

TRANSTELECOM JSC

Financial Statements
for the Year Ended 31 December 2019

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 2019	1
INDEPENDENT AUDITOR'S REPORT	2-5
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019:	
Statement of Financial Position	6
Statement of Profit or Loss and Other Comprehensive Income	7
Statement of Changes in Equity	8
Statement of Cash Flows	9-10
Notes to the Financial Statements	11-58

TRANSTELECOM JSC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRSs").

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 IFRSs 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 IFRSs;
- maintaining statutory accounting records in compliance with IFRSs 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 2019 were approved by management of the Company and authorized for issue on 8 June 2020.

On behalf of Company management:

D. T. Zhexembekov
Acting Chairman of the Board

8 June 2020
Nur-Sultan

K.S. Bozchshina
Chief Accountant

8 June 2020
Nur-Sultan

Deloitte, LLP
36 Al Farabi Avenue
Almaty, 050059,
Republic of Kazakhstan
Tel: +7 (727) 258 13 40
Fax: +7 (727) 258 13 41
deloitte.kz

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Transtelecom JSC

Opinion

We have audited the financial statements of Transtelecom JSC (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for 2019, and notes to 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 2019, and its financial performance and its cash flows for 2019 in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 Note 25 to the financial statements, 78% of the Company's trade accounts receivable as at 31 December 2019 and 81% of its revenue for 2019 were from related party transactions. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

© 2018 Deloitte, LLP. All rights reserved.

Why was the matter determined to be a key audit matter?	How was the matter addressed in the audit?
Recognition of revenue from the realisation of long-term construction and installation projects based on the progress toward satisfaction of performance obligation As stated in Notes 4, 5 and 21 to the financial statements, the Company recognised revenue from the realisation of long-term construction and installation projects for the amount of 19,832,223 thousand tenge in 2019 over time based on the measurement of progress toward satisfaction of performance obligation, which Company management determined using the output method, which in turn involves forecasting total revenue and costs from long-term project realisation and allocating total revenue under contracts to performance obligations. Given the materiality of the revenue indicator for the users of the financial statements and Company management's application of significant professional judgments to determine the progress toward satisfaction of performance obligation, we have determined this issue as a key audit matter.	Our audit procedures to check the correctness of the measured progress toward satisfaction of performance obligation, and the justification for judgments applied by the Company's management, involved the following: • analysing project contracts terms and reviewing the accuracy of determining contractual performance obligation in accordance IFRS 15 *Revenue from Contracts with Customers*; • assessing the appropriateness of the key judgments used to recognise revenue over time and measure the progress toward satisfaction of performance obligation, and checking consistency of these judgments with evidence obtained; • performing a review of primary documents confirming the progress toward satisfaction of performance obligation on a sampling basis; • checking accuracy and completeness of disclosure of revenue from long-term projects in the financial statements.

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 IFRSs 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.

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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

Zhangir Zhilysbayev
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
on 13 September 2006

8 June 2020

TRANSTELECOM JSC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(in thousands of tenge)

	Notes	31 December 2019	31 December 2018
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	6	80,612,968	74,515,648
Intangible assets	7	3,798,576	4,720,758
Finance lease receivables	9	459,358	-
Other non-current assets	8	617,115	2,705,552
		85,488,017	**81,941,958**
CURRENT ASSETS:			
Inventories	13	2,273,023	941,552
Trade accounts receivable from related parties	25	17,601,202	18,460,166
Trade accounts receivable	11	4,979,007	3,705,991
Finance lease receivables	9	360,435	-
Prepaid income tax		271,030	1,397,682
Other current assets	12	2,701,065	854,673
Cash and cash equivalents	14	285,936	1,612,814
		28,471,698	**26,972,878**
TOTAL ASSETS		**113,959,715**	**108,914,836**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	15	12,241,487	12,241,487
Additional paid-in capital	15	244,190	244,190
Retained earnings		14,815,299	13,653,859
		27,300,976	**26,139,536**
NON-CURRENT LIABILITIES:			
Long-term borrowings	16	32,717,557	38,851,836
Long-term portion of contract liabilities	10	1,195,905	-
Non-current portion of lease liabilities	17	1,090,482	577,964
Employee benefit obligations		463,341	463,595
Deferred tax liabilities	20	4,375,046	4,139,571
Deferred revenue		-	15,982
		39,842,331	**44,048,948**
CURRENT LIABILITIES:			
Short-term borrowings and current portion of long-term borrowings	16	12,801,605	13,416,145
Current portion of lease liabilities	17	875,855	1,242,650
Trade accounts payable	18	22,832,228	17,674,958
Dividends payable	15	3,275,126	2,339,661
Taxes payable and other obligatory payments		416,002	345,721
Other current liabilities	19	6,574,852	3,671,531
Current portion of employee benefit obligations		40,740	35,686
		46,816,408	**38,726,352**
TOTAL LIABILITIES		**86,658,739**	**82,775,300**
TOTAL EQUITY AND LIABILITIES		**113,959,715**	**108,914,836**

On behalf of Company management:

D.T. Zhexembekov
Acting Chairman of the Board

8 June 2020
Nur-Sultan

K.S. Bozchshina
Chief Accountant

8 June 2020
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 2019

(in thousands of tenge)

	Notes	2019	2018
REVENUE	21	82,094,699	74,691,339
COST OF SALES	22	(64,196,777)	(57,506,993)
GROSS PROFIT		**17,897,922**	**17,184,346**
General and administrative expenses	23	(7,213,850)	(7,012,642)
OPERATING PROFIT		**10,684,072**	**10,171,704**
Finance costs	24	(7,226,106)	(5,832,792)
Finance income		104,994	485,842
Foreign exchange (loss)/gain, net		(54,134)	98,169
Other income, net		302,940	314,495
PROFIT BEFORE INCOME TAX		**3,811,766**	**5,237,418**
INCOME TAX EXPENSE	20	(1,103,633)	(1,288,356)
PROFIT FOR THE YEAR		**2,708,133**	**3,949,062**
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			
Items that will not be reclassified subsequently in profit or loss:			
Remeasurement of defined benefit obligation		32,932	(29,718)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,741,065**	**3,919,344**

On behalf of Company management:

D.T. Zhexembekov
Acting Chairman of the Board

8 June 2020
Nur-Sultan

K.S. Bozchshina
Chief Accountant

8 June 2020
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 2019
(in thousands of tenge)

	Share capital	Additional paid-in capital	Retained earnings	Total equity
As at 1 January 2018	**12,241,487**	**244,190**	**12,346,486**	**24,832,163**
Effect of IFRS 9 adoption at 1 January 2018	-	-	(212,750)	(212,750)
Restated balance as at 1 January 2018	**12,241,487**	**244,190**	**12,133,736**	**24,619,413**
Profit for the year	-	-	3,949,062	3,949,062
Other comprehensive loss 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 15)	-	-	(2,399,221)	(2,399,221)
As at 31 December 2018	**12,241,487**	**244,190**	**13,653,859**	**26,139,536**
Profit for the year	-	-	2,708,133	2,708,133
Other comprehensive income for the year, net of income tax	-	-	32,932	32,932
Total comprehensive income for the year	**-**	**-**	**2,741,065**	**2,741,065**
Dividends (Note 15)	-	-	(1,579,625)	(1,579,625)
As at 31 December 2019	**12,241,487**	**244,190**	**14,815,299**	**27,300,976**

On behalf of Company management:

D.T. Zhexembekov
Acting Chairman of the Board

8 June 2020
Nur-Sultan

K.S. Bozchshina
Chief Accountant

8 June 2020
Nur-Sultan

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

TRANSTELECOM JSC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of tenge)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		3,811,766	5,237,418
Adjustments for:			
Depreciation and amortisation	22, 23	9,592,470	8,460,511
Finance costs	24	7,226,106	5,832,792
Accrual of provision on remuneration of executive personnel	23	973,243	1,065,590
Accrual of allowance for expected credit losses	23	835,740	42,027
Employee benefit obligations	22, 23	61,704	127,690
Accrual of impairment allowance for advances paid and other current assets	23	241,762	-
Accrual of allowance for slow-moving and obsolete inventories	23	71,838	-
Foreign exchange loss/(gain), net		54,134	(98,169)
Accrual of impairment allowance for other non-current assets	23	16,979	1,102,052
Loss from disposal of property, plant and equipment and intangible assets		103,163	93,254
Finance income		(104,994)	(485,842)
Cash flows from operating activities before changes in working capital and other items		22,883,911	21,377,323
Changes in working capital and other items:			
Change in trade accounts receivable		(1,916,541)	(12,556,856)
Change in inventories		(1,403,309)	391,534
Change in advances paid		(113,017)	(205,233)
Change in other current and non-current assets		(2,494,607)	1,554,798
Change in trade accounts payable		2,418,302	8,640,521
Change in taxes payable and other obligatory payments		765,959	413,913
Change in advances received		367,258	(45,231)
Change in other current liabilities		2,572,906	1,321,015
Change in employee benefit obligations		(23,972)	(65,373)
Cash generated from operating activities		23,056,890	20,826,411
Interest paid		(6,849,156)	(6,102,536)
Interest received		25,833	64,545
Income tax paid		(437,184)	(1,447,581)
Net cash generated by operating activities		**15,796,383**	**13,340,839**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment and advances paid for non-current assets		(9,330,116)	(17,297,219)
Purchase of intangible assets		(27,093)	(1,616,264)
Withdrawal of deposit accounts, net		394,695	47,981
Cash proceeds from finance lease		53,395	-
Net cash used in investing activities		**(8,909,119)**	**(18,865,502)**

