KazTransCom JSC

International Financial Reporting Standards

Consolidated Financial Statements and Independent Auditor's Report

31 December 2013

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

15 March 2014

The accompanying consolidated financial statements were prepared by management, which is responsible for their integrity and objectivity. Management believes the consolidated financial statements, which require the use of certain estimates and judgments, fairly and accurately reflect the financial position, results of operations, and cash flows of JSC KazTransCom and its subsidiary (the "Group") in accordance with the International Financial Reporting Standards.

Management of the Group maintains appropriate policies, procedures and systems of internal control to ensure its reporting practices and accounting and administrative procedures are appropriate, consistent, and undertaken at reasonable cost. These policies and procedures are designed to provide reasonable assurance that transactions are properly recorded and summarised so that reliable financial records and reports can be prepared and assets safeguarded.

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Khan A.V.
General Director

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Kolupayeva E.V.
Chief Accountant

INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of KazTransCom JSC

We have audited the accompanying consolidated financial statements of KazTransCom JSC and its subsidiary, which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Opinion

In our opinion the consolidated financial statements present fairly, in all material respects the financial position of KazTransCom JSC as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Almaty, Kazakhstan
15 March 2014

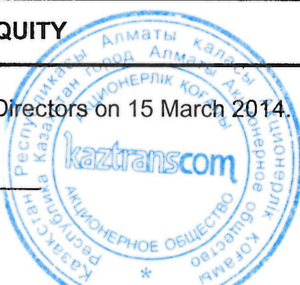
Approved and signed by:

Dana Inkarbekova
Managing Director of PricewaterhouseCoopers LLP
(General State License of the Ministry of Finance
of the Republic of Kazakhstan №0000005 dated 21 October 1999)
Audit Partner
(Qualified Auditor's Certificate №0000492 dated 18 January 2000)

KazTransCom JSC
Consolidated Statement of Financial Position
(in thousands of Kazakhstani Tenge)

	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	8	9,329,373	8,630,529
Intangible assets	9	197,192	234,698
Financial assets available for sale	10	24,000	24,000
Deferred income tax assets	29	38,704	5,221
Non-current receivables		58,970	55,972
Other non-current assets		5,573	5,865
Total non-current assets		**9,653,812**	**8,956,285**
Current assets			
Inventories	12	854,482	989,495
Trade and other receivables	14	2,305,727	1,808,727
Prepayments to suppliers		222,763	159,076
Current income tax prepaid		124,310	205,251
Other current assets	15	128,249	90,826
Cash and cash equivalents	16	967,426	1,098,762
Total current assets		**4,602,957**	**4,352,137**
TOTAL ASSETS		**14,256,769**	**13,308,422**
EQUITY			
Share capital	17	46,662	46,662
Additional paid-in capital	17	7,009	7,009
Other reserves	18	7,455	7,455
Retained earnings		11,330,183	9,742,480
TOTAL EQUITY		**11,391,309**	**9,803,606**
LIABILITIES			
Non-current liabilities			
Borrowings	19	11,549	19,691
Deferred income tax liabilities	29	1,204,397	976,717
Provisions for asset retirement obligations	20	42,748	40,243
Total non-current liabilities		**1,258,694**	**1,036,651**
Current liabilities			
Borrowings	19	8,280	1,259,188
Trade payables	21	751,946	641,293
Other payables	21	846,540	567,684
Total current liabilities		**1,606,766**	**2,468,165**
TOTAL LIABILITIES		**2,865,460**	**3,504,816**
TOTAL LIABILITIES AND EQUITY		**14,256,769**	**13,308,422**

Signed on behalf of Board of Directors on 15 March 2014.



Khan A.V.
General Director

Kolupayeva E.V.
Chief Accountant

The accompanying notes on pages 5 to 43 are an integral part of these consolidated financial statements.

	Note	2013	2012
Revenue	22	12,241,853	12,129,711
Cost of sales	23	(8,250,708)	(7,920,184)
Gross profit		**3,991,145**	**4,209,527**
Other operating income	24	87,452	57,789
Distribution costs	25	(455,508)	(404,558)
General and administrative expenses	26	(1,502,662)	(1,573,055)
Other operating expenses		(57,465)	(36,653)
Operating profit		**2,062,962**	**2,253,050**
Finance income	27	38,101	123,650
Finance costs	28	(62,272)	(373,355)
Profit before income tax		**2,038,791**	**2,003,345**
Income tax expense	29	(451,088)	(425,038)
Profit for the year		**1,587,703**	**1,578,307**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**1,587,703**	**1,578,307**
Share of comprehensive income attributable to shareholders of the Company		1,587,703	1,578,307
Earnings per ordinary share, basic and diluted	30	**650.03 Tenge**	**646.18 Tenge**
Earnings per preferred share, basic and diluted	30	**670.03 Tenge**	**666.18 Tenge**

Income for the year and total comprehensive loss is fully attributable to shareholders of the Company.

	Note	2013	2012
Cash flows from operating activities			
Sales of goods, works, services		12,861,582	13,371,835
Advances received		18,269	252,050
Payments to suppliers for goods and services		(3,636,330)	(3,721,454)
Advances paid		(1,344,740)	(744,103)
Salaries and wages payable		(3,435,234)	(3,492,513)
Interest expense on borrowings		(57,022)	(245,444)
Corporate income tax paid		(249,403)	(418,570)
Other payments to budget		(1,684,721)	(1,877,316)
Other payments		(724,229)	(830,564)
Net cash from operating activities		**1,748,172**	**2,293,921**
Cash flows from investing activities			
Sale of property, plant and equipment		40,998	4,533
Acquisition of property, plant and equipment		(673,326)	(949,710)
Acquisition of intangible assets		(11,152)	(48,058)
Net cash used in investing activities		**(643,480)**	**(993,235)**
Cash flows from financing activities			
Proceeds from borrowings, including sale of bonds		-	1,210,058
Interests received		17,054	18,461
Repayment of borrowings, including repayment of bonds		(1,251,612)	(2,979,580)
Dividends paid	17	(1,470)	(1,797)
Net cash used in financing activities		**(1,236,028)**	**(1,752,858)**
Net decrease in cash		(131,336)	(452,172)
Cash and cash equivalents at the beginning of the year	16	1,098,762	1,550,934
Cash and cash equivalents at the end of the year	**16**	**967,426**	**1,098,762**

	Note	Share capital	Additional paid-in capital	Other reserves	Retained earnings	Total Equity
Balance at 31 December 2011		**46,662**	**7,009**	**7,455**	**8,164,223**	**8,225,349**
Profit for the year		-	-	-	1,578,307	1,578,307
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	1,578,307	1,578,307
Acquisition of own shares by subsidiary		-	-	-	(50)	(50)
Balance at 31 December 2012	**17**	**46,662**	**7,009**	**7,455**	**9,742,480**	**9,803,606**
Profit for the year		-	-	-	1,587,703	1,587,703
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	1,587,703	1,587,703
Balance at 31 December 2013	**17**	**46,662**	**7,009**	**7,455**	**11,330,183**	**11,391,309**

1 KazTransCom JSC and Its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2013 for KazTransCom JSC (the "Company") and its subsidiary (together referred to as the "Group" or "KazTransCom Group").

