**(3,470,534)**

In 2018 and 2017, the statutory effective income tax rate in Kazakhstan was 20%.

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:

	31 December 2018	31 December 2017
Profit before income tax expense	5,237,421	6,829,140
Tax at statutory rate of 20%	1,047,484	1,365,828
Effect of other permanent differences	240,872	131,710
Income tax expenses	**1,288,356**	**1,497,538**

19. REVENUE

	2018	2017
Revenue from sale of services to third parties and other related parties	36,185,923	37,670,402
Revenue from sale of goods and services to NC KTZh JSC and its subsidiaries (Note 23)	37,562,095	32,804,715
Revenue from sale of inventories to third parties	176,182	547,332
Total revenue from contracts with customers	**73,924,200**	**71,022,449**
Other income	767,139	-
	74,691,339	**71,022,449**

For 2018, revenue from contracts with customers, NC KTZh JSC and its subsidiaries, approximated to 51% of total revenue (2017: 46%).

For 2018, revenue from NC KTZh JSC and its subsidiaries includes revenue from the rendering of services of 37,472,095 thousand tenge and equipment supply of 90,000 thousand tenge (2017: 31,476,084 thousand tenge and 1,328,631 thousand tenge, respectively).

Below is information about the Company's revenue recognised under contracts with customers in categories reflecting how economic factors influence the nature, size, satisfied over time and uncertainty of revenue and cash flows by segment, main types of services and term of revenue recognition for 2018:

Revenue from contracts with customers	**2018**
Communication services	
Provision of trunk channels (FOCL)	10,719,463
Internet	7,470,159
Rent of satellite data channels	3,435,447
International transit	3,209,995
Telegraph	1,689,007
Local communication	934,065
Long-distance and international communication	810,756
Provision of referral services by the number "105"	244,726
	28,513,618
Construction and installation work	
Construction, installation and repair work at the facilities of KazTransOil JSC (KTO)	17,039,959
Works on contracts for the reconstruction of fire extinguishing systems and distribution at the facilities of KazTransOil JSC, OPS named after T. Kasymov and Chulak-Kurgan HOPS	817,113
	17,857,072
IT services	
ACS PDT project	9,070,846
Telecom Service Projects	3,145,038
IT projects (provision of computing power, automated control systems, technical support)	2,525,227
Information and engineering systems maintenance project (New Station)	1,889,340
Service OCS project	1,784,672
Service railway automation and remote control (ZHAT)	1,447,966
Maintenance of IEC and FOCL (KTO project)	1,414,734
Services for the maintenance of computer/peripheral office equipment/equipment and their parts (Intergas Central Asia project)	1,289,872
Service for the integration of software and similar systems in passenger transportation	1,125,000
United Service Center project	1,078,536
Implementation and maintenance of IT infrastructure	535,587
Other projects	2,246,692
	27,553,510
Total revenue from contracts with customers	**73,924,200**

	2018
Revenue recognition	
Revenue from goods or services satisfied over time	73,191,876
Revenue from goods and services to customers satisfied at a point in time	732,324
	73,924,200

The growth in revenue from Internet and international transit services relates to new customers connection, the organisation of communication channels and an increase in the volume of services. In 2018, construction, installation and repair work in the amount of 17,857,072 thousand tenge were carried out under contracts with KazTransOil JSC (2017: in the amount of 19,465,190 thousand tenge under contracts with NC Astana EXPO 2017 JSC).