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of tenge)

	Notes	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings repaid	17.1	(12,807,297)	(12,302,443)
Borrowings received	17.1	5,932,028	17,780,175
Dividends paid	17.1	-	(998,781)
Repayment of lease liabilities	17.1	(1,322,175)	(485,533)
Net cash (used in)/generated by financing activities		**(8,197,444)**	**3,993,418**
NET CHANGE IN CASH AND CASH EQUIVALENTS		(1,310,180)	(1,531,245)
Effects of foreign exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(21,473)	(44,741)
Impairment allowance for cash and cash equivalents		4,775	(4,858)
CASH AND CASH EQUIVALENTS at the beginning of the year	14	1,612,814	3,193,658
CASH AND CASH EQUIVALENTS at the end of the year	14	**285,936**	**1,612,814**
Non-cash transactions:			
Dividends of KTZ NC JSC offset against receivables from subsidiaries of KTZ NC JSC	15	644,160	-

On behalf of Company management:

D.T. Zhexembekov
Acting Chairman of the Board

8 June 2020
Nur-Sultan

K.S. Bozchshina
Chief Accountant

8 June 2020
Nur-Sultan

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

1. GENERAL INFORMATION

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 2019 and 2018, the Company had 14 branches in different cities of the Republic of Kazakhstan.

As at 31 December 2019 and 2018, the shareholders of the Company were Joint Stock Company National Company Kazakhstan Temir Zholy (NC KTZh JSC) (51%) and Mukhanov Marlen Savitovich (49%).

The Government, as represented by National Welfare Fund Samruk-Kazyna JSC 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 sale 26% minus one share of Transtelecom JSC to Mukhanov M. S. was concluded. As at 31 December 2019, the transaction had not been completed. In January 2020, the transaction was completed (Note 28).

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

2. BASIC PRINCIPLES OF PREPARATION

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

Standards affecting the financial statements

General impact of application of IFRS 16 *Leases*

IFRS 16 introduced a unified model for the definition of lease agreements and its accounting by both the lessor and the lessee.

IFRS 16 supersedes IAS 17 and all related interpretations:

- IFRIC 4 *Determining whether an Arrangement Contains a Lease;*
- SIC-15 *Operating Leases – Incentives;*
- SIC-27 *Evaluating the Substance of Transactions in the Legal Form of a Lease.*

The Company has applied IFRS 16 using a modified retrospective approach, whereby comparative information is not restated, and the cumulative effect of the initial application of IFRS 16 is presented as an adjustment to the opening balance of retained earnings.

The Company has made use of the practical expedient available on transition to IFRS 16 and, accordingly, did not reanalyse the contract as a whole or its individual components as a lease at the date of initial application, for contracts that were previously identified as lease contracts using IAS 17 *Leases* and IFRIC 4.

The lessor's accounting treatment in accordance with IFRS 16 has remained almost unchanged compared to IAS 17. Lessors will continue to classify leases using the same classification principles as in IAS 17, while distinguishing two types of leases: operating and finance.

Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease based on whether the customer has the right to control the use of the identifiable asset for a period of time in exchange for consideration.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). The new definition of the lease in IFRS 16 did not change significantly the scope of contracts that meet the definition of a lease for the Company.

IFRS 16 has made significant changes to the lessee's accounting, eliminating the distinction between operating and finance leases, and requires recognition of a right-of-use asset and a lease obligation for all leases, except for short-term leases and leases of low value assets.

Lease liability

The lease liability is initially measured at the present value of the remaining lease payments. After initial recognition, the lease liability is adjusted for interest on the liability and lease payments, as well as, for the effect of modifications to the lease contract.

IFRS 16 requires leased assets to be presented separately from other assets and liabilities. This requirement can be met either by a separate presentation in the statement of financial position or in the notes. The Company decided to present lease liabilities in the statement of financial position as a separate item (Note 17) and to include right-of-use assets in the same items under which the corresponding underlying assets would be presented if they were owned, that is, as part of property, plant and equipment (Note 6) and intangible assets.

Short-term leases and leases of low-value assets

The Company applies the recognition exemption for short-term leases to its short-term leases, for which, on the date of lease commencement, the stipulated lease term is not more than 12 months and which do not contain a purchase option. The Company also applies the recognition exemption for leases of low-value assets. Lease payments for short-term leases and leases of low-value assets are recognized by the Company as an expense on a straight-line basis over the lease term.

Impact on assets, liabilities, equity and obligations under lease as at 1 January 2019:

	Effect of IFRS 16 adoption
Assets	
Property, plant and equipment	207,523
Net impact on assets	**207,523**
Liabilities	
Lease liabilities	207,523
Net impact on liabilities	**207,523**

The Company has lease agreements for office premises and equipment. For a lease previously classified as an operating lease in accordance with IAS 17, at the date of initial application of IFRS 16, the Company recognized a right-of-use asset and a lease liability of 207,523 thousand tenge.

As a result of recognition of the right-of-use and lease liability, the deferred tax asset and liability are equivalent. The net effect is zero.

Leases that were classified as leases as at 31 December 2018, as a result of the application of IFRS 16 were recognised as earlier, in property, plant and equipment in the amount of 1,218,400 thousand tenge.

The new standard has resulted in a change in the amount and presentation of expenses associated with a lease previously classified as an operating lease for a lessee. Under IAS 17, operating lease expenses were presented as part of operating expenses. When applying IFRS 16, expenses are divided to finance costs and depreciation.

Adoption of IFRS 16 did not have an impact on the Company's other comprehensive income.

Impact on profit/(loss) and earning per share:

	Year ended 31 December 2019
Decrease in general and administrative expenses:	
Increase in depreciation and amortization expenses	(140,343)
Decrease in operating lease expenses	171,373
Increase in finance costs	(52,239)
Decrease in profit before tax for the period	**(21,209)**
Decrease in corporate income tax expenses	4,242
Decrease in profit for the year	**(16,967)**

Impact on statement of cash flows

The classification of cash flows will also change, as payments under operating leases in accordance with IAS 17 are classified as cash flows from operating activities, while in accordance with IFRS 16 lease payments will be broken down to repay the principal amount of the liability and interest, which will be presented as cash flows from financial and operating activities, respectively.

The adoption of IFRS 16 did not have a material impact on net cash flows.

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements

Amendments to IFRS 9 *Prepayment Features with Negative Compensation*	The Company has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IAS 12 Income Taxes and IAS 23 Borrowing Costs	The Company has adopted the amendments included in the *Annual Improvements to IFRS Standards 2015–2017 Cycle* for the first time in the current year. The *Annual Improvements* include amendments to four Standards: IAS 12 *Income Taxes* The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. IAS 23 *Borrowing Costs* The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRIC 23 *Uncertainty over Income Tax Treatments*	The Company has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:
	• determine whether uncertain tax positions are assessed separately or as a group; and
	• assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
	  ○ If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
	  ○ If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

New or revised standards issued but not yet effective

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning on or after 1 January 2020. Specifically, the Company did not apply early the following standards, interpretations and amendments to the standards:

- IFRS 17 *Insurance Contracts* (effective for annual reporting periods beginning on or after 1 January 2021);
- Amendments to IFRS 3 regarding Definition of a business (effective for annual reporting periods beginning on or after 1 January 2020);
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (date to be determined, with early application permitted);
- Conceptual Framework - Amendments to References to the Conceptual Framework in IFRS Standards(effective for annual reporting periods beginning on or after 1 January 2020);
- Amendments to IFRS 9, IAS 39 and IFRS 7 regarding *Interest Rate Benchmark Reform and its Effects on Financial Reporting* (effective for annual reporting periods beginning on or after 1 January 2020);
- Amendments to IAS 1 and IAS 8 regarding *Definition of Material* (effective for annual reporting periods beginning on or after 1 January 2020);
- Amendments to IAS 1 regarding *Classification of Liabilities as Current or Non-current* (effective for annual reporting periods beginning on or after 1 January 2022).

Company management expects that the application of the standards and amendments when they become effective will not have a significant impact on the Company's financial statements.

4. 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 IFRS 16, 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 2019, current liabilities of the Company exceeded current assets by 18,344,710 thousand tenge (31 December 2018: 11,753,474 thousand tenge).

The working capital deficit is explained by the following factors:

- Investment activities in relation to the implementation of projects as: ASU Magistral, connection of large housing complexes, under projects Modernization and Development of the Local Telecommunications Network, Modernization and Expansion of the Communications Monitoring System and Modernization and Development of the Transport and Transit Network. In this regard, as at 31 December 2019, payables of 22,832,228 thousand tenge arose.
- Short-term financial liabilities on borrowings and lease totalling 13,677,460 thousand tenge, unpaid dividends based on the results of 2017-2018 for a total of 3,275,126 thousand tenge.

Despite the working capital deficit, management does not expect any 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: Construction of a Hardware and Software Complex of a Fiber-Optic Communication Line at Zhetygen-Altynkol Section, Modernization and Development of Local Telecommunication Network, Modernization and Development of the Transport and Transit Network, ASU Magistral and through other projects with spare capacities.
- Availability of a free limit of 3,105,386 thousand tenge under a loan agreement with the Eurasian Development Bank to pay off accounts payable under ASU Magistral project.
- Regular monitoring of liabilities debt by management.
- The Company is negotiating additional credit lines with Kazakhstan financing institutions. Management is confident that, if necessary, the Company will be able to obtain bank financing on market conditions, even in the event of a change in the ultimate shareholder.