The Company was incorporated on 1 August 2001 as an open joint stock company in accordance with the legislation of the Republic of Kazakhstan. The Company is a successor of CaspiyMunaiBailanys OJSC incorporated in Atyrau Region of the Republic of Kazakhstan on 1 February 1999. In 2001 the Company signed an agreement with Aktubneftesvyaz OJSC (Aktobe) and Bailanys OJSC (Pavlodar) on legal merger with the Company and reorganization of those companies into the Company's branches. 1 January 2004 is the date of the Company's transition to IFRS. On 8 September 2004 the Company was reregistered into a joint stock company.

In 2006 the Company acquired 100% of shares of ERP-Service KazTransCom LLP. ERP-Service LLP supplies ERP systems and other software as well as provides the services in the sphere of information technologies and other services related to maintenance.

As of 31 December 2013 and 2012 the Company's shareholders are Rodnik INC LLP (79.92%), Telecom Asia LLP (9.91%), and other shareholders (10.17%). At 31 December 2012, based on the foundational agreements, Mr. A.Z. Nalibayev and Mrs. R.M. Sagdiyeva, being the owners of Rodnik INC LLP, jointly controlled the Group's operations. On 19 January 2013 Sonera Holding B.V. and Lovou B.V. became co-owners of Rodnik INC LLP with equal participating interests of 25% by purchasing the share of Mrs. R.M. Sagdiyeva. Sonera Holding B.V. is ultimately owned by TeliaSonera A.B.; the ultimate owners of Lovou B.V. are individuals, each of them holds less than 10%.

Principal activity. The Group's principal activity is provision of telecommunication services in the Republic of Kazakhstan. The Group carries out its activities on the basis of General license issued by the Agency of the Republic of Kazakhstan on Informatisation and Communication on 14 October 2004. The Company is a member of National Telecommunication Association of the Republic of Kazakhstan. Currently integrated management system of the Company includes 4 systems based on 4 international standards ISO:

- quality management (ISO 9001:2008), starting from 2004, re-certificated audits were conducted in 2006 and 2009,
- occupation health and safety management (OHSAS 18001:2007), starting from 2005, re-certificated audits were conducted in 2008 and 2011,
- environmental management (ISO 14001:2004), starting from 2005, re-certificated audits were conducted in 2008 and 2011.
- information security management systems (ISO/IEC 27001:2005), starting from 2011.

The Group's main clients are: KazMunaiGas National Company, KazTransOil JSC, Intergas Central Asia JSC, Agip Kazakhstan North Caspian Operating Company N.B.

Registered address and place of business. The Company's registered address is: 69/204A, Rodostovtsev Street, Almaty, Republic of Kazakhstan.

As at 31 December 2013 the Group had seven branches (as at 31 December 2012: seven branches) in the Republic of Kazakhstan located in Aktobe, Pavlodar, Atyrau, Uralsk, Almaty, Aktau and Astana and the representative office in Russia.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, according to principle of historical cost valuation with amendment on initial recognition of financial instruments by fair value. The main provisions of accounting policies used in preparation of these consolidated financial statements are discussed below. These principles were consistently applied in connection to all periods presented in financial statement, unless specified otherwise.

2 Summary of Significant Accounting Policies (Continued)

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates as well as exercise of professional judgments in the process of application of the Group's accounting policy. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant for financial statements are disclosed in Note 5. Actual results can deviate from such accounting estimates.

2.2 Consolidation

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Kazakhstani Tenge ("Tenge"), which is the functional of the Group's entities and presentation currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

On 31 December 2013 the official exchange rate of the Kazakhstan Stock Exchange used to recalculate the balances in foreign currency was 153.61 Tenge per US dollar 1 (31 December 2012: 150.74 Tenge per US dollar 1). Conversion of Tenge to other currencies is regulated by rules of currency restrictions and controls. Currently Tenge is not a freely convertible currency outside the Republic of Kazakhstan.

2 Summary of Significant Accounting Policies (Continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss. Cost of property, plant and equipment as at 1 January 2004, i.e. IFRS transition date is determined on the basis of their fair value at the above date.

Cost includes all costs directly attributable to acquisition of respective asset. The cost of self-constructed assets includes the cost of materials, direct labour and all other costs directly attributable to brining an asset to working condition for intended use, and costs for dismantling and relocation of an asset and land plot recovery. Costs for acquisition of software directly attributable to functional purpose of the appropriate equipment are capitalised to cost of such equipment.

Costs related to replacement of part of an item of property, plant and equipment, are recognised within the carrying amount of such an item, if it is probable that the Group will receive the future economic benefits and reasonable estimate of cost of such part is possible. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired. Costs of minor repairs and maintenance of items of property, plant and equipment are recognised through profit or loss as incurred. If an item of property, plant and equipment consists of separate components with different useful lives, each of them is stated as separate item (significant component) of property, plant and equipment.

At the end of each reporting period the management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the Group companies' management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the statement of comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised through profit or loss for the year within other operating income or expense.

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

	Useful life (years)
Buildings	10 – 50
Machinery and equipment	5 – 20
Vehicles	5 – 10
Other	3 – 10

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at reporting date.

2.6 Construction contracts

The Group has a range of contracts on construction of telecommunication networks. Contract costs are recognised when incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably, and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured. The Group uses the "percentage-of-completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the completion of a physical proportion of the contract work up to the end of the reporting period as a percentage of total physical contract works.

2 Summary of Significant Accounting Policies (Continued)

The Group presents as trade receivable the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings.

Progress billings not yet paid by customers and retention are included within "trade and other receivables". The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed recognised profits determined by the percentage-of-completion method.

2.7 Accounting for joint arrangements

The Company is a party to joint arrangement when it exercises joint control over arrangement by acting collectively with other parties and decisions about the relevant activities require unanimous consent of the parties sharing control. The joint arrangement is either a joint operation or a joint venture depending on the rights and obligations of the parties to the arrangement.

In relation to interest in joint operations the Company recognises: (i) its assets, including its share of any assets held jointly, (ii) liabilities, including its share of any liabilities incurred jointly, (iii) revenue from the sale of its share of the output arising from the joint operation, (iv) its share of the revenue from the sale of the output by the joint operations, and (v) its expenses, including its share of any expenses incurred.

2.8 Intangible assets

All of the Group's intangible assets have definite useful lives and primarily include capitalised computer software and licences.

Acquired computer software and licenses are capitalised on the basis of the costs incurred to acquire and bring them to use.

Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Intangible assets are amortised using the straight-line method over their useful lives:

	Useful life (years)
Licenses	15
Accounting software	10
Other	20

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

2.9 Impairment of non-financial assets

At each reporting date the management assesses whether there is any indication of impairment of non-financial assets. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the statement of comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 Summary of Significant Accounting Policies (Continued)

2.10 Financial instruments

(a) Basic conditions of assessment

Financial instruments of the Group are carried at amortised cost and actual cost as described below.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

(b) Classification of financial assets

Financial assets of the Group include loans and receivables and financial assets available for sale. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting period. These are classified as non-current assets. Loans and receivables in the Group's consolidated statement of financial position consist of trade and other receivables (note 14), other current financial assets (note 15), cash and cash equivalents (note 16), and long-term financial receivables.

All other financial assets are included in the available-for-sale category, which includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(c) Classification of financial liabilities

Group's financial liabilities are financial liabilities which are carried at amortised cost. Financial liabilities in the consolidated financial position include borrowings (note 19) and trade payables (note 21).

(d) Initial recognition of financial instruments

Financial assets and liabilities are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

(e) Derecognition of financial asset

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

2 Summary of Significant Accounting Policies (Continued)

2.11 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventory is assigned using first-in-first-out method (FIFO). Cost of finished goods and production in process comprises costs of materials, delivery to current location, direct labour costs, other direct costs, and corresponding proportion of overhead costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

2.13 Prepayment

Prepayments to suppliers are reported at cost less provision for doubtful debt. Prepayments to suppliers are classified as long-term, if the expected date of receipt of goods or services is more than one year, or if the payment of suppliers relate to assets that will be reflected in the account as long at initial recognition. The prepayment amount for the acquisition of the assets included in the carrying value when Group receive the control of these assets and it is probable that future economic benefits associated with them, will be received by the Group. Other prepayments are written off after receipt of goods or services. If there is an indication that the assets, goods or services will not be received, the carrying value of prepaid shall be reduced to the amount of provision and the related provision is recognised through profit or loss for the year.

2.14 Trade and other receivables

Trade and other receivables are carried at amortised cost using the effective interest method.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

2 Summary of Significant Accounting Policies (Continued)

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities less than three months. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the end of the reporting period are included in other non-current assets.

2.16 Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented in the notes as a share premium.

Preference shares which carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholder are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised as interest expense on an amortised cost basis using the effective interest method.

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.17 Trade payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are carried at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

2 Summary of Significant Accounting Policies (Continued)

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

2.19 Income tax

Income taxes have been provided for in the consolidated financial statements in accordance with tax legislation of the Republic of Kazakhstan enacted or substantively enacted by the end of the reporting period. The income tax charge/(credit) comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that Management expects the temporary differences to reverse in the foreseeable future.

2.20 Value added tax

Value added tax ("VAT") related to sales is payable to state budget when goods are shipped or services are rendered. Input VAT is reclaimable against output VAT upon receipt of a tax invoice from a supplier. The tax legislation permits the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases unsettled at the reporting date is stated in the statement of financial position on net basis. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

2.21 Employee benefits

Wages, salaries, contributions to the pension funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services, kindergarten services, etc.) are accrued in the year in which the associated services are rendered by the employees of the Group.

2.22 Pension payments

The Group does not incur any expenses relating to the payment of pension and other retirement benefits to its employees. In accordance with the laws of the Republic of Kazakhstan Company keeps pension contributions from employees' salaries and transfers them to the state or private pension fund chosen by employee. After the' retirement of employee liabilities of the Group are terminated, and all subsequent payments are made by public or private pension savings fund.

2 Summary of Significant Accounting Policies (Continued)

2.23 Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. The Group recognises the estimated liability to repair or replace products sold still under warranty at the end of each reporting period. This provision is calculated based on past history of the level of repairs and replacements.

2.24 Asset retirement obligations

Estimated costs of dismantling and removing an item of property, plant and equipment (asset retirement obligations) are added to the cost of an item of property plant and equipment when incurred either when an item is acquired or as the item is used during a particular period for purposes other than to produce inventories during that period.

Other movements in the provisions for asset retirement obligations, including costs, resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

The amortisation or "unwinding" of the discount applied in establishing the net present value of provisions is charged to profit or loss for the year. The amortisation of the discount is shown as a financing cost.

When the asset achieves the end of its useful life all changes in liability are charged to profit or loss for the year.

2.25 Revenue recognition

Revenue is stated on accrual basis in the amount of revenue from sales less provided discounts and taxes, related to sales turnovers. Revenue is determined by fair value of the consideration received or receivable. Sales are shown net of VAT and discounts.

Revenues from sales of telecommunication equipment are recognised at the point of transfer of risks and rewards of ownership of the equipment, normally when the equipment is shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the equipment is passed to the customer at the destination point.

Call out revenue is recognised based on the actual airtime used by a subscriber. All the Group's subscribers are served on post-paid basis.

Revenues from providing an access to Internet network are stated on the basis of actual traffic used by a subscriber. The Internet users are served both on the prepaid and post-paid basis.

Sales of consulting services and installation services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

2.26 Leases

(a) Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

2 Summary of Significant Accounting Policies (Continued)

(b) Finance lease liabilities

Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to the income statement over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

2.27 Dividends

Dividends are recognised as a liability and deducted from equity at the end of the reporting period only if they are declared before or at the end of the reporting period. Dividends are disclosed when they are proposed after the end of the reporting period but before the financial statements are authorised for issue and included to the note "Events after the end of reporting period".

2.28 Earnings per share

Preference shares are neither redeemable, nor considered to be participating shares with respect with the distribution of dividends. Ordinary share dividends cannot exceed preference share dividends. Thus, preference shares are compound instruments with equity component. The preference shares give their holders the right to participate in general shareholders' meetings without voting rights and to participate with voting rights when considering the issue in relation to reorganization and liquidation of the Company, when considering the issue of restriction of rights of preference shareholders, and also if dividends on preference shares are not paid in full in three months from the date of expiry of the period set for payment of such dividends. As a result, preference shares get voting rights without conversion to ordinary shares at the moment when dividends of preference shares are not paid in full in three months from the date of expiry of the period set for payment of such dividends until the dividends are paid.

Earnings per share are determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares outstanding during the reporting year.

3 New Accounting Pronouncements

(i) The following new standards and interpretations became effective for the Group from 1 January 2013:

- IFRS 13 "Fair Value Measurement" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) improved consistency and reduced complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs.

- "Disclosures - Offsetting Financial Assets and Financial Liabilities" - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off.

- IFRS 12 "Disclosure of Interests in Other Entities" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements previously found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Standard did not have any material impact on these financial statements.

3 New Accounting Pronouncements (Continued)

- "Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12" (issued in June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10 "Consolidated Financial Statements". Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The amended standards did not have any material impact on the Group's financial statements.

- Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23 "Borrowing costs", retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 now requires disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The amended standards did not have any material impact on the Group's financial statements.

- IFRS 10 "Consolidated Financial Statements" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Standard did not have any material impact on the Group's financial statements.

- Amendments to IAS 1 "Presentation of Financial Statements" (issued in June 2011, effective for annual periods beginning on or after 1 July 2012) changed the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to "statement of profit or loss and other comprehensive income". The amended standard resulted in changed presentation of consolidated financial statements. The Standard did not have any material impact on the Group's financial statements.