Below is the Company's revenue in terms of services rendered in 2017:

	2017
Astana-Expo 2017 project	19,465,190
Trunk rent	12,179,355
ACS PDT project	10,908,801
Internet	6,899,384
Implementation of software (Project "Z Systems Upgrade", "VZHDO", delivery of licensed software, Complex system for Railway Stations)	4,125,132
International transit	2,945,019
Rent of data transmission lines	2,586,225
Telegraph	2,038,898
Long-distance and international communication	1,683,783
Revenue from other projects	2,247,018
Maintenance of production and technical communication facilities of KazTransOil JSC	1,297,489
Unified Service Center project	891,250
Local communication	858,947
Project Main Computing Center, IT Infrastructure Implementation and Maintenance	653,675
Projects under complex agreements with KazTransOil (reconstruction of AFA&EC of Kasymov OPS, Reconstruction of ISG - 10 kV Chulak-Kurgan HOPS)	327,309
Other revenue	1,914,974
	71,022,449

20. COST OF SALES

	2018	2017
Third party services	25,576,266	25,574,974
Depreciation and amortisation	8,338,324	7,666,780
Professional services	1,874,085	2,304,364
Operating lease expenses	7,225,583	4,690,967
Salary and other related expenses	6,349,318	5,484,795
Materials	3,052,392	1,306,393
Communication services	1,573,980	2,972,349
Taxes and other related expenses included in cost of sales	605,080	793,734
Software cost	209,291	1,716,280
Employee benefits cost	102,152	23,409
Other costs	2,600,522	1,364,792
	57,506,993	**53,898,837**

Cost of inventories sold to NC KTZh JSC and its subsidiaries in 2018 amounted to 65,000 thousand tenge (2017: 1,221,993 thousand tenge).

Third-party services include work of subcontractors under the following projects:

	2018	2017
KazTransOil	16,044,123	-
ACS PDT	3,344,439	2,627,624
Service OCS	1,731,376	167,726
Outsourcing services	1,191,926	-
Projects on complex agreements: KazTransOil	733,969	1,273,272
Protection upgrade	530,694	-
Technical service FOCL	485,787	-
Services of microprocessor locomotive safety devices	371,326	-
KazTransGas project	263,393	-
Intergas Central Asia project	209,251	-
Ozenmunaygas project	147,555	-
Technical service KTO	124,701	-
Project for Agriculture Ministry	15,178	67,321
Expo-2017	6,233	18,436,737
Complex security system for Railway Stations	-	2,604,266
Complex works on Z System	-	266,445
Kazmunaygas	-	71,782
Kazpost	-	682
Other third-party work and services	376,315	59,119
	25,576,266	**25,574,974**

21. GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
Salary and other related expenses	1,755,691	1,458,493
Allowance for impairment of other non-current assets (Note 8)	1,102,052	-
Provision on remuneration of key management personnel	1,065,590	367,775
Taxes, other than income tax	798,499	459,389
Third party services	704,056	464,322
Rent of premises	265,813	214,700
Advertising costs	202,150	572,150
Professional services	166,383	141,052
Depreciation and amortisation	122,187	127,173
Allowance for doubtful debts	42,027	30,458
Employee benefits expenses	25,538	4,459
Other expenses	762,656	529,152
	7,012,642	**4,369,123**

22. FINANCE COSTS

	2018	2017
Interest expenses on loans	4,428,053	4,406,352
Contingent rent payments (Note 15)	1,272,685	1,321,662
Interest expenses on finance lease	342,214	326,421
	6,042,952	**6,054,435**
Less borrowing costs capitalised to the cost of qualifying assets (Note 6)	(210,160)	(65,668)
	5,832,792	**5,988,767**

23. 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 third parties may not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions with third parties.

The nature of related-party relationships with those related parties with which the Company entered into significant transactions or had significant outstanding balances as at 31 December 2018 and 2017, 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 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**
NC KTZh JSC	12,378,278	3,901,741	28,981	953
KTZh-Freight transportation JSC	2,083,100	2,440,946	185	24
Passenger Transportation JSC	723,284	133,798	-	-
Militarized Protection of the Railway JSC	40,535	53,699	-	-
Kaztemirtrans JSC	220,662	205,000	-	-
KTZ Express JSC	260,730	37,778	-	-
Repair corporation Kamkor LLP	134	232		
Other	3,628	7,223	5,846	3,116
	15,710,351	**6,780,417**	**35,012**	**4,093**

As at 31 December 2018, the share of receivables from NC KTZh JSC and its subsidiaries was 71% of the total trade receivables (31 December 2017: 66%).