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.

In early 2020, the new COVID-19 virus (the "virus") significantly affected the activities of many companies in various sectors of the economy as a result of its negative impact on the global economy and major financial markets. As a result, management analyzed the effect of this virus on the Company's activities and made minor adjustments to the Company budget for the next year and does not expect a significant impact on the business, performance results and cash flows and the Company's ability to continue its activities 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 Kazakhstan 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 2019	31 December 2018
Exchange rates at the end of the year (to tenge)		
1 US Dollar	381.18	384.20
1 Euro	426.85	439.37
1 Russian Rouble	6.16	5.52

	2019	2018
Average exchange rate for the year (to tenge)		
1 US Dollar	382.75	344.90
1 Euro	428.51	406.77
1 Russian Rouble	5.92	5.50

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
Right-of-use assets:	
Equipment under lease agreements	20 years
Building	3.8 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;
- contract assets;
- loans issued (in the form of bonds); and
- receivables under finance lease.

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

Impairment of financial assets

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, finance lease and bonds

For other accounts receivable, lease and bonds 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'.

(i) 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 only if they are repaid, 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 212,500 tenge per month (2018: 212,130 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 Labour 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;
- material aid for funeral services;
- anniversaries of employees and 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 telecommunication 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 and data transmission services;
   c) provision of telegraph services;
   d) trunk rental;
2) Construction and installation works; including development of project documentation, equipment supply and commissioning and
3) IT services, including research and project activities; comprising of technical maintenance of trunk, international, 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 estimated based on the compensation for which it is planned the Company will be entitled in accordance with the instructions in the contract with the buyer. The Company recognises revenue by transferring control over 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 remuneration minus the discounts and value added tax ("VAT") provided.

Revenue from barter transactions including advertising services is recognised when selling goods or providing services in exchange for differing goods or services. Revenue is measured at the fair value of the goods or services received. If the fair value of the goods or services received cannot be measured reliably, revenue is measured at the fair value of the goods or services transferred.

Revenue from contracts with customers

The Company reflects revenue from the provision 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 to a customer;
(iii) Revenue from rendering Internet and data transmission services are recognised when the services was rendered to a customers;
(iv) Revenue from trunk rental are recognised evenly during the period of the agreement;
(v) Revenue from sale of equipment is recognised at the moment of control transfer. Control over an asset refers to the ability to determine how to use it and obtain virtually all of the remaining benefits from the asset.

Accounting for revenue from communication services

The Company recognises revenue from communication services as it renders services at the reporting date, as the performance obligation to provide the service is fulfilled over time, and the customer simultaneously receives and consumes the benefits rendered by the Company.

Revenue is estimated based on the use of traffic minutes, the amount of data transferred, or on the passage 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 customer can benefit on its own. The transaction price for the bundle is allocated to the stand-alone component of goods or services in a bundle. Where in fair value is defined 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 when enhances an asset that the customer controls. Revenue is measured using the output methods. The Company uses the percentage ratio of services rendered as at the reporting date to the total volume of services.

Works are carried out on annual prepayment terms.

After completing the certain stage, the report on the work performed is sent to the customer, signed by a third-party appraiser. When payment exceeds the amount of revenue recognized for the work performed before the current date, the Company recognizes a contract liability for the difference.

For contracts with a significant component of financing from customers (prepayments and advances), finance costs are recognized, which increase the respective contractual obligation, which in turn increases revenue as services are provided.

For contracts with a significant component of financing by the Company, when the period between the recognition of revenue based on the results method and payment of the result exceeds twelve months, the amount of revenue from the provision of services and related receivables is reduced. Moreover, as the payment date approaches, finance income is recognized, which increases the receivable to its nominal value.

When the Company is unable to make reasonable estimate of the result of the work performed, but expects reimbursement of expenses incurred in connection with the performance obligation, then revenue is recognized in the amount of expenses incurred.

Accounting of revenue from IT projects

Revenue from IT projects is recognised over time as the services are provided at the reporting date, as the performance obligation to render services is satisfied over time, and the customer simultaneously receives and consumes the benefits associated with the satisfaction of the related performance obligation by the Company. Revenue is recognised over a period of time, on a monthly basis, in accordance with the output method; revenue is measured by multiplying the volume of services by tariffs stipulated in the contract or based on the fixed cost of services provided in a month.

Contract assets and liabilities

The Company recognizes an asset, except for amounts representing receivables, or, accordingly, a contractual obligation when:

- an entity transferred goods or services to the buyer before the buyer pays the consideration, thereby fulfilling its obligations under the contract; or
- the buyer paid the Company appropriate consideration, thereby fulfilling its obligations under the contract.

Contract costs

Applying practical expedient, additional costs related to contracting with customers were expensed by the Company when incurred based on the fact that the estimated depreciation period of the asset does not exceed one year.

Lease

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented in property, plant and equipment.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Lease" in profit or loss (Notes 22 and 23).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

The Company as lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

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.

Critical judgments in applying accounting policies

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.

Business model assessment

Classification and measurement of financial assets depends on the results of the solely payments of principal and interest and the business model test.

Significant increase in credit risk

The Company assesses an impairment losses on financial instruments in the amount equal to 12-month expected credit losses for stage 1 assets, or lifetime expected credit losses 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 of measuring progress of fulfilment satisfaction of a performance obligation

The Company applies the output method for measuring the progress 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 based on estimates of cost of goods and services for the customer, transferred up to the current date. The management applied judgment that practical expedient can be used when change in price directly corresponds to changes in value for the customer.

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

Key sources of estimation uncertainty

The following are key assumptions about the future and other major sources of uncertainty in estimates for the reporting period, which are likely to cause significant adjustments to the carrying value of assets and liabilities during the next financial year.

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 2019. Based on the analysis no impairment indicators were identified.

Measurement of lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate, which is determined as the interest rate that the lessee paid or will pay to borrow, during the same period and with the same collateral, the funds needed to acquire an asset with a value similar to a right-of-use asset in similar economic conditions.

The lease term is determined by the Company, taking into account the availability of an extension option and a reasonable confidence that the Company will use this option and extend the lease term; penalties for terminating the lease; significant improvements to the lease facility by the Company; whether the leased asset is a specialized asset; asset location and the availability of alternatives and other requirements of IFRS 16.

Allowance for expected credit losses

The Company creates allowances for expected credit losses on trade and other accounts receivable. Significant judgments are used to determine these allowance. In determining allowance for expected credit losses the historic and expected behaviour of customers is considered. The changes in the economy or individual conditions of the customer can require adjustments of the allowance for expected credit losses in these financial statements. As at 31 December 2019 and 2018, allowance for expected credit losses was 1,514,371 thousand tenge and 638,199 thousand tenge, respectively.

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 construc-tions	Machinery and equipment	Vehicles	Other assets	Capital construction in progress	Total
Cost							
As at 1 January 2018	**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)	-
Transfer to intangible assets (Note 7)	-	-	(236,832)	-	-	-	(236,832)
Disposal	-	-	(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**
Adjustment due to first application of IFRS 16 (Note 3)	-	207,523	-	-	-	-	207,523
As at 1 January 2019 (restated)	**189,401**	**4,793,321**	**107,348,955**	**382,386**	**393,388**	**8,285,341**	**121,392,792**
Additions	2	-	118,505	72,129	10,644	14,123,410	14,324,690
Additions under lease agreements	-	946,493	193,040	-	-	-	1,139,533
Internal movements	-	15,809	6,344,412	14,576	57,900	(6,432,697)	-
Disposal	-	(2,220)	(1,080,108)	-	(3,191)	(159,031)	(1,244,550)
As at 31 December 2019	**189,403**	**5,753,403**	**112,924,804**	**469,091**	**458,741**	**15,817,023**	**135,612,465**
Accumulated depreciation							
As at 1 January 2018	**-**	**(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)
Change in classification	-	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)**
Charge for the year	-	(364,826)	(8,204,468)	(32,318)	(41,583)	-	(8,643,195)
Disposal	-	2,487	309,106	-	1,726	-	313,319
As at 31 December 2019	-	**(2,154,211)**	**(52,284,973)**	**(292,011)**	**(268,302)**	**-**	**(54,999,497)**
Carrying value							
As at 31 December 2018	**189,401**	**2,793,926**	**62,959,344**	**122,693**	**164,943**	**8,285,341**	**74,515,648**
As at 31 December 2019	**189,403**	**3,599,192**	**60,639,831**	**177,080**	**190,439**	**15,817,023**	**80,612,968**

During the twelve months ended 31 December 2019, property, plant and equipment totalling 6,411,991 thousand tenge recognised in construction in progress were put into operation. They are mainly represented by mobile diagnostic systems and other property, plant and equipment of 4,381,177 thousand tenge (2018: property, plant and equipment were put into operation, totalling 18,126,162 thousand tenge, which were represented by sections of the fibre-optic communication line on Makat-Mangyshlak site and facilities related to cloud data centre services).

The total amount of interest capitalization was 24,964 thousand tenge (2018: 210,160 thousand tenge) (Note 24).

As at 31 December 2019, construction in progress was mainly represented by DWDM equipment for the construction of connecting lines of the fibre-optic communication line, the modernization of a video surveillance system, SORM equipment, a specialized installation and technological equipment.