- Amended IAS 19 "Employee Benefits" (issued in June 2011, effective for periods beginning on or after 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Group reports accumulated amount of these remeasurements in retained earnings in equity.

(ii) New standards and interpretations that are mandatory for the annual periods beginning on or after 1 January 2013 or later but not relevant for the Group:

- IAS 27 "Separate Financial Statements" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013).

- IAS 28 "Investments in Associates and Joint Ventures" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013).

- IFRS 11 "Joint Arrangements" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013).

3 New Accounting Pronouncements (Continued)

- Other revised standards and interpretations: IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine". Amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards - Government Loans", which were issued in March 2012 and are effective for annual periods beginning 1 January 2013.

(iii) Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2014 or later, and which the Group has not early adopted:

- IFRS 9 "Financial Instruments: Classification and Measurement". Key features of the standard issued in November 2009 and amended in October 2010, December 2011 and November 2013 are:

    - Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

    - An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

    - All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

    - Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

    - Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

  The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. The Group does not intend to adopt the existing version of IFRS 9.

- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014).

- Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014).

- IFRIC 21 – "Levies" (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014).

- Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets" (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period).

- Amendments to IAS 39 – "Novation of Derivatives and Continuation of Hedge Accounting" (issued in June 2013 and effective for annual periods beginning 1 January 2014).

3 New Accounting Pronouncements (Continued)

- Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service.

The Group is considering the implications of these standards and their impact on the Group. Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's financial statements.

4 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivatives for risk hedging.

There is a Risk Committee under the Board of Directors established in Group. The principal activity of the Committee is to analyse the Group's operations in order to detect risk events, analyse transaction risks and develop recommendations to decrease the Group's risks. The activities of the Committee have a recommendation nature.

Market risk

(a) Currency risk

The Group operates in Kazakhstan. The Group does not operate internationally, thus, the significant part of the Group's transactions are carried out in Tenge. The Group has some financial instruments denominated in US dollar, Euro and Russian roubles. They include some accounts receivable and accounts payable, long-term borrowings and corporate bonds payable. The Group does not hedge such financial instruments, since the management does not consider currency risk as significant.

The table below shows maximum exposure of the Group to currency risk at the end of the reporting period:

	31 December 2013			31 December 2012		
In thousands of Kazakhstani Tenge	**US dollar**	**Euro**	**Russian rouble**	**US dollar**	**Euro**	**Russian rouble**
Trade and other receivables	429,318	25,242	1,630	62,238	12,600	811
Cash and cash equivalents	100,863	25,260	137	283,703	14,994	1,402
Borrowings	-	-	-	(51,612)	-	-
Financial liabilities	(87,856)	(9,096)	(6,340)	(60,779)	(12,093)	(981)
Net position	**442,325**	**41,406**	**(4,573)**	**233,550**	**15,501**	**1,232**
Strengthening of currency by 20% against US dollar (2012: 10%)	(88,465)	(8,281)	915	(23,355)	(1,550)	(123)
Weakening of currency by 20% against US dollar (2012: 10%)	88,465	8,281	(915)	23,355	1,550	123

Changes in exchange rates do not affect the Group's equity, since the Group does not have any financial instruments accounted for within equity.

(b) Interest rate risk

Since the Group does not have any significant interest-bearing assets, the Group's income and cash flows from the Group's operating activity are mainly independent from changes in interest rates.

At 31 December 2013 the Group has repaid borrowings in full. Therefore, the Group is not exposed to the interest rate risk at the end of the reporting period.

4 Financial Risk Management (Continued)

(c) Price risk

The Group is not exposed to the price risk of equity securities, since the Group does not hold a portfolio of these securities.

Credit risk

Credit risk is managed at Group level. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

The table below shows maximum exposure of the Group to credit risk:

	Note	31 December 2013	31 December 2012
Cash and cash equivalents	16	967,426	1,098,762
Trade and other receivables	14	2,305,727	1,808,727
Other current financial assets	15	100,246	61,086
Long-term trade receivables		58,970	55,972
Total maximum exposure to the credit risk		**3,432,369**	**3,024,547**

The Group has policies in place to ensure that sales of services are made to customers with an appropriate credit history. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, corporate customers department assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales to customers are done on a post-paid basis and settled in cash. The Group management checks unsettled accounts receivable analysis by terms due and traces unpaid balances. The customers with unpaid balances are not provided with telecommunication services until full settlement. The Management provided a settlement terms analysis and other information on credit risk in the Note 14. At 31 December 2013, 75% of the Group's trade accounts receivable represents 12 debtors (2012: 12 debtors represent 68%).

Cash is placed in financial institutions, which are considered at time of deposit to have minimal risk of default. The ratings and balances with major banks at the end of the reporting period are presented in Note 11.

Liquidity risk

The Group exercises control over risk of cash shortage using long term (5 years) and short term (annual, quarterly and monthly) forecasts of future cash flows from operating activities. The Group has developed a number of internal regulations aimed to adopt control procedures of record keeping and making payments, and also regulations on operational budget settlement. The Group's aim is to maintain the balance between continuing financing and flexibility using bank overdrafts, bank loans, bonds, preference shares, finance lease and instalment contracts.

4 Financial Risk Management (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
At 31 December 2013			
Borrowings	8,280	20,777	2,112
Trade payables	751,946	-	-
Total financial liabilities	**760,226**	**20,777**	**2,112**

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
At 31 December 2012			
Borrowings	1,398,848	21,334	12,220
Trade payables	641,293	-	-
Total financial liabilities	**2,040,141**	**21,334**	**12,220**

Capital risk management

The Group's main objective when managing capital is to ensure stable credibility and normal level of capital adequacy for the Group's operations and maximum increase of return for shareholders. The Group manages capital structure and changes it in accordance with the changes in the economy. To maintain or adjust capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. Optimal structure of capital is formed through combination of borrowing and capital financing to decrease cost of capital.

The Group monitors capital on the basis of the gearing ratio. The Group's strategy is to optimise its gearing ratio by combination of equity financing from its shareholder and external borrowings. This ratio is determined as total debt divided by total capital, and is considered as optimal if it does not exceed 200%. Total debt is determined as "borrowings" as shown in the statement of financial position. Total capital is determined as "total equity" as shown in the statement of financial position.

	31 December 2013	31 December 2012
Total debt	19,829	1,278,879
Total capital	11,391,309	9,803,606
Gearing ratio	**0%**	**13%**

The Group management considers the level of gearing ratio at 31 December 2013 as optimal and reflecting the requirements of the industry.

The Group complied with all external requirements on capital during the year ended 31 December 2013. Such requirements are provided in the Group's loan agreements, whereby the Group's equity should amount to not less than Tenge 1,700,000 thousand.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

4 Financial Risk Management (Continued)

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

All financial instruments of the Group are carried at amortised cost. Their fair value at the level 3 measurement have been determined using the discounted cash flows method.