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

	Sales of software and services (Note 19)		Services acquired	
Company name	**2018**	**2017**	**2018**	**2017**
KTZh NC JSC	24,587,419	19,620,264	155,978	54,880
KTZh-Freight transportation JSC	9,831,343	11,793,980	24,678	4,855
Passenger Transportation JSC	2,090,016	697,352	2,374	-
KTZ Express JSC	453,074	210,100	1,091	-
Kaztemirtrans JSC	385,761	353,883	-	-
Militarized Protection of the Railway JSC	162,886	80,310	-	-
Other	51,596	48,826	24,708	21,763
	37,562,095	**32,804,715**	**208,829**	**81,498**

The revenue from NC KTZh JSC and its subsidiaries for 2018 was 51% of the total revenue received under the contracts with customers (2017: 46%).

For 2018, the Company received income from the lease of server equipment and computer equipment to KTZh NC JSC and its subsidiaries and associates in the amount of 484,487 thousand tenge.

Other profits/losses from KTZh NC JSC and its subsidiaries and associates on fines and penalties amounted to 41,620 thousand tenge (2017: nil).

As at 31 December amounts due to other related parties and amounts due from other related parties include the following:

	Due from related parties		Due to related parties	
Company name	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**
KazTransOil JSC	1,313,018	181,068	-	47,134
Kazpost JSC	324,187	129,346	4,702	1,909
JSC KazMunayGas Exploration Production	245,643	10,968	-	238
KazMunayGas NC JSC	191,006	26,617	12,649	-
NAC Kazatamprom JSC	70,386	44,496	5,753	-
Kazakhtelecom JSC	66,324	14,719	77,288	27,167
KazMunayGaz Onimderi JSC	33,291	33,701	9	2,640
Samruk-Kazyna Finance LLP	16,986	14,612	-	-
Samruk-Kazyna Contract LLP	-	151	-	-
Intergas Central Asia JSC	499,646	-	-	-
Other	16,769	13,006	6,698	868
	2,777,256	**468,684**	**107,099**	**79,956**
Allowance for doubtful debts debts	(27,441)	-	-	-
	2,749,815	**468,684**	**107,099**	**79,956**

Related party transactions for the years ended 31 December are as follows:

	Services provided		Services acquired	
Company name	**2018**	**2017**	**2018**	**2017**
KazTransOil JSC	19,353,052	2,349,393	-	17,046
Intergas Central Asia JSC	1,756,013	-	-	-
Kazpost JSC	596,922	453,159	18,903	19,372
KazMunayGas NC JSC	556,771	136,940	10,317	-
NAC Kazatomprom JSC	342,852	41,768	-	-
KazMunayGas Exploration Production JSC	240,144	120,218	-	-
KazMunayGas Onimderi JSC	177,667	185,268	-	4
Kazakhtelecom JSC	98,304	56,517	288,470	200,965
Samruk-Kazyna Finance LLP	53,919	57,977	1,385	937
Samruk-Kazyna NWF JSC	-	37,265	19	169
Other	73,164	56,941	65,169	70,216
	23,248,808	**3,495,446**	**384,263**	**308,709**

In 2018, the Company received income from leasing server equipment and computer equipment to other related parties in the amount of 53,896 thousand tenge.

As at 31 December 2018, the key management personnel of the Company consisted of 20 persons (31 December 2017: 9 persons). For 2018, compensation to key management personnel amounted to 989,190 thousand tenge (2017: 577,924 thousand tenge). The entire amount as at the reporting date is either paid or payable within 12 months after the reporting date.

24. 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 optimisation of the debt and equity balances. The Company's overall strategy remains unchanged since 2017.

The capital structure of the Company comprises of the share capital as disclosed in Note 13, additional paid-in capital and retained earnings.