The Company derecognised assets under a finance lease with Grand Telecom LLP, with net book value of 371,125 thousand tenge as at 31 December 2019 due to the expiration of the finance lease agreement.

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. The carrying value at 31 December 2019 and 2018 was 858,374 thousand tenge and 865,762 thousand tenge, respectively.

On 28 December 2018, the Company entered into a lease agreement with QBG Partners LLP for the supply of computer equipment. Lease period: from the date of signing until 31 May 2022. Ownership passes to the Company upon expiration of the contract after the fulfilment of obligations to pay all lease payments.

The effect of the first application of IFRS 16 under an agreement with Emerald Tower LLP was 207,523 thousand tenge. In 2019, due to the application of IFRS 16, the Company recognized buildings and constructions and machinery and equipment as right-of-use assets for a total of 1,139,533 thousand tenge under contracts concluded with Emerald Tower LLP and QBG Partners LLP and cable conduit contracts. Depreciation on these assets amounted to 152,333 thousand tenge (Note 17).

Equipment worth 482,000 thousand tenge received in accordance with the above contracts with QBG Partners LLP was subleased under the technical support agreements with Intergas Central Asia JSC and KazTransGas JSC (Note 9).

As at 31 December 2019, the residual value of property, plant and equipment pledged in accordance with loan and lease agreements amounted to 3,753,619 thousand tenge (31 December 2018: 3,228,317 thousand tenge) (Notes 16 and 17).

As at 31 December 2019, the cost of fully depreciated property, plant and equipment of the Company amounted to 16,448,461 thousand tenge (31 December 2018: 12,072,898 thousand tenge).

Property, plant and equipment that are subject to operating lease (the Company as a lessor) are represented by trunk channels (FOCL) that are leased.

7. INTANGIBLE ASSETS

	Licenses	Software	Other	Total
Cost				
As at 1 January 2018	**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**
Additions	14,502	12,591	-	27,093
Internal transfers	-	70,357	(70,357)	-
Disposals	-	(78,883)	-	(78,883)
As at 31 December 2019	**2,022,623**	**2,761,004**	**2,781,360**	**7,564,987**
Accumulated amortisation				
As at 1 January 2018	**(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)**
Charge for the year	(187,508)	(511,750)	(250,017)	(949,275)
Disposals	-	78,883	-	78,883
As at 31 December 2019	**(1,158,774)**	**(1,110,388)**	**(1,497,249)**	**(3,766,411)**
Carrying value				
As at 31 December 2018	**1,036,855**	**2,079,418**	**1,604,485**	**4,720,758**
As at 31 December 2019	**863,849**	**1,650,616**	**1,284,111**	**3,798,576**

As at 31 December 2019 and 2018, there are no intangible assets pledged as collateral for liabilities.

8. OTHER NON-CURRENT ASSETS

	31 December 2019	31 December 2018
Non-current advances paid	818,655	3,107,387
Contract assets	257,658	-
Non-current receivables from employees	182,309	201,210
Bonds of First Heartland Jýsan Bank JSC	124,611	-
Non-current portion of VAT recoverable	60,635	94,496
Restricted cash	20,100	404,511
	1,463,968	**3,807,604**
Impairment allowance on non-current advances paid	(818,655)	(818,655)
Impairment allowance on bonds	(28,084)	-
Impairment allowance on restricted cash	(114)	(283,397)
	617,115	**2,705,552**

On 14 August 2017, the Company concluded a cash collateral agreement with Sberbank SB JSC, according to which the Company acts as a pledger. The agreement cost is 100 thousand tenge (Note 27).

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

	31 December 2019	31 December 2018
Tenge	298,822	211,311
US Dollars	-	111,013
	298,822	**322,324**

9. FINANCE LEASE RECEIVABLES

As at 31 December 2019, finance lease receivables are presented as follows (31 December 2018: zero):

	Lease payments	Present value of lease payments
Within a year	479,358	360,435
From 1 to 2 years	373,968	331,563
From 2 to 3 years	134,895	127,795
	988,221	**819,793**
Less: deferred finance costs	(168,428)	-
Present value of lease payments	**819,793**	**819,793**
Including:		
- short-term portion		360,435
- long-term portion		459,358
		819,793

In 2019, the Company entered into financial sublease agreements as a lessor of computer equipment with Intergas Central Asia JSC and KazTransGas JSC under maintenance contracts with these companies (Note 6). The present value of lease payments at the date of the sublease commencement amounted to 500,246 thousand tenge. Lease agreements expire in 2021 and 2022. The effective rate of return is 13.25%. This equipment was leased from QBG Partners LLP.

In addition, in 2019, the Company leased its own equipment to Kazpost JSC under a technical support agreement. The present value of lease payments amounted to 327,822 thousand tenge. Lease agreement expire in 2022. The effective rate of return is 13.25%.

For the year ended 31 December 2019, interest income under the above agreements amounted to 70,953 thousand tenge.

The Company is not exposed to currency risk as a result of lease agreements, since all lease agreements are denominated in tenge. The liquidity risk of leased computer equipment is not material because there is a secondary market for this equipment.

The Company estimates the expected credit losses on finance lease receivables as not significant.

10. CONTRACT LIABILITIES

	31 December 2019	31 December 2018
Advances received under customer contracts	2,474,679	-
Deferred revenue	597,808	-
	3,072,487	**-**
Less: current portion (Note 19)	(1,876,582)	-
	1,195,905	**-**

In 2019, the Company received advances under long-term contracts for future work and services. As at 31 December 2019, contract liabilities mainly include advances received from KazTransGas JSC of 2,197,199 thousand tenge under a contract dated 30 May 2019 for the performance of complex work on dispatching an automated information collection system and gas metering (Note 25).

11. TRADE ACCOUNTS RECEIVABLE

	31 December 2019	31 December 2018
Trade accounts receivable from third parties	5,149,653	3,805,724
Allowance for expected credit losses	(170,646)	(99,733)
	4,979,007	**3,705,991**

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

	Trade accounts receivables - number of days overdue						
31 December 2019	**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 0.4%	до 0.80%	до 2%	до 4%	до 28.99%	до 97.39%	
Gross book value	3,056,240	1,135,954	439,644	157,268	194,150	166,397	**5,149,653***
Expected credit losses	**(12,234)**	**(9,091)**	**(8,043)**	**(6,511)**	**(34,893)**	**(99,874)**	**(170,646)**

* 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 provisions) in the amount of 247,668 thousand tenge, for which the Company does not have reasonable expectations regarding the refund of financial asset.

	Trade accounts receivables - 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%	до 26.05%	до 96.54%	
Gross book value	2,097,212	611,528	286,464	707,306	27,915	75,299	**3,805,724***
Expected credit losses	**(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 provisions) 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 December 31 is as follows:

	2019	2018
Impairment allowance for of receivables under IAS 39 at the beginning of the year	**(99,733)**	**(251,744)**
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	**(99,733)**	**(261,997)**
Accrued for the year	(145,479)	(42,027)
Written off during the year from the previously created allowance	74,566	204,291
Allowance for expected credit losses on receivables under IFRS 9 at the end of the year	**(170,646)**	**(99,733)**

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

	31 December 2019	31 December 2018
US Dollars	2,850,859	1,811,657
Tenge	2,068,825	1,876,798
Euro	43,059	12,024
Russian Roubles	16,264	5,512
	4,979,007	**3,705,991**

12. OTHER CURRENT ASSETS

	31 December 2019	31 December 2018
Advances paid	1,206,665	166,283
Other accounts receivable	1,084,599	715,921
VAT recoverable	928,835	238,612
Prepayment for license usage	173,432	167,643
Short-term receivables from employees	47,304	52,618
Prepaid taxes other than income tax	35,095	31,316
Interest receivable	5,374	20,757
	3,481,304	**1,393,150**
Allowance for expected credit losses	(661,486)	(538,466)
Impairment allowance on advances paid	(118,753)	(11)
	2,701,065	**854,673**

Advances paid are represented by advances for communication services.

The following table shows the movement in expected credit losses on other receivables and other non-current financial investments for the years ended 31 December:

	2019	2018
Impairment allowance under IAS 39 at the beginning of the year	**(538,466)**	**(532,296)**
Adjustment related to IFRS 9 application	-	(1,101)
Allowance for expected credit losses under IFRS 9 at the beginning of the year	**(538,466)**	**(533,397)**
Accrued for the year	(102,118)	(5,182)
(Recovered)/written-off against earlier created allowance for the year	(20,902)	113
Allowance for expected credit losses under IFRS 9 at the end of the year	**(661,486)**	**(538,466)**

As at 31 December 2019 and 2018, financial assets within the Company's other current assets were denominated in tenge.

13. INVENTORIES

	31 December 2019	31 December 2018
Raw materials	1,089,657	406,013
Spare parts	290,853	179,726
Fuel	24,951	27,557
Other	939,400	328,256
	2,344,861	**941,552**
Allowance for slow-moving and obsolete inventories	(71,838)	-
	2,273,023	**941,552**

Raw materials are represented by materials that will be used to provide services under projects.

14. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash on bank accounts	263,780	1,449,779
Deposits with maturities of less than 3 months	17,127	161,529
Cash on card accounts	5,112	6,364
	286,019	**1,617,672**
Impairment allowance on cash and cash equivalents	(83)	(4,858)
	285,936	**1,612,814**

As at 31 December 2019, 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 2018: 1.5% per annum) in credit institutions rated from "B" to "BB-".