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Applied rates of discounting depend on counterparty's credit risk. The carrying amounts of the Group's financial assets approximate fair values.

Liabilities carried at amortised cost

The fair value of liabilities is determined using valuation techniques. The estimated fair value of fixed interest rate instruments, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid. Due to the short-term nature of short-term financial payables, their carrying amounts approximate fair values.

Financial instruments carried at actual cost

Available-for-sale investments, which include unquoted equity securities in mass media industry, are stated at actual cost. Investee companies did not publish the latest financial information on their operations. There is no active market for such investments, nor any recent transactions with such investments which could be the basis for determination of fair value. Additionally, future cash flows discounting method provides the wide range of possible indicators of fair value related to uncertainty of future cash flows in this industry. However, management believes, that it is unlikely that the fair value at the year-end would significantly differ from their carrying amount.

5 Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on the Groups management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

(a) Useful lives of property, plant and equipment and intangible assets

The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2013 would be to increase / decrease it by Tenge 94,678 thousand (2012: increase / decrease by Tenge 91,548 thousand).

5 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

(b) Asset retirement obligation provision

The Group has a liability on dismantling and land reclamation upon decommissioning of communication lines. This liability arose at the beginning of 2007 due to introduction of new Environmental Code of the Republic of Kazakhstan. Provisions are made on the basis of net present value of dismantling and reclamation costs as liability arises from the previous activities. Provision for asset retirement obligations are estimated on the basis of the Group's interpretation of the current environmental legislation of the Republic of Kazakhstan and respective program for liquidation of consequences of the Group's operations on the covered area estimated by the Group on the basis of feasibility and engineer studies in accordance with the current technical rules and norms for reclamation. Asset retirement obligations are subject to potential changes in environmental legislation and its interpretation. As at 31 December 2013 the carrying amount of provisions for asset retirement obligations was Tenge 42,748 thousand (31 December 2012: Tenge 40,244 thousand).

In 2009, management of the Group reconsidered its obligations and intentions on fiber-optic communication line dismantling (FOCL) and concluded that due to opinions of state expertise on absence of negative environmental effect, the Group has no obligation for FOCL dismantling. In addition in 2009 the Group's management reconsidered its obligations and intentions on cable communication line (CCL) dismantling, built inside of the protective polyethylene pipe (PPP) and concluded that due to absence of negative environmental effect of PPP the Group has no obligation for CCL dismantling, built inside of the PPP.

(c) Revenue recognition

Significant judgment is required to determine revenue from contracts for provision of services and construction contracts. Key uncertainty areas include:

- Estimation of probability that works and amounts not stipulated in master construction contract will be approved by the clients;
- Estimation of revenue expected from variation orders and costs required for completion of services; and
- Review of execution of works to determine the percentage of completion.

(d) Deferred income tax on post acquisition retained earnings of subsidiaries

Deferred income tax is provided on post acquisition retained earnings and other post acquisition movements in reserves of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

(e) Investments carried at cost

Management could not reliably estimate fair value of the Group's investments in 1% of shares of Rauan Media Group JSC. The investments are carried at cost of Tenge 24,000 thousand (2012: Tenge 24,000 thousand). The investee has not published recent financial information about its operations, its shares are not quoted and recent trade prices are not publicly accessible. Management estimates that fair value of this investment approximates its fair value.

(f) Inventories for resale

The Group classifies telecommunication equipment for resale as inventories, since this equipment is purchased for the purpose of installation into the fixed assets of the clients during the construction or maintenance of communication lines of the clients or resale. However, the Group may use certain equipment for own use as necessary including the construction of its communication network. In this case equipment is transferred to property, plant and equipment (Note 8), and used item is replaced with the same for resale. Accordingly, certain equipment at 31 December 2013, classified by management as current within inventories may be transferred to property, plant and equipment in future.

(g) Valuation of inventories

Inventories are recorded at the lower of cost and net realisable value. The Group creates an impairment provision for inventories based on the results of regular physical count procedure and management's analysis in relation to slow-moving, obsolete and other inventories which realisable value is less than their cost. Identification process provides for the analysis of historical data and current operating plans with respect to appropriate provisions. For damaged inventories, provision is accrued or write-off is made depending on the level of damage. Management accrues provision on any items of inventories recognised as obsolete.

5 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Management believes that provision for inventory impairment recorded at 31 December 2013 and 31 December 2012 is sufficient and represents the management's best estimate with respect to impaired inventories (Note 12).

(h) Impairment of trade and other receivables

Recognition of individual provisions for impairment of accounts receivable is based on a regular estimate by management of the repayment results of accounts receivable, its overdue status and past experience. Management believes that the provisions for impairment recorded at 31 December 2013 and 31 December 2012 are sufficient and represent the best estimate of management of accounts receivable which will not be collected (Note 14).

(i) Impairment of non-financial assets

At the end of each reporting period, management assesses whether there is any indication of impairment of individual assets or groups of assets. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. Management determines value in use applying estimated data and professional judgments, which are deemed reasonable in current circumstances.

At 31 December 2013 and 2012 management analysed whether there are any indications of property, plant and equipment impairment and identified impairment indications with respect to non-financial assets of subsidiary. Accordingly, the Group performed test for the impairment of these assets.

For the impairment assessment, assets are grouped at the lowest levels, upon which there are individual identifiable cash flows (cash generating units). Such cash generating units for the Group are represented by non-financial assets of its subsidiary. The total carrying amount of cash generating unit assessed for impairment was Tenge 159,602 thousand. Based test performed, no assets impairment was identified.

The recoverable amount of cash generating unit, mainly represented by office buildings, was determined based on fair value less costs to sell. The Group concluded that the costs to sell these assets are not significant, and accordingly, their fair value approximates their recoverable amount. The fair value of the office building has been determined using a market approach based on comparable transactions in the real estate market of Astana city, appropriately adjusted for the differences.

6 Segment Information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The functions of CODM are performed by the Board of Directors of the Group.

(a) Description of products and services from which each reportable segment derives its revenue

The Group is organised on a basis of four main operating segments:

- Telecommunication services – cable and satellite communication services as well as land telephone communication and related repair services.
- Maintenance – equipment design, development, supply, installation for telecommunication platforms, and network and equipment maintenance.
- System integration – design, construction, certification and commissioning of communication objects and telecommunication systems under long-term contract with Agip KCO (Note13).
- IT-outsourcing – applications installation, support and maintenance services.

(b) Factors that management used to identify the reportable segments

Segment financial information is reviewed by the Board of Directors of the Group, responsible for operational decision making. Such financial information is similar to the segment analysis provided internally to the Board of Directors of the Group. Management therefore applied the core principle of IFRS 8, *Operating Segments*, in determining which of the components should form the basis of operating segments.

6 Segment Information (Continued)

(c) Measurement of operating segment profit or loss, assets and liabilities

The Board of Directors of the Group reviews financial information prepared based on International Financial Reporting Standards.

The Board of Directors of the Group evaluates performance of each segment based on gross profit.

Transactions between the operating segments are carried out based on normal commercial terms and conditions.