Categories of financial instruments

As at 31 December 2018 and December 2017, financial instruments were presented as follows:

	31 December 2018	31 December 2017
Financial assets		
Trade accounts receivable (Notes 9 and 23)	22,166,157	10,305,421
Cash (Note 11)	1,455,269	1,499,600
Non-current accounts receivable (Note 8)	201,210	224,490
Deposits with maturities less than 3 months (Note 11)	157,545	1,694,058
Restricted cash (Note 8)	121,114	100
Other current assets (Note 10)	30,275	29,342
Other short-term financial investments (Note 10)	18,736	66,717
Interest receivable (Note 10)	2,021	21,336
	24,152,327	**13,840,964**
Financial liabilities		
Borrowings (Note 14)	52,267,981	47,111,428
Trade accounts payable (Note 16)	17,674,958	6,213,225
Dividends on shares	2,339,661	2,162,824
Financial lease obligations (Note 15)	1,820,614	2,007,943
Other current liabilities (excluding provisions and advances received from customers)	909,608	341,014
	75,012,822	**57,836,434**

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 analyse exposures by degree and magnitude of risks. These risks include risks related to capital structure of the Company, decrease in profitability, exchange rates fluctuations, credit risks, interest rates fluctuations 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 in relation to tenge. 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	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	thousands of tenge	thousands of tenge	thousands of tenge	thousands of tenge
US Dollar	2,141,654	2,459,652	1,394,822	378,152
Russian Rubles	16,925	2,111	42,973	18,150
Euro	12,024	38,096	2,966	304

Foreign currency sensitivity analysis

The Company is mainly exposed to the risk associated with a change in the US Dollar.

The following table details the Company`s sensitivity to a 30% increase or decrease in tenge against US Dollar. 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. The following positive amounts reflect an increase in profits when the tenge appreciates against the US Dollar by 30%. Weakening of the tenge rate by 30% against the US Dollar will have a comparable impact on profits, with the amounts indicated below being negative.

	Impact of US Dollar	
	31 December 2018	**31 December 2017**
Financial assets	(642,496)	(737,896)
Financial liabilities	418,447	113,446

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

At the moment, the Company has an open, long currency position. This indicates that the Company's requirements exceed the liabilities for a separate foreign currency.

Currency risk primarily relates to the accounts receivable and cash and cash equivalents of the Company, denominated in US dollars, as at 31 December 2018 and 2017.

Credit risk management

Credit risk primarily relates to trade receivables and cash and cash equivalents.

The Company has a significant concentration of credit risk with respect to NC KTZh JSC and its subsidiaries and associates. For the year ended 31 December 2018, the share of revenue from NC KTZh JSC and its subsidiaries and associates was approximately 51% of the total revenue of the Company (2017: 46%). As at 31 December 2018, trade accounts receivables for connection services and other services provided to NC KTZh JSC and its subsidiaries was 71% (31 December 2017: 66%) of the total amount of trade receivables of the Company.

In terms of credit risk associated with cash and cash equivalents, the risk of the Company is associated with credit institutions that hold cash and cash equivalents, with the maximum risk being equal to the current value of these instruments and considered to be insignificant. As at 31 December 2018, the Company places cash in the largest tier two banks in Kazakhstan:

Name of the Bank	**Ranking**	**Source**	**Amount**	**Share of total cash**
Bank CenterCredit JSC	B	Fitch	1,442,506	89.44%
Halyk Savings Bank of Kazakhstan JSC	BB	Fitch	55,494	3.44%
Alfa-Bank SB JSC	BB-/stable/B	S&P	38,524	2.39%
ForteBank JSC	B	Fitch	36,669	2.27%
Other			39,621	2.46%
			1,612,814	**100%**

Carrying amounts of financial assets recognised in the financial statements of the Company, less allowance for impairment, represent the maximum exposure to credit risk.

Interest rates risk management

The Company's activities are subject to interest rate risk, as the Company attracts borrowed funds not only with fixed, but also with floating interest rates. The Company manages this risk by maintaining a balanced combination of loans with fixed and floating interest rates.

The Company's risks associated with changes in interest rates on financial liabilities are discussed in more detail in the section of this note on liquidity risk management.