Cash and cash equivalents were denominated in the following currencies:

	31 December 2019	31 December 2018
Tenge	176,842	1,382,417
US Dollars	105,288	218,984
Russian Rouble	3,806	11,413
	285,936	**1,612,814**

As at 31 December 2019, the Company had cash of 223,223 thousand tenge (31 December 2018: 332,496 thousand tenge) received from customers for provision of services under joint operations and subject to transfer to partners in joint operations (Note 19).

15. SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

Share capital

As at 31 December 2019 and 2018, the Company's issued and paid share capital amounted to 12,241,487 thousand tenge.

As at 31 December 2019 and 2018, the Company's share capital was as follows:

	31 December 2019		31 December 2018	
	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 2019, the Company did not have any preferred shares.

On 15 November 2019, according to the decision of General Shareholders Meeting, it was decided to pay dividends of 1,579,625 thousand tenge for 2018 (29 May 2018 of 2,399,221 thousand tenge for 2017) in proportion to the existing shareholding structure in the following way:

- Transfer of cash to M.S. Mukhanov of 774,016 thousand tenge (2018: 1,175,618 thousand tenge);
- Offsetting by a proportionate reduction in overdue liabilities of NC KTZh JSC for the amount of 805,609 thousand tenge (2018: 1,223,603 thousand tenge).

In December 2019, dividends were offset with receivables from subsidiaries of NC KTZh JSC in the amount of 644,160 thousand tenge. As a result, as at 31 December 2019 total amount of dividends payable equals to 3,275,126 thousand tenge (31 December 2018: 2,339,661 thousand tenge).

Additional paid in capital

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

16. BORROWINGS

	Currency	**Maturity**	**Interest rate**	**31 December 2019**	**31 December 2018**
Borrowings:					
Development Bank of Kazakhstan JSC (DBK)	Tenge	2024	8.0%	13,488,710	16,486,202
Eurasian Development Bank (EDB)	Tenge	2025	11.999%	8,149,934	7,800,391
EDB	Tenge	2020	9.0%	5,034,172	8,419,157
EDB	Tenge	2024	9.0%	4,910,218	5,802,945
Alfa Bank SB JSC	Tenge	2023	11.25%	4,885,561	4,944,305
EDB	Tenge	2026	11.40%	4,705,191	-
Alfa Bank SB JSC	Tenge	2021	11.25%	3,962,984	4,798,370
Eurasian Bank JSC	Tenge	2020	14.00%	382,392	-
EDB	Tenge	2019	11.50%	-	4,016,611
				45,519,162	**52,267,981**
Less: current portion of long-term borrowings payable within 12 months				(12,801,605)	(13,416,145)
				32,717,557	**38,851,836**

The total balance of loans secured by the guarantee of NC KTZh JSC (the "Guarantor") as at 31 December 2019 was 23,433,100 thousand tenge. These loans include:

- loan issued by the DBK, balance of loan 13,488,710 thousand tenge;
- loan, issued by EDB, balance of loan 5,034,172 thousand tenge;
- loan, issued by EDB, balance of loan 4,910,218 thousand tenge.

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

	31 December 2019	31 December 2018
Within 1 year	12,801,605	13,416,145
1-2 years	11,761,532	10,946,541
2-3 years	6,979,549	10,876,543
3-4 years	6,979,549	5,947,027
After 4 years	6,996,927	11,081,725
	45,519,162	**52,267,981**

Alfa Bank SB JSC

The loans from Alfa-Bank SB JSC are secured with movable property of the Company, as at 31 December 2019 the carrying value of which was 2,643,778 thousand tenge (31 December 2018: 2,935,788 thousand tenge) (Note 6).

EDB

On 29 December 2018, the Company entered into an addendum to loan agreement No.112 dated 24 July 2018, to change the interest rate from 11.5% to 11.999% from 1 January 2019. The Company calculated the effect of the modification and recognised 208,038 thousand tenge in finance costs.

On 8 May 2019, the Company entered into loan agreement No.69 with the Eurasian Development Bank to implement an investment project. According to this agreement, the Company is provided with a non-revolving credit line for a period up to 2026. On 21 May 2019, the first tranche of 3,388,500 thousand tenge was received under this credit line. On 23 July 2019, the second tranche of 1,206,114 thousand tenge was received.

These loans were secured by the real estate of the Company with carrying value of 262,686 thousand tenge as at 31 December 2019 (31 December 2018: 292,529 thousand tenge), by cash received under an agreement with JSC KTZ NC dated 16 March 2017 and by cash collateral recognised in other non-current assets (Notes 6 and 8).

Eurasian Bank JSC

On 30 April 2019, the Company entered into credit line agreement No.35/16-657 to replenish the working capital in the amount of not exceeding 780,000 thousand tenge at 14% per annum. On 30 April 2019, 381,500 thousand tenge were disbursed under this credit line.

The Company is obliged to comply with all covenants under loan agreements with DBK, EDB and JSC SB Alfa-Bank. Certain covenants are also set for the Guarantor. Management believes that the Company fully complies with the covenants under the loan agreements as at 31 December 2019. Before the reporting date, to prevent default on obligations to DBK, the guarantor received a waiver letter from the creditor as at 31 December 2019.

17. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018*
Within a year	1,081,940	1,456,316	875,855	1,242,650
From 1 to 2 years	743,294	412,991	620,734	324,089
From 2 to 3 years	282,848	272,991	240,848	253,875
From 3 to 4 years	31,697	-	5,214	-
From 4 to 5 years	31,697	-	5,779	-
After 5 years	443,757	-	217,907	-
	2,615,233	2,142,298	1,966,337	1,820,614
Less: deferred finance costs	(648,896)	(321,684)	-	-
Present value of lease payments	**1,966,337**	**1,820,614**	**1,966,337**	**1,820,614**
Including:				
- current portion			875,855	1,242,650
- non-current portion			1,090,482	577,964
			1,966,337	**1,820,614**

** Data for the year ended 31 December 2018 represents minimum lease payments and the present value of the minimum finance lease payments under IAS 17 Leases.*

For the year ended 31 December 2019, under the agreement with Grand Telecom LLP, the Company incurred contingent rent expenses related to the indexation of payments in the amount of 1,517,323 thousand tenge (2018: 1,272,685 thousand tenge) (Note 24). Average interest rate was 18.25%.

In 2017, the Company entered into an Islamic leasing agreement with Al Sacre Finance JSC with period until 26 December 2021 (Note 6). The average interest rate was 17.29%. The value of real estate pledged under the agreement is 847,155 thousand tenge (Note 6).

In 2018, the Company entered into a financial lease agreement with QBG Partners LLP for the supply of computer equipment until 31 December 2020. The contract cost was 336,000 thousand tenge including VAT. The nominal rate under the contract is 14%.

As a result of the application of IFRS 16 Leases, as at 1 January 2019, the Company recognised right-of-use assets and corresponding liabilities, consisting of real estate of 207,523 thousand tenge.

In addition, during 2019, the Company recognised buildings and constructions and other property, plant and equipment as right-of-use assets for a total of 1,139,533 thousand tenge under contracts concluded with Emerald Tower LLP and QBG Partners LLP and cable conduit agreements (Note 6). The average interest rate on these contracts was 12.28%-12.62%. The Company recognised lease liabilities based on the expected life of the assets until 2021–2038.

All lease liabilities of the Company were denominated in tenge.

17.1 Movement in 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 2019	At 1 January	Adjustment related to first application of IFRS 16	At 1 January under IFRS 16	Cash flows from financing activities (i)	New loan and lease agreements/Other changes, net/Dividends declared (ii)	Effect of modifications not leading to derecognition/ Offsetting	31 December 2019
Borrowings (Note 16)	52,267,981	-	52,267,981	(6,875,269)	126,450	-	45,519,162
Leases (Note 17)	1,820,614	207,523	2,028,137	(1,322,175)	1,139,533	120,842	1,966,337
Dividends payable (Note 15)	2,339,661	-	2,339,661	-	1,579,625	(644,160)	3,275,126
	56,428,256	**207,523**	**56,635,779**	**(8,197,444)**	**2,845,608**	**(523,318)**	**50,760,625**

31 December 2018	At 1 January	Adjustment related to first application of IFRS 9	At 1 January under IFRS 9	Cash flows from financing activities (i)	Dividends declared/New finance leases/ Effect of modifications not leading to derecognition	Dividends offset/ Other changes, net (ii)	31 December 2018
Borrowings (Note 16)	47,111,428	184,666	47,296,094	5,477,732	(395,907)	(109,938)	52,267,981
Leases (Note 17)	2,007,943	-	2,007,943	(485,533)	288,960	9,244	1,820,614
Dividends payable (Note 15)	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**	**2,292,274**	**(1,324,297)**	**56,428,256**

(i) Cash flows from bank loans, lease, 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.

18. TRADE ACCOUNTS PAYABLE

	31 December 2019	31 December 2018
Payable to other related and third parties	22,785,429	17,639,946
Payable to NC KTZh JSC and its subsidiaries (Note 25)	46,799	35,012
	22,832,228	**17,674,958**

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

	31 December 2019	31 December 2018
Tenge	19,353,841	16,238,309
Russian Roubles	2,161,573	38,861
US Dollars	1,245,704	1,394,822
Euro	71,110	2,966
	22,832,228	**17,674,958**

As at 31 December 2019 and 2018, trade accounts payable of the Company are mainly represented by accounts payable for the purchase of property, plant and equipment, inventories, intangible assets and communication services.