The headquarters is not an operating segment. Corporate profit and expenses, such as other income, distribution costs, general and administrative expenses, other expenses, finance income and costs are related to the headquarters and are not allocated between operating segments.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, trade receivables, and mainly exclude cash and cash equivalents, prepayments, financial assets available for sale and income tax balances. Segment liabilities comprise operating liabilities and exclude items such as taxation and corporate borrowings. Capital expenditure comprises additions to property, plant and equipment and intangible assets.

(d) Information about reportable segment profit or loss, assets and liabilities

Segment information for the main reportable operating segments of the Group for 2013 and 2012 is set out below:

	Telecom-munication services	Technical maintenance	System integration	IT outsourcing	Head-quarters	Total
2013						
Segment revenue	7,702,003	2,876,491	1,085,020	578,339	-	12,241,853
Cost of segment sales	(4,757,009)	(2,309,606)	(498,345)	(685,748)	-	(8,250,708)
Gross profit for segment	**2,944,994**	**566,885**	**586,675**	**(107,409)**	**-**	**3,991,145**
Other income	-	-	-	-	87,452	87,452
Administrative and other expenses	-	-	-	-	(2,015,635)	(2,015,635)
Finance income	-	-	-	-	38,101	38,101
Finance costs	-	-	-	-	(62,272)	(62,272)
Profit before income tax	**2,944,994**	**566,885**	**586,675**	**(107,409)**	**(1,952,354)**	**2,038,791**
Income tax expense	-	-	-	-	(451,088)	(451,088)
Profit for the year	**2,944,994**	**566,885**	**586,675**	**(107,409)**	**(2,403,442)**	**1,587,703**
31 December 2013						
Segment assets	11,462,139	766,554	193,695	287,549	-	12,709,937
Other unallocated assets	-	-	-	-	1,546,832	1,546,832
Total assets	**11,462,139**	**766,554**	**193,695**	**287,549**	**1,546,832**	**14,256,769**
Segment liabilities	1,382,170	79,717	114,807	65,768	-	1,642,462
Current and deferred tax liability	-	-	-	-	1,204,397	1,204,397
Other unallocated liabilities	-	-	-	-	18,601	18,601
Total liabilities	**1,382,170**	**79,717**	**114,807**	**65,768**	**1,222,998**	**2,865,460**
2013						
Capital expenditure	1,227,105	-	-	-	-	1,227,105
Depreciation and amortisation	934,555	-	2,397	11,455	-	948,407

6 Segment Information (Continued)

	Telecom-munication services	Technical maintenance	System integration	IT outsourcing	Head-quarters	Total
2012						
Segment revenue	7,646,021	2,729,595	774,530	979,565	-	12,129,711
Cost of segment sales	(4,452,937)	(2,272,463)	(322,649)	(872,135)	-	(7,920,184)
Gross profit for segment	**3,193,084**	**457,132**	**451,881**	**107,430**	**-**	**4,209,527**
Other income	-	-	-	-	57,789	57,789
Administrative and other expenses	-	-	-	-	(2,014,266)	(2,014,266)
Finance income	-	-	-	-	123,650	123,650
Finance costs	-	-	-	-	(373,355)	(373,355)
Profit before income tax	**3,193,084**	**457,132**	**451,881**	**107,430**	**(2,206,182)**	**2,003,345**
Income tax expense	-	-	-	-	(425,038)	(425,038)
Profit for the year	**3,193,084**	**457,132**	**451,881**	**107,430**	**(2,631,220)**	**1,578,307**
31 December 2012						
Segment assets	10,322,420	577,034	213,410	614,554	-	11,727,418
Other unallocated assets	-	-	-	-	1,581,004	1,581,004
Total assets	**10,322,420**	**577,034**	**213,410**	**614,554**	**1,581,004**	**13,308,422**
Segment liabilities	890,257	77,052	113,186	168,949	-	1,249,444
Current and deferred tax liability	-	-	-	-	976,717	976,717
Other unallocated liabilities	-	-	-	-	1,278,655	1,278,655
Total liabilities	**890,257**	**77,052**	**113,186**	**168,949**	**2,255,372**	**3,504,816**
2012						
Capital expenditure	1,065,226	-	-	-	-	1,065,226
Depreciation and amortisation	878,854	-	18,317	19,363	-	916,534

Segment assets and liabilities are reconciled to the Group's assets and liabilities of as follows:

	31 December 2013		31 December 2012	
	Assets	Liabilities	Assets	Liabilities
Segment assets and liabilities	12,709,937	1,641,234	11,727,418	1,249,444
Non-current borrowings	-	11,549	-	19,691
Current borrowings	-	8,280	-	1,258,964
Deferred income tax	38,704	1,204,397	5,221	976,717
Cash and cash equivalents	967,426	-	1,098,762	-
Prepayments to suppliers	222,763	-	159,076	-
Current income tax prepaid	124,310	-	205,251	-
Financial assets available for sale	24,000	-	24,000	-
Other	169,629	-	88,694	-
Total	**14,256,769**	**2,865,460**	**13,308,422**	**3,504,816**

Geographical segments. The Group's assets are mainly concentrated in the Republic of Kazakhstan, and the main part of the Group's profits is generated from transactions in the Republic of Kazakhstan.

7 Balances and Transactions with Related Parties

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Group's parent company and immediate controlling party is Rodnik INC LLP. The Group's ultimate controlling parties are disclosed in Note 1.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2013 and 31 December 2012 are detailed below.

At 31 December 2013 and 31 December 2013 the outstanding balances with related parties were as follows:

	Other related parties	Key management personnel
31 December 2013		
Accounts receivable	82,519	-
Trade payables	37,021	-
Other payables	307,788	91,111
31 December 2012		
Accounts receivable	22,204	-
Trade payables	2,039	-
Other payables	16,982	151,000

Information on dividends declared and paid to the Parent is disclosed in note 17.

The income and expense items with related parties for 2013 and 2012 were as follows:

	Other related parties	Key management personnel
2013		
Revenue	1,126,817	-
Cost of sales	124,252	-
General and administrative expenses	-	242,284
2012		
Revenue	43,056	-
Cost of sales	6,815	-
General and administrative expenses	-	288,039

Compensation to management for their services at permanent positions of executive management consists of contractual amount of salary and performance bonus depending on the results of the Group's business activities. Total management compensation included into personnel costs in the consolidated statement of comprehensive income for the year ended 31 December 2013 was Tenge 242,284 thousand (2012: Tenge 288,039 thousand). Directors classified as key management personnel include three positions (2012: three positions).