Analysis of sensitivity to interest rate risk

The following sensitivity analysis to interest rate changes was carried out for loans with a floating interest rate for 12 months of 2018. Liabilities with floating interest rates are analysed on the basis of the assumption that their value as at 31 December 2018 did not change during the year, and the interest rate increased by 100 basis points.

If the interest rate had increased by 100 basis points while maintaining at the same level of all other variables, the interest expenses of these loans for 12 months of 2018 would have increased by 40.444 million tenge (2017: 40.556 million tenge).

Liquidity risk management

Ultimate responsibility for liquidity risk management is on the Company's main 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 available 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 assets and liabilities. The table was prepared on the basis of non-discounted cash flows projected on financial assets and 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.

In the following table, cash flows for loans with floating interest rates are presented taking into account the weighted average interest rate from the date of receipt of the loan by 31 December 2018.

	Interest Rate	Up to 1 year	1-5 years	Over 5 years	Total
31 December 2018					
Financial assets					
Interest free					
Trade accounts receivable	-	22,166,157	-	-	22,166,157
Cash	-	1,455,269	-	-	1,455,269
Restricted cash	-	-	121,114	-	121,114
Interest receivable	-	2,021	-	-	2,021
Interest-bearing					
Deposits with maturities less than 3 months	1.50%	157,545	-	-	157,545
Receivables from employee	13.10%	30,275	201,210	-	231,485
Other short-term financial investments	1.50%	18,736	-	-	18,736
Total financial assets		**23,830,003**	**322,324**	**-**	**24,152,327**

31 December 2018	Interest Rate	Up to 1 year	1-5 years	Over 5 years	Total
Financial liabilities					
Interest-bearing					
Finance lease liabilities	14.00%-18.25%	(1,456,316)	(685,982)	-	(2,142,298)
Loans with fixed interest rate	8.00%-11.50%	(13,133,353)	(42,715,769)	(5,356,405)	(61,205,527)
Loans with floating interest rate	11.50%	(4,399,944)	-	-	(4,399,944)
Interest free					
Trade accounts payable	-	(17,674,958)	-	-	(17,674,958)
Dividends on shares	-	(2,339,661)	-	-	(2,339,661)
Other financial liabilities	-	(909,608)	-	-	(909,608)
Total financial liabilities		**(39,913,840)**	**(43,401,751)**	**(5,356,405)**	**(88,671,996)**
Net financial liabilities		**(16,083,837)**	**(43,079,427)**	**(5,356,405)**	**(64,519,669)**

31 December 2017	Interest rate	Up to 1 year	1-5 years	Over 5 years	Total
Financial assets					
Interest free					
Cash	-	1,499,600	-	-	1,499,600
Trade accounts receivable	-	10,305,421	-	-	10,305,421
Interest receivable	-	21,336	-	-	21,336
Interest-bearing					
Deposits with maturities less than 3 months	2.10-12.00%	1,694,058	-	-	1,694,058
Receivables from employees	13.10%	29,342	90,584	133,906	253,832
Other short-term financial investments	2.10%-15.00%	66,717	-	-	66,717
Total financial assets		**13,616,474**	**90,584**	**133,906**	**13,840,964**
Financial liabilities					
Interest-bearing					
Finance lease obligations	17.29%-18.25%	(1,003,887)	(1,806,298)	-	(2,810,185)
Loans with fixed interest rate	7.60%-9.00%	(15,662,000)	(29,608,026)	(7,293,428)	(52,563,454)
Loans with floating interest rate loans	11.50%	(462,556)	(4,402,500)	-	(4,865,056)
Interest free					
Trade accounts payable	-	(6,213,225)	-	-	(6,213,225)
Dividends on shares	-	(2,162,824)	-	-	(2,162,824)
Other financial liabilities	-	(341,014)	-	-	(341,014)
Total financial liabilities		**(25,845,506)**	**(35,816,824)**	**(7,293,428)**	**(68,955,758)**
Net financial liabilities		**(12,229,032)**	**(35,726,240)**	**(7,159,522)**	**(55,114,794)**

The Company believes that it will settle all other liabilities using cash inflows from operating activities and the proceeds from maturing financial assets.