19. OTHER CURRENT LIABILITIES

	31 December 2019	31 December 2018
Contract liabilities (Note 10)	1,876,582	-
Salary payable	1,284,121	1,171,883
Provision on remuneration of management	973,243	1,065,590
Provision for unused vacations	630,107	374,435
Advances received from customers	481,271	114,013
Liabilities under short-term leases	381,943	198,749
Other liabilities	947,585	746,861
	6,574,852	**3,671,531**

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 2019	Company share,%	Share of the Company's revenue, excluding VAT, thousand tenge	Partner's revenue share, excluding VAT, thousand tenge	Amount of the obligation to the Partner at 31 December 2019 (including VAT)	Amount of the obligation to the Partner at 31 December 2018 (including VAT)	Activities	Customer
SilkNetCom LLP	7 June 2018	1,049,006	1%	10,490	1,038,516	-	-	Provision of broadband access in Kazakhstan rural settlements using the technology of fibre-optic communication lines	Kazakhstan Ministry of Information and Communications
KazTransCom JSC	17 January 2019	825,252	27%	226,944	598,308	-	-	Access to Republican L2 VPN channels	National Information Technology JSC
QBG Partners LLP	20 February 2019	119,660	84%	100,514	19,146	21,443	-	Administration and maintenance of service software	Intergas Central Asia JSC
Smart HighTech LLP	22 October 2018	208,391	63.4%	132,120	76,271	85,423	89,071	Maintenance of computer office equipment	Intergas Central Asia JSC
Soft Technology Utilities LLP	22 December 2017	1,319,513	75%-80%	1,029,836	289,677	115,385	243,425	Peripheral equipment maintenance services	Intergas Central Asia JSC
RetnNet JSC	21 December 2018	35,146	50%	17,573	17,573	-	-	Communication services	China Mobile International (UK) Limited
		3,556,968		**1,517,477**	**2,039,491**	**222,251**	**332,496**		

In accordance with the movable property pledge contract concluded between the Company, SilkNetCom LLP and Development Bank of Kazakhstan JSC, the Company has pledged its rights to claim funds received in the future from SilkNetCom LLP under a public-private partnership agreement, under which the Company and SilkNetCom LLP conduct joint activities to ensure the fulfillment by SilkNetCom LLP of its obligations to the bank under a credit line agreement.

20. INCOME TAX

	2019	2018
Income tax expense	868,158	619,319
Deferred income tax expense	235,475	669,037
Total income tax expense	**1,103,633**	**1,288,356**

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 2019	31 December 2018
Deferred income tax assets		
Impairment allowance on receivables	352,408	167,746
Discount on apartments	105,800	108,067
Remuneration to employees	204,199	227,455
Provision for unused vacations	126,021	74,887
Taxes	25,958	14,202
Deferred revenue	16,092	-
Non-current contract assets	12,145	-
Other provisions	477,383	-
Total deferred income tax assets	**1,320,006**	**592,357**
Deferred income tax liabilities		
Difference in carrying value of property, plant and equipment and intangible assets	(5,317,662)	(4,731,928)
Finance lease receivables	(154,036)	-
Trade receivables	(131,329)	-
Advances paid	(92,025)	-
Total deferred income tax liabilities	**(5,695,052)**	**(4,731,928)**
Deferred income tax liabilities, net	**(4,375,046)**	**(4,139,571)**

The deferred taxes movement for 2019 and 2018 is as follows:

	2019	2018
Deferred tax liabilities, net, at the beginning of the year	(4,139,571)	(3,470,534)
Deferred tax liability recognised in profit or loss	(235,475)	(669,037)
Deferred tax liabilities, net, at the end of the year	**(4,375,046)**	**(4,139,571)**

In 2019 and 2018, 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 2019	31 December 2018
Profit before income tax expense	3,811,766	5,237,418
Tax at statutory rate of 20%	762,353	1,047,484
Effect of other permanent differences	341,280	240,872
Income tax expenses	**1,103,633**	**1,288,356**

21. REVENUE

	2019	2018
Revenue from NC KTZh JSC and its subsidiaries (Note 25)	24,717,665	24,678,455*
Revenue from sale of goods and services to third parties and other related parties	42,785,977	36,185,923
Revenue from sale of inventories to third parties	657,529	176,182
Total revenue from contracts with customers	**68,161,171**	**61,040,560**
Operating lease income from NC KTZh JSC and its subsidiaries (Note 25)	13,155,232	12,883,640*
Other income from NC KTZh JSC and its subsidiaries (Note 25)	346,020	484,487
Other income from third parties and other related parties	432,276	282,652
	82,094,699	**74,691,339**

* *The Company used the presentation of 2018 to ensure compliance with IFRS 16 requirements.*

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 2019 and 2018:

	2019	2018
Communication services		
Internet	7,482,049	7,470,159
Rent of satellite data channels	5,002,847	3,435,447
International transit	4,492,125	3,209,995
Telegraph	1,531,822	1,689,007
Local communication	907,640	934,065
Provision of trunk rent (FOCL)	810,948	980,861
Long-distance and international communication	694,888	810,756
Provision of referral services by the number "105"	206,766	244,726
Other income	30,463	-
	21,159,548	**18,775,016**
Construction and installation work	19,832,223	17,857,072
IT services	27,169,400	24,408,472
	68,161,171	**61,040,560**

	2019	2018
Revenue recognition from customer contracts		
Revenue from goods or services rendered over time	67,503,973	61,034,361
Revenue from goods and services to customers rendered at a point in time	657,198	6,199
	68,161,171	**61,040,560**

22. COST OF SALES

	2019	2018
Third party services	28,371,156	25,576,266
Depreciation and amortisation	9,126,063	8,338,324
Salary and other related expenses	6,756,385	6,349,318
Use of channels and satellite communication	6,638,182	6,066,323
Materials	3,566,374	3,052,392
Professional services	3,785,535	1,874,085
Communication services	1,148,812	1,573,980
Short-term lease expenses	1,065,033	1,159,260
Cost of inventories sold	571,017	209,291
Taxes and other related expenses included in cost of sales	369,435	605,080
Employee benefits cost	44,427	102,152
Other costs	2,754,358	2,600,522
	64,196,777	**57,506,993**

23. GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
Salary and other related expenses	1,637,239	1,755,691
Provision on remuneration of executive personnel	973,243	1,065,590
Accrual of allowance for expected credit losses	835,740	42,027
Third party services	635,016	704,056
Taxes, other than income tax	631,209	798,499
Depreciation and amortisation	466,407	122,187
Mass cultural events	361,570	211,180
Short-term lease of premises	243,717	265,813
Impairment allowance on advances paid and other current assets	241,762	-
Advertising costs	178,235	202,150
Professional services	120,394	166,383
Provision for slow-moving and obsolete inventories	71,838	-
Employee benefits expenses	17,277	25,538
Accrual of impairment allowance on other non-current assets, net	16,979	1,102,052
Other expenses	783,224	551,476
	7,213,850	**7,012,642**

24. FINANCE COSTS

	2019	2018
Interest expenses on loans	5,275,257	4,428,053
Contingent rent payments (Note 17)	1,517,323	1,272,685
Interest expenses on finance lease	303,868	342,214
Other	154,622	-
	7,251,070	**6,042,952**
Less interest capitalised to the cost of qualifying assets (Note 6)	(24,964)	(210,160)
	7,226,106	**5,832,792**

25. 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. When considering possible relationships between related parties, in each case, attention is drawn to the nature of the relationship, and not just to the legal form.

Related parties may enter into transactions that cannot be concluded by unrelated parties, and transactions between related parties may not be carried out on the same terms, conditions and in the same amounts as transactions between unrelated parties. The nature of the related party relationships with those related parties with which the Company entered into significant transactions or had significant outstanding balances as at 31 December 2019 and 2018 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 18)	
Entity name	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
NC KTZh JSC	10,555,477	12,378,278	30,694	28,981
KTZh-Freight transportation JSC	1,037,657	2,083,100	7,189	185
Kaztemirtrans JSC	289,381	220,662	-	-
Passajirskie Perevozki JSC	149,352	723,284	2,857	-
KTZ Express JSC	116,247	260,730	-	-
Militarised Railway Security JSC	15,676	40,535	-	-
Repair corporation Kamkor LLP	195	134		
Other	3,524	3,628	6,059	5,846
	12,167,509	**15,710,351**	**46,799**	**35,012**
Allowance for expected credit losses	(144,741)	-	-	-
	12,022,768	**15,710,351**	**46,799**	**35,012**

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 21)		Services acquired	
Entity name	**2019**	**2018**	**2019**	**2018**
KTZh NC JSC	27,673,308	25,071,906	156,603	155,978
KTZh-Freight transportation JSC	9,055,835	9,831,343	8,365	24,678
Passajirskie Perevozki JSC	575,997	2,090,016	4,375	2,374
Kaztemirtrans JSC	425,620	385,761	137	-
KTZ Express JSC	355,253	453,074	-	1,091
Militarised Railway Security JSC	91,980	162,886	-	-
Other	40,924	51,596	19,388	24,708
	38,218,917	**38,046,582**	**188,868**	**208,829**

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, including payables, contract liabilities and advances received	
Entity name	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
KazTransOil JSC	2,856,657	1,313,018	677	-
KazTransGas JSC	1,486,766	191,006	2,197,199	12,649
Intergas Central Asia JSC	386,231	499,646	421	-
Samruk Energo JSC	518,891	-	-	-
NAC Kazatomprom JSC	235,982	70,386	42,642	5,753
Kazpost JSC	282,457	324,187	11,217	4,702
Kazakhtelecom JSC	124,223	66,324	272,001	77,288
Samruk-Kazyna Contract LLP	91,859	-	464	-
JSC KazMunayGas Exploration Production	54,522	245,643	-	-
Samruk-Kazyna Finance LLP	11,013	16,986	-	-
KazMunayGaz Onimderi JSC	949	33,291	9	9
Other	101,605	16,769	7,978	6,698
	6,151,155	**2,777,256**	**2,532,608**	**107,099**
Allowance for expected credit losses	(572,721)	(27,441)	-	**-**
	5,578,434	**2,749,815**	**2,532,608**	**107,099**

As at 31 December 2019 and 2018, trade receivables from related parties amounted to 78% and 83% of total trade receivables, respectively.