8 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

	Land and buildings	Telecom-munication equipment	Vehicles	Others	Construction in progress/ Equipment to be installed	Total
Cost						
Cost at 31 December 2011	**1,578,090**	**7,739,357**	**575,843**	**1,320,134**	**405,899**	**11,619,323**
Depreciation charge	13,342	328,182	36,213	58,136	1,116,076	1,551,949
Transfers	19,001	416,457	-	13,678	(449,136)	-
Disposals	(3,713)	(50,572)	(14,120)	(60,652)	(7,613)	(136,670)
Cost at 31 December 2012	**1,606,720**	**8,433,424**	**597,936**	**1,331,296**	**1,065,226**	**13,034,602**
Depreciation charge	4,765	303,933	25,430	106,556	1,227,105	1,667,789
Transfers	118,224	1,661,499	627	57,432	(1,837,782)	-
Disposals	(45,884)	(67,227)	(25,356)	(50,340)	(10,473)	(199,280)
Cost at 31 December 2013.	**1,683,825**	**10,331,629**	**598,637**	**1,444,944**	**444,076**	**14,503,111**
Accumulated depreciation						
Balance at 31 December 2011	**229,916**	**2,230,888**	**323,617**	**861,488**	**-**	**3,645,909**
Depreciation charge	42,019	633,384	58,214	134,255	-	867,872
Transfers	-	(21,936)	-	21,936	-	-
Disposals	(80)	(36,202)	(13,722)	(59,704)	-	(109,708)
Balance at 31 December 2012	**271,855**	**2,806,134**	**368,109**	**957,975**	**-**	**4,404,073**
Depreciation charge	40,338	673,307	55,952	128,868	-	898,465
Transfers	-	157	-	(157)	-	-
Disposals	(5,127)	(54,102)	(21,339)	(48,232)	-	(128,800)
Balance at 31 December 2013	**307,066**	**3,425,496**	**402,722**	**1,038,454**	**-**	**5,173,738**
Carrying value at 31 December 2011	**1,348,174**	**5,508,469**	**252,226**	**458,646**	**405,899**	**7,973,414**
Carrying value at 31 December 2012	**1,334,865**	**5,627,290**	**229,827**	**373,321**	**1,065,226**	**8,630,529**
Carrying value at 31 December 2013	**1,376,759**	**6,906,133**	**195,915**	**406,490**	**444,076**	**9,329,373**

8 Property, Plant and Equipment (Continued)

Additions of property, plant and equipment in the amount of Tenge 990,873 thousand in 2013 (2012: Tenge 423,569 thousand) represent transfer from inventories.

Vehicles include cars in financial lease with book value at Tenge 33,307 thousand as of 31 December 2013. At the end of lease term for each of the lease agreements, the Group has a right to redeem the respective cars at favourable price. The leased cars represent the collateral for lease liabilities.

On 25 May 2009 the Group signed a contract with ASTEL JSC, Arna JSC and Alma-TV JSC regarding the joint financing of project to construct a main fiber-optic communication line on Almaty-Khorgos site with the aim to hook to China Telecommunications Corporation main lines. The parties agreed to subsequently own this main FOCL on the basis of common shared ownership. Each participant of shared construction owned 25% of the main FOCL, had an equal voting power and finances 25% of costs under the contract. Then Briz and Co LLP replaced Arna JSC on this contract. In accordance to the additional agreement signed in 2011 of joint participation in joint financing, Briz and Co LLP sold its share to ASTEL JSC, Alma-TV JSC and the Group. Each party in joint construction owns 33.33% of the main FOCL, has equal voting power and finances 33.33% of the costs under the contract. Full completion of the construction works is expected in 2014. Operating management of works under the contract is exercised by the Work Group comprising representatives of each of the parties. At 31 December 2012 the Group had the following assets and liabilities under the contract:

	31 December 2013	31 December 2012
Construction in progress	45,497	42,221
Accounts payable	3,452	1,598

9 Intangible Assets

	Licenses	Software	Other	Total
Cost				
Cost at 31 December 2011	**153,562**	**265,179**	**12,114**	**430,855**
Additions	31,999	19,286	-	51,285
Disposals	(78)	(76,124)	(127)	(76,329)
Cost at 31 December 2012	**185,483**	**208,341**	**11,987**	**405,811**
Additions	5,228	5,682	1,732	12,642
Disposals	-	(9,327)	(7,038)	(16,365)
Cost at 31 December 2013	**190,711**	**204,696**	**6,681**	**402,088**
Accumulated amortisation				
Accumulated amortisation at 31 December 2011	**30,610**	**138,433**	**8,004**	**177,047**
Amortisation charge	16,038	31,692	933	48,663
Disposals	(25)	(54,510)	(62)	(54,597)
Accumulated amortisation at 31 December 2012	**46,623**	**115,615**	**8,875**	**171,113**
Amortisation charge	18,730	30,291	921	49,942
Disposals	-	(9,198)	(6,961)	(16,159)
Accumulated amortisation at 31 December 2013	**65,353**	**136,708**	**2,835**	**204,896**
Carrying value at 31 December 2011	**122,952**	**126,746**	**4,110**	**253,808**
Carrying value at 31 December 2012	**138,860**	**92,726**	**3,112**	**234,698**
Carrying value at 31 December 2013	**125,358**	**67,988**	**3,846**	**197,192**

10 Financial Instruments by Categories

The reconciliation between statement of financial position balances and categories of financial instruments is presented below:

31 December 2013	Note	Loans and receivables	Available-for-sale	Total
Assets as per statement of financial position				
Financial assets available for sale		-	24,000	**24,000**
Non-current receivables		58,970	-	**58,970**
Trade and other receivables	14	2,305,727	-	**2,305,727**
Other current assets		100,246	-	**100,246**
Cash and cash equivalents	16	967,426	-	**967,426**
Total		**3,432,369**	**24,000**	**3,456,369**

31 December 2013	Note	Other financial liabilities	Total
Liabilities as per statement of financial position			
Borrowings, including interest payable	19	-	-
Trade payables	21	751,946	**751,946**
Finance lease liabilities, including interest payable	19	17,717	**17,717**
Preference shares	19	2,112	**2,112**
Total		**771,775**	**771,775**

31 December 2012	Note	Loans and receivables	Available-for-sale	Total
Assets as per statement of financial position				
Financial assets available for sale		-	24,000	**24,000**
Non-current receivables		55,972	-	**55,972**
Trade and other receivables	14	1,808,727	-	**1,808,727**
Other current assets		61,086	-	**61,086**
Cash and cash equivalents	16	1,098,762	-	**1,098,762**
Total		**3,024,547**	**24,000**	**3,048,547**

31 December 2012	Note	Other financial liabilities	Total
Liabilities as per statement of financial position			
Borrowings, including interest payable	19	1,251,613	**1,251,613**
Trade payables	21	641,293	**641,293**
Finance lease liabilities, including interest payable	19	25,154	**25,154**
Preference shares	19	2,112	**2,112**
Total		**1,920,172**	**1,920,172**

11 Credit Quality of Financial Assets

None of the Group's clients has external credit rating. Only banks, where the Group places its cash and short-term deposits, have external credit ratings. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	31 December 2013	31 December 2012
Trade receivables		
Counterparties without external credit rating		
Group 1	122,523	183,323
Group 2	2,044,440	1,409,869
Group 3	58,501	30,197
Total trade receivables	**2,225,464**	**1,623,389**

Group 1 – new clients (less than 6 months).
Group 2 – existing customers (more than 6 months) with no defaults in the past.
Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully provided.