Fair value of financial instruments

The following methods and assumptions are used by the Company to calculate the fair value of such financial instruments:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates their fair value due to the short-term maturity of these financial instruments.

Financial assets and liabilities

For assets and liabilities with a maturity of less than twelve months, the carrying amount approximates fair value due to the relatively short maturity of these financial instruments.

For assets and liabilities with a maturity of more than twelve months, the fair value is the present value of the estimated future cash flow discounted using market rates existing at the end of the reporting year.

Borrowings

The calculation of the fair value of bank loans was made by discounting the expected future cash flows of individual loans during the settlement repayment period using market rates prevailing at the end of the year on loans with similar maturity and credit rating parameters.

Fair value of financial assets and financial liabilities of the Company not regularly measured at fair value (but with mandatory disclosure of fair value)

As at 31 December 2018 and 2017, the fair value of financial assets and financial liabilities, except for loans received, did not differ significantly from their carrying value. The carrying and fair value of loans as at December 31 was as follows:

	31 December 2018		31 December 2017	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities recorded at amortised cost:				
Borrowings	52,267,981	49,122,557	47,111,428	44,420,648
Finance lease	1,820,614	1,820,614	2,007,943	2,007,943

In assessing the fair value, the Company is guided by level 2 inputs in accordance with the hierarchy.

The fair value of financial liabilities of Level 2 is calculated using generally accepted valuation technics based on an analysis of discounted cash flows. In this case, the most significant input data is the discount rate, reflecting the credit risk of counterparties.

For 2018 and 2017, there were no transfers between levels of the fair value hierarchy.

25. CONDITIONAL AND CONTRACTUAL OBLIGATIONS

Operating environment

Emerging markets such as Republic of 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 Republic of Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of the Republic 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 the Republic of 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. This may put pressure on the weakening of the tenge 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 might be significant.

Legal issues

Payment of dividends

On 9 June 2016, according to the decision of Management Board of NC KTZh JSC, it was decided to pay dividends for 2015 of 1,263,059 thousand tenge. On 15 June 2016, the ownership on 49% of common shares were transferred to the new shareholder, Mukhanov M. S. On 31 October 2016, the Company paid dividends to Mukhanov M. S. proportionately to its shareholding of 49% in the amount of 618,899 thousand tenge. Dividends payable to NC KTZh JSC of 644,160 thousand tenge were recorded in short-term dividends payable.

As at the date of these financial statements, there is an unresolved issue between KTZh NC JSC and the Company in respect of the legitimacy of the payment of declared dividends for 2015 to the shareholder M. S. Mukhanov. Management of the Company believes that the dividend payments were made in accordance with the relevant legislation of the Republic of Kazakhstan prevailing on this issue. As a result, there have been no additional amounts recorded in the financial statements of the Company as a result of this transaction.

Kazakhstan Transit Telecommunications LLP

The Company had litigation issues with Kazakhtsan Transit Telecommunications LLP (KT&T hereafter) in 2011-2015. In 2013 the Company reported reserves on taxes and penalties in the amount of 1,479,161 thousand tenge, which consequently were reversed in the amount of 1,198,626 thousand tenge after recognition of the decision of Tax Department as invalid. In 2015, Company reversed the remaining provision of 280,535 thousand tenge, which was excessively charged.

On 19 January 2015, according to decision of the appeal judicial board of the Almaty city court, KT&T LLP was declared as a bankrupt with initiation of procedure of bankruptcy and appointment of the temporary administrator. The claims of the Company to KT&T LLP were recognised and included in a creditors' claims register. As at the date of the financial statements approval for issuance, the bankruptcy process have not yet been finalised.

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. The writ of execution of 29 December 2014 No.1-202/14 on recovery from Abdrakhmanov M. M. in favour of the Company of the amount of material damage in the amount of 2,098,794 thousand tenge was sent for compulsory execution in accordance with the Law of the Republic of Kazakhstan "On Enforcement Proceedings and the Status of Judicial performers".