Finance lease receivables from related parties are presented as follows:

Entity name	**31 December 2019**	**31 December 2018**
Kazpost JSC	364,832	-
Intergas Central Asia JSC	330,065	-
KazTransGas JSC	124,896	-
	819,793	**-**

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

	Services provided		Services acquired	
Entity name	**2019**	**2018**	**2019**	**2018**
KazTransOil JSC	18,909,406	19,353,052	144,707	-
KazTransGas JSC	3,568,320	556,771	123,162	10,317
Intergas Central Asia JSC	2,486,949	1,756,013	2,792	-
NAC Kazatomprom JSC	850,633	342,852	2,355	-
Samruk Energo JSC	518,891	-	-	-
Kazpost JSC	718,864	596,922	121,908	18,903
Kazakhtelecom JSC	374,315	98,304	301,741	288,470
Samruk-Kazyna Contract LLP	151,845	-	24,152	-
KazMunayGas Exploration Production JSC	101,377	240,144	20,497	-
Samruk-Kazyna JSC	65,866	-	167	19
Samruk-Kazyna Finance LLP	59,033	53,919	1,681	1,385
KazMunayGaz Onimderi JSC	44,764	177,667	(177)	-
Other	643,848	73,164	111,589	65,169
	28,494,111	**23,248,808**	**854,574**	**384,263**

For the year ended 31 December 2019, interest income from finance leases and the net result from disposal of property, plant and equipment leased to related parties amounted to 70,953 thousand tenge and 116,884 thousand tenge, respectively (Note 9).

Revenue from related parties for the years ended 31 December 2019 and 2018 amounted to 81% of total revenue, respectively.

Borrowings payable

Borrowings:	Currency	Maturity	Interest rate	31 December 2019	31 December 2018
DBK	Tenge	2024	8%	13,488,710	16,486,202
EDB	Tenge	2025	11.99%	8,149,934	7,800,391
EDB	Tenge	2020	9%	5,034,172	8,419,157
EDB	Tenge	2024	9%	4,910,218	5,802,945
EDB	Tenge	2019	11.50%	-	4,016,611
EDB	Tenge	2026	11.40%	4,705,191	-
				36,288,225	**42,525,306**
Less portion of long-term borrowings payable within 12 months				(6,130,616)	(12,337,563)
Total non-current portion				**30,157,609**	**30,187,743**

The accrued interest on loans from related parties for the years ended 31 December 2019 and 2018 amounted to 3,971,554 thousand tenge and 3,781,474 thousand tenge, respectively.

Remuneration of key management personnel

As at 31 December 2019, key management personnel of the Company consisted of 29 people (31 December 2018: 20 people). For the year ended 31 December 2019, compensation to key personnel amounted to 1,251,370 thousand tenge (2018: 989,190 thousand tenge). The entire amount as at the reporting date is either paid or payable within 12 months after the reporting date.

26. 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 2018.

The capital structure of the Company comprises the share capital as disclosed in Note 15, additional paid-in capital and retained earnings.

Categories of financial instruments

As at 31 December 2019 and December 2018, financial instruments were presented as follows:

	31 December 2019	31 December 2018
Financial assets		
Trade accounts receivable	22,580,209	22,166,157
Finance lease receivables (Note 9)	819,793	-
Cash (Note 14)	268,810	1,455,269
Non-current contract assets (Note 8)	257,658	-
Non-current receivables (Note 8)	182,309	201,210
Bonds of First Heartland Jýsan Bank	96,527	-
Other current assets	47,304	52,618
Restricted cash (Note 8)	19,986	121,114
Deposits with maturities less than 3 months (Note 14)	17,126	157,545
Other short-term financial investments (Note 12)	5,374	20,757
	24,295,096	**24,174,670**
Financial liabilities		
Borrowings (Note 16)	45,519,162	52,267,981
Trade accounts payable (Note 18)	22,832,228	17,674,958
Dividends on shares (Note 15)	3,275,126	2,339,661
Lease liabilities (Note 17)	1,966,337	1,820,614
Other current liabilities (excluding provision and advances received from customers)	1,281,774	909,608
	74,874,627	**75,012,822**

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 2019	31 December 2018	31 December 2019	31 December 2018
	thousands of tenge	thousands of tenge	thousands of tenge	thousands of tenge
US Dollar	2,956,147	2,141,654	1,245,704	1,394,822
Euro	43,059	12,024	71,110	2,966
Russian Roubles	20,070	16,925	2,161,573	42,973

Foreign currency sensitivity analysis

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

The following table details the Company`s sensitivity to a 30% increase or decrease in tenge against US Dollar and a 5% increase or decrease in tenge against Russian Rouble. 30% and 5% are the sensitivity rates 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 items in foreign currency and corrects them at the end of period taking into account changes in foreign exchange rates.

	Impact of US Dollar	
	31 December 2019	**31 December 2018**
Financial assets	(886,844)	(642,496)
Financial liabilities	373,711	418,447

	Impact of Russian Rouble	
	31 December 2019	**31 December 2018**
Financial assets	(1,004)	(846)
Financial liabilities	108,079	2,149

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.

The table above shows changes in the Company's currency position with strengthening and weakening of tenge by 30% and 5% against the US dollar and Russian Rouble, respectively.

Credit risk management

Credit risk primarily relates to trade receivables, other current assets and finance lease receivables. 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 2019, the share of revenue from NC KTZh JSC and its subsidiaries and associates accounted for approximately 81% of the total revenue of the Company (2018: 81%). Other related parties are represented mainly by debt of large Kazakhstan enterprises, such as KazTransOil JSC, Intergas Central Asia JSC and KazTransGas JSC. As at 31 December 2019, trade accounts receivables for connection services and other services provided to NC KTZh JSC and its subsidiaries accounted for 78% (31 December 2018: 83%) of the total amount of trade receivables of the Company.

Considering the past work experience and the high rating of KTZ NC JSC and the fact that KazTransOil JSC, Intergas Central Asia JSC and KazTransGas JSC are large enterprises, the Company believes that the recoverability of these assets is highly probable.

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 2019, 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/negative	S&P	8,715	3.05%
Halyk Savings Bank of Kazakhstan JSC	BB+/positive	Fitch	81,129	28.37%
Alfa-Bank SB JSC	BB-/positive	S&P	1,715	0.60%
ForteBank JSC	B/positive	Fitch	67,857	23.73%
Other			126,520	44.25%
			285,936	**100%**

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

Interest rate 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 2019. Liabilities with floating interest rates are analysed on the basis of the assumption that their value to the date 31 December 2019 did not change during the year, and the interest rate increased by 100 basis points.

If the interest rate had increased as at by 100 basis points while maintaining at the same level of all other variables, the interest expenses of these loans for 12 months of 2019 would have increased by 29,808 million tenge (2018: 40,444 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:

	Weighted average interest rate	Up to 1 year	1-5 years	Over 5 years	Total
31 December 2019					
Financial assets					
Interest free					
Cash	-	268,810	-	-	268,810
Trade accounts receivable	-	22,580,209	-	-	22,580,209
Restricted cash	-	-	19,986	-	19,986
Interest receivable	-	548	-	-	548
Interest-bearing					
Finance lease receivables	13.25%	479,358	508,863	-	988,221
Non-current contract assets	11.85%	257,658	-	-	257,658
Bonds of First Heartland Jýsan Bank JSC	8.6%	-	96,527	-	96,527
Deposits with maturities less than 3 months	1.50%	17,126	-	-	17,126
Receivables from employee	13.10%	47,304	182,309	-	229,613
Other short-term financial investments	1.50 %	4,826	-	-	4,826
Total financial assets		**23,655,839**	**807,685**	**-**	**24,463,524**
Lease liabilities					
Interest-bearing					
Lease liabilities	12.28%-17.29%	(1,081,940)	(1,089,536)	(443,757)	(2,615,233)
Borrowings	8.00%-14%	(16,692,455)	(39,608,403)	(370,668)	(56,671,526)
Interest free					
Trade accounts payable	-	(22,832,228)	-	-	(22,832,228)
Dividends	-	(3,275,126)	-	-	(3,275,126)
Other financial liabilities	-	(1,281,774)	-	-	(1,281,774)
Total financial liabilities		**(45,163,523)**	**(40,697,939)**	**(814,425)**	**(86,675,887)**
Net financial liabilities		**(21,507,684)**	**(39,890,254)**	**(814,425)**	**(62,212,363)**