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 the Republic of 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.

New requirements of technical regulations

Order of the Chairman of the National Security Committee of the Republic of Kazakhstan No.91 of 20 December 2016 on the approval of technical regulations "General requirements to the telecommunication equipment in ensuring conducting of operative search measures, collection and storage of subscribers' information" ("TR-RK 91-2016") was published on 7 February 2017 and entered into force on 8 February 2018. In accordance with the new regulation, there are additional requirements to the telecommunication equipment that include expansion of technical capabilities of equipment to conduct operative search activities, collection and storage of subscribers' information ("ORA"). Management is currently implementing an action plan in order to comply with the technical regulations.

At the same time, in accordance with paragraph No.71 of TR-RK 91-2016, certificates of compliance of communication equipment with the requirements for ensuring conducting of operative search measures and collection and storage of subscribers' information issued before the entering into force of new technical regulations are considered valid until the expiration (certificate of conformity received by the Company, dated 2 February 2018, expired on 2 February 2021).

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 modernise technology to meet more stringent standards.

Antimonopoly legislation

As stated in Note 1, the Company was included in the Republican section of the State Register of Natural Monopolies as a provider of service for usage of telephone underground conduits. The antimonopoly regulation requires the Company to apply tariffs established for regulated communication services and to submit reports.

Management believes that the Company complies with antimonopoly requirements.

Capital commitments

As at 31 December 2018, the Company's capital commitments under the contracts entered into were 5,332,974 thousand tenge (31 December 2017: 15,961,962 thousand tenge).

Also, based on the Company's management estimates, according to the developed business plan, the costs of bringing telecommunication equipment in accordance with the technical regulations of TR-RK 91-2016 will amount to 1,843,270 thousand tenge.

Compliance with loan covenants

On 14 August 2017, the Company entered into agreement with Sberbank SB JSC on procedures and conditions of the provision of credit instruments to legal entities and individual entrepreneurs. Under the agreement, a credit line (Guarantee) from 14 August 2017 have been opened for revolving credit line available until 12 August 2022 to obtain bank guaranties in the total maximum amount of 290,000 thousand tenge. It is required to meet the requirements of the contract on delivery, implementation and support of REMS Central system under the project of creation of Automated control system "Power dispatch traction" (ACS PDT) dated 23 August 2012 (the beneficiary is E IT Services Co. Kazakhstan). The commission for issuing the bank guarantee is 1.5% per annum. As of reporting date, the bank issued a guarantee for the total amount of 290,000 thousand tenge. As part of the enforcement of the above obligations, a money collateral pledge agreement dated 14 August 2017 was concluded, according to which the Company transferred to Sberbank SB JSC as a pledge (as a mortgage) money in the amount of 100 thousand tenge.

The Company has to comply with all conditions of credit agreements with DBK, EDB, Sberbank SB JSC, Alfa-Bank SB JSC. Certain covenants are also established for the Guarantor. Management believes that the Company fully complies with the covenants of the loan agreements as at 31 December 2018. The Guarantor, in order to prevent cases of non-fulfilment of obligations to DBK, before the reporting date, received a waiver from the lender agreeing not to apply covenants as at 31 December 2018.

Guarantees

As at 31 December 2018, guarantees provided by banks on behalf of the Company as security for the fulfilment of the Company's obligations to counterparties are as follows:

Creditor	Guarantee Purpose	Date of guarantee issue	Guarantee period	Guarantee amount
SberBank SB JSC	Meeting requirements of the contract on delivery, implementation and support of REMS Central system under the project of creation of Automated control system "Power dispatch traction" (ACS PDT) (beneficiaries are E IT Services Co. Kazakhstan and Hewlett-Packard LLP)	14 August 2017	12 August 2022	290,000
Alfa Bank SB JSC	Elimination of defects under a procurement contract № 591-1/06 dated 26 September 2016 on construction and installation if infrastructure - Integrated security systems in the design of exhibition pavilions and facilities No. A1, B1, B2, C1, C2, C3, N 1.3, J2.4.2 (Logistics Center), entrance groups, kiosks and temporary constructions at the objects of Astana Expo-2017	16 November 2017	15 November 2019	158,995
Alfa Bank SB JSC	Elimination of defects under a procurement contract №423/06 dated 29 July 2016 of construction and installation of infrastructure - Basic telecommunication services in designing of exhibition pavilions and facilities No. P1, C2, C3, C4, B1, B 2.2, B 2.3, B 2.4, N 1.3, J2, entrance groups, kiosks, and temporary constructions at the objects of Astana Expo-2017	15 November 2017	15 November 2019	77,223
Alfa Bank SB JSC	Elimination of defects under a contract dated 29 July 2016 on construction and installation works of the engineering infrastructure – "Smart Grid and EV Charging Infrastructure" for the needs of National Company Astana EXPO-2017 JSC	4 September 2017	3 September 2019	45,771
Alfa Bank SB JSC	Meeting requirements of the contract No. 522/06 of 5 September 2016 on procurement of construction and installation work of the engineering infrastructure - International specialised exhibition Astana EXPO-2017 integrated security system (spot 3.2) Organiser's office at the territory of the exhibition EXPO-2017 in Astana	10 October 2018	15 June 2020	67,888*
Other guarantees provided by banks	Securing performance of obligations	7 August 2017 – 4 October 2017	6 August 2019 – 3 October 2019	51,188

* The amount of the guarantee is 176,700 US dollars and translated into Kazakhstani tenge using the exchange rate as at 31 December 2018.

As at 31 December 2018, the Company did not have any obligations related to the guarantees listed above.

Finance lease liabilities

As discussed in Note 15, the Company entered into the agreement with Grand Telecom LLP for the finance lease of equipment till 1 January 2020. The original agreement amount was 19,317,000 thousand tenge, including VAT. Following the additional agreement dated 2 April 2009, the amount was reduced to 14,483,297 thousand tenge, of which 12,946,582 thousand tenge was paid off as at 31 December 2018 (31 December 2017: 12,089,423 thousand tenge).

In 2018, the Company entered into financial lease agreement with QBG Partners LLP till 31 December 2020 was concluded. The original agreement amount was 336,000 thousand tenge, including VAT.

In 2017, the Company entered into the Islamic Lease Agreement with Al Sakr Finance JSC with maturity until 26 December 2021. According to the contract, the liability amount under the contract is 1,273,626 thousand tenge, of which 401,170 was paid off as at 31 December 2018 (31 December 2017: 294,206 thousand tenge).

26. EVENTS AFTER THE REPORTING PERIOD

The Company acquired bonds of Tsesnabank JSC in the amount of 387,969 thousand tenge in accordance with the Framework Agreement concluded between the Government of the Republic of Kazakhstan, national companies and shareholders of Tsesnabank JSC dated 17 January 2019. Restricted cash with carrying value of 394,411 thousand tenge as at 31 December 2018, placed on the deposit of Tsesnabank JSC (Note 8) was used for payment of the nominal value of the bonds and other related expenses.

On 18 January 2019, the Company received the next tranche of 955,914 thousand tenge at a rate of 11.5% per annum for a period up to 11 August 2025 under the credit line agreement No.112, concluded with the EDB.

On 30 April 2019, the Company entered into the credit line Agreement with Branch No.5 of Eurasian Bank JSC in order to replenish working capital in the amount of not more than 780,000 thousand tenge. On 30 April 2019, under the Agreement, the Company received the first tranche in the amount of 381,500 thousand tenge with a maturity on 30 April 2020.

On 8 May 2019, the Company entered into a loan agreement with the EDB for an amount of no more than 7,700,000 thousand tenge for a period until 20 March 2026 with an interest rate of 11.4% per annum to finance the Acquisition of 6 units of Mobile Diagnostic Complexes project. Purchased equipment is a collateral under this loan.

27. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized by management of the Company and approved for issue on 20 May 2019.