	Weighted average interest rate	Up to 1 year	1-5 years	Over 5 years	Total
31 December 2018					
Financial assets					
Interest free					
Cash	-	1,455,269	-	-	1,455,269
Trade accounts receivable	-	22,166,157	-	-	22,166,157
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%	52,618	201,210	-	253,828
Other short-term financial investments	2.10%-15.00%	18,736	-	-	18,736
Total financial assets		**23,852,346**	**322,324**	**-**	**24,174,670**
Financial liabilities					
Interest-bearing					
Lease liabilities	14.00-18.25%	(1,456,316)	(685,982)	-	(2,142,298)
Fixed interest borrowings	8.00%-11.50%	(13,133,353)	(42,715,769)	(5,356,405)	(61,205,527)
Floating interest rate borrowings	11.50%	(4,399,944)	-	-	(4,399,944)
Interest free					
Trade accounts payable	-	(17,674,958)	-	-	(17,674,958)
Dividends	-	(2,399,661)	-	-	(2,399,661)
Other financial liabilities	-	(909,608)	-	-	(909,608)
Total financial liabilities		**(39,973,840)**	**(43,401,751)**	**(5,356,405)**	**(88,731,996)**
Net financial assets/(liabilities)		**(16,121,494)**	**(43,079,427)**	**(5,356,405)**	**(64,557,326)**

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)

Average market rates on borrowings were as follows:

	2019 (% per annum)	2018 (%per annum)
Tenge		
From 3 months to 1 year	12.0	12.2
From 1 to 5 years	11.7	12.7
After 5 years	16.3	15.4

As at 31 December 2019 and 2018, the fair value of financial assets and financial liabilities, except for loans received, did not differ significantly from their book value. The carrying and fair value of loans as at December 31 was as follows:

	31 December 2019		31 December 2018	
	Book value	Fair value	Book value	Fair value
Financial liabilities recognised at amortised cost:				
Borrowings	45,519,162	43,485,083	52,267,981	49,122,557

In assessing the fair value, the Company is guided by the initial data of the second level in accordance with the hierarchy.

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

For 2019 and 2018, there were no transfers between levels of the fair value hierarchy.

27. CONDITIONAL AND CONTRACTUAL OBLIGATIONS

Operating environment

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

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. In March 2020, oil prices dropped for more than 40%, which resulted in immediate weakening of tenge against major currencies.

The impact of further economic developments on future operations and consolidated financial position of the Company may be significant.

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Company may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Company's business largely depends on the duration and the incidence of the pandemic effects on the world and Kazakhstan economy.

Legal issues

1) Payment of dividends

On 9 June 2016, in accordance with the decision of the Management Board of NC KTZh JSC, a decision was made to pay dividends based on the results of activities for 2015 in the amount of 1,263,059 thousand tenge. On 15 June 2016, ownership of the 49% stake in the Company transferred to the new owner, M.S. Mukhanov. On 31 October 2016, M.S. Mukhanov was paid dividends in proportion to the available package of 49% shares in the amount of 618,899 thousand tenge. Dividends payable to NC KTZh JSC in the amount of 644,160 thousand tenge were recognised as part of short-term payables for dividends. NC KTZ JSC demanded to pay the entire amount of declared dividends in its favour.

By the decision of the Specialized Inter-district Economic Court of Nur-Sultan dated 24 September 2019, Transtelecom JSC's claim against NC KTZ JSC on recognition of the unilateral offset of counterclaims of 1,263,059 thousand tenge was invalid.

By a ruling of Nur-Sultan Court dated 11 December 2019, the decision of the Specialized Inter-district Economic Court of Nur-Sultan dated 24 September 2019 was left unchanged and the appeal of NC KTZ JSC was dismissed.

As at 31 December 2019, dividends were offset against receivables from subsidiaries of NC KTZ JSC in the amount of 644,160 thousand tenge, which is 51% of the declared amount of dividends for 2015.

2) Technical regulations

Order No.91 of the Chairman of the Kazakhstan National Security Committee dated 20 December 2016 on the approval of the technical regulation General Requirements for Telecommunication Equipment to Ensure Communications Monitoring Activities, Collection and Storage of Official Information about Subscribers (TP-PK 91-2016) was published on 7 February 2017 and entered into force on 8 February 2018. In accordance with the new regulation, additional requirements for telecommunication equipment are included, including expanding the technical capabilities of equipment for communications monitoring activities, collecting and storing service information about subscribers. Currently, management is developing an action plan to meet the requirements of the technical regulation.

Thus, according to point 71 of TP-PK 91-2016, certificates of communication equipment conformity to the requirements for ensuring communications monitoring activities and collecting and storing service information about subscribers issued before the new technical regulation comes into force are considered valid until the end established term therein (certificate of conformity received by the Company on 2 February 2018 for a period until 2 February 2021).

In December 2019, the Company acquired telecommunication equipment in accordance with the technical regulations of TP-PK 91-2016 for 2,884,082 thousand tenge. Putting into commercial operation is planned in quarter 2 2020.

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.

Environmental issues

The Company believes it is currently in compliance with all existing environmental, healthcare and labour safety laws and regulations of 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 labour 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

The Company was included in the Republican section of the State Register of Natural Monopoly Entities for the provision of telephone sewage for use. The antitrust clause requires the Company to apply the 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 2019, the Company's capital obligations under the contracts entered into were 5,151,543 thousand tenge (31 December 2018: 5,332,974 thousand tenge).

Deferred lease revenue

Analysis by maturity of future operating lease payments:

	2019	2018
Up to 1 year	10,472,761	13,158,975
From 1 to 2 years	10,472,761	10,466,911
From 2 to 3 years	10,336,175	10,466,911
From 3 to 4 years	3,435,586	10,330,325
From 4 to years	3,431,181	3,431,181
Over 5 years	3,431,181	6,862,265
	41,579,645	**54,716,568**

Compliance with loan covenants

On 14 August 2017, the Company entered into an agreement with Sberbank SB JSC on procedures and conditions of the provision of credit facilities to entities and individual entrepreneurs. Under the agreement, a credit line agreement (Guarantee) was signed on 14 August 2017 to open a revolving credit line available until 12 August 2022 to obtain bank guarantees for a total maximum of 290,000 thousand tenge. It is required to perform obligations under a contract for supply, implementation and support of REMS Central system under the project for creation of Automated Control System "Power Dispatch Traction" (ACS PDT) dated 23 August 2012 (the beneficiary is E IT Services Co. Kazakhstan). The fee for issuing the bank guarantee is 1.5% per annum. As at the reporting date, the bank issued a guarantee for the total of 290,000 thousand tenge. In order to ensure the performance of above obligations, a cash collateral agreement was signed on 14 August 2017, according to which the Company transferred to Sberbank SB JSC cash of 100 thousand tenge as a pledge.

The Company is obliged to comply with all covenants under loan agreements with DBK, EDB, Sberbank SB JSC, Alfa-Bank SB JSC and Eurasian Bank JSC. Certain covenants are also set for the Guarantor. Management believes that the Company fully complies with the covenants under the loan agreements as at 31 December 2019.

Before the reporting date, to prevent default on obligations to DBK, the Guarantor received a waiver letter from the creditor as at 31 December 2019.

Guarantees

As at 31 December 2019, guarantees provided by banks on behalf of the Company as security for the performance of the Company's obligations to counterparties are as follows:

Creditor	Guarantee purpose	Date of guarantee issue	Guarantee period	Guarantee amount
Alfa Bank SB JSC	Guarantee to fulfill obligations under Contract No.AP/Y/18/0714 dated 26 September 2018 (implementation of the project on security management systems (SMS) - Phase 2). Beneficiary: KARACHAGANAK PETROLEUM OPERATING B.V., Kazakhstan branch	10 October 2018	15 June 2020	67,355*
Alfa Bank SB JSC	Guarantee to fulfill obligations under the Service Procurement Agreement No.TTC/93-02//2309/1-3 dated 23 September 2019 (Services for the creation and implementation of the information system National Databank of Mineral Resources of the Republic of Kazakhstan). Beneficiary: National Exploration Company Kazgeology JSC	16 October 2019	31 December 2020	74,971
Alfa Bank SB JSC	Guarantee to eliminate defects under the Defects Repair Agreement dated 18 November 2019. Beneficiary: National Company Astana EXPO 2017 JSC.	20 November 2019	22 February 2020	158,995

* The amount of the guarantee is 176,700 US dollars and is indicated in translation into Kazakhstan tenge at the US Dollar rate as at 31 December 2019.

As at 31 December 2019, the Company did not have any obligations related to the guarantees listed above.

28. SUBSEQUENT EVENTS

On 10 January 2020, the Company placed bonds on the Kazakhstan Stock Exchange JSC for a total of 10,000,000 thousand tenge with interest rate of 11.5% per annum. Interest is paid twice a year. The maturity of bonds is twelve years from the listing date.

In January 2020, the purchase and sale transaction of a 26% shares minus 1 share of Transtelecom JSC from NC KTZh JSC to M. Mukhanov was completed (Note 1).

In March 2020, oil prices dropped for more than 40%, which resulted in immediate weakening of tenge against major currencies. In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world. The impact of these events on the activities of the Company is described in Note 27.

29. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by Company management on 8 June 2020.