Cash at bank and short-term bank deposits

	Rating Agency	Rating	31 December 2013	31 December 2012
Kazkommertsbank	Moody's	B (stab)	844,904	859,287
Halyk Bank of Kazakhstan	Moody's	BB-(dev)	53,574	154,898
VTB	Moody's	BBB-(stab)	47,416	-
Citibank	Standard & Poor's	A2	8,366	72,956
Sberbank of Russia	Moody's	Baa	6,020	5,363
BTA Bank	Moody's	CCC (stab)	1,398	872
Moskommertsbank	National Rating Agency	A+	137	43
Nurbank	Standard & Poor's	B3 (stab)	45	10
BankCenterCredit	Moody's	Baa	-	27
Total cash at bank and short-term bank deposits			**961,860**	**1,093,456**

Other current assets

	Rating Agency	Rating	31 December 2013	31 December 2012
Kazkommertsbank	Moody's	B (stab)	20,246	61,077
Sberbank of Russia	Moody's	Baa	30,000	-
VTB	Moody's	BBB-(stab)	50,000	-
Total other current assets			**100,246**	**61,077**
Long-term receivables		-	**58,970**	**55,972**

Management of the Group estimates credit quality of financial assets available for sale and long-term accounts receivable as high.

12 Inventories

	31 December 2013	31 December 2012
Telecommunication equipment for resale	464,876	615,830
Raw materials	227,555	208,169
Spare tools and appliances under maintenance contracts	98,935	117,256
Spare parts	68,868	54,469
Provision for inventory impairment	(5,752)	(6,229)
Total inventories	**854,482**	**989,495**

13 Long-term Construction Contracts

	31 December 2013	31 December 2012
Revenue recognised from long-term contract	1,085,020	774,530
Actual expenses incurred for long-term contract	(498,345)	(322,649)
Profit from long-term contract	586,675	451,881
Total bills issued	1,085,020	774,530

In 2003 the Group signed the long-term contract for construction of telecommunication system for Agip KCO. The Group uses percentage of completion method to determine the respective amounts for recognition in the appropriate period. Completion stage is determined based on actual works executed under contract before the reporting date in the form of percentage of total scope of works.

14 Trade and Other Receivables

	31 December 2013	31 December 2012
Trade receivables	2,051,216	1,837,366
Receivables from construction contracts	309,087	-
Less: Provision for impairment of trade receivables	(54,576)	(28,639)
Total trade and other receivables	**2,305,727**	**1,808,727**

The carrying value of accounts receivable and other receivables, less provision for impairment of trade receivables is expressed in the following currencies:

	31 December 2013	31 December 2012
Tenge	1,849,537	1,733,078
US Dollar	429,318	62,238
Euro	25,242	12,600
Russian Rouble	1,630	811
Total trade and other receivables	**2,305,727**	**1,808,727**

14 Trade and Other Receivables (Continued)

Below is presented the ageing analysis trade receivables:

	31 December 2013	31 December 2012
Current and not impaired		
Trade and other receivable	1,916,377	1,623,389
Construction contracts receivable	309,087	-
Total current and not impaired	**2,225,464**	**1,623,389**
Past due and not impaired		
From 3 to 6 months	68,316	25,189
From 6 months to 1 year	11,947	10,323
From 1 year to 2 year	-	149,826
Total past and not impaired	**80,263**	**185,338**
Impaired		
More than a year	54,576	28,639
Total impaired	**54,576**	**28,639**
Less provision for impairment	(54,576)	(28,639)
Total trade and other receivables	**2,305,727**	**1,808,727**

Movements on the Group provision for impairment are as follows:

	2013	2012
At 1 January	28,639	26,884
Provision for impairment of trade receivables	51,331	6,537
Accounts receivable write-off	(25,394)	(4,782)
At 31 December	**54,576**	**28,639**

Accruals of provision for impairment are included in general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income (Note 26). Amounts charged to the impairment provision account are generally written off when no cash inflows recovery is expected.

15 Other Current Assets

	31 December 2013	31 December 2012
Other current financial assets		
Restricted cash	100,246	61,086
Total other current financial assets	**100,246**	**61,086**
Other current non-financial assets		
Deferred expense	28,003	29,740
Total other current assets	**128,249**	**90,826**

Other current assets are denominated in Tenge.

16 Cash and Cash Equivalents

	31 December 2013	31 December 2012
Cash in bank in Tenge	634,474	642,404
Cash in deposit bank accounts in Tenge and foreign currency	201,126	406,258
Cash in bank in foreign currency	126,260	44,794
Cash on hand	5,566	5,306
Total cash and cash equivalents	**967,426**	**1,098,762**

Cash and cash equivalents are denominated in following currencies:

	31 December 2013	31 December 2012
Tenge	841,166	798,663
US Dollar	100,863	283,703
Euro	25,260	14,994
Russian Rubble	137	1,402
Total cash and cash equivalents	**967,426**	**1,098,762**

17 Share Capital

(a) Ordinary Shares

	Number of outstanding shares (in thousands)	Ordinary shares	Additional paid-in capital	Total
At 31 December 2013	2,387	46,662	7,009	53,671
At 31 December 2012	2,387	46,662	7,009	53,671

17 Share Capital (Continued)

Shareholders are entitled to dividends and allocation of capital in Tenge.

The total number of authorised shares is 3,000 thousand shares and the number of outstanding ordinary shares is 2,387 thousand shares (31 December 2012: 2,387 thousand shares) with a par value of Tenge 20 per share (31 December 2012: Tenge 20 per share). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

Share premium represents the excess of contributions received over the nominal value of shares issued.

In 2013 the Group acquired 20 of its ordinary shares in the amount of Tenge 50 thousand which were recognised as treasury shares. At 31 December 2013 treasury shares include 54,015 ordinary shares of the Company (31 December 2012: 54,015 ordinary shares), owned by the wholly owned subsidiary of the Group. These ordinary shares carry voting rights in the same proportion as other ordinary shares. Voting rights of ordinary shares owned by companies within the Group are effectively controlled by management of the Group.

As at 31 December 2013 and 31 December 2012 the following shareholders owned more than 5% of issued and standing ordinary shares of the Company:

Shareholders	Number of ordinary shares 31 December 2013	Number of ordinary shares 31 December 2012	% 31 December 2013	% 31 December 2012
Rodnik INC LLP	1,907,556	1,907,556	79.92	79.92
Telecom-Asia LLP	236,561	236,561	9.91	9.91
Total	**2,144,117**	**2,144,117**	**89.83**	**89.83**

(b) Preference shares

The total authorised and issued number of preference shares is 115,738 shares (31 December 2012: 115,738 shares), of which the number of outstanding shares is 113,624 shares (31 December 2012: 113,624 shares) with a par value of Tenge 20 per share (31 December 2012: 20 Tenge per share). All issued preference shares are fully paid.

The preference shares are not convertible or redeemable, but guarantee annual cumulative dividends in the amount of not less than 10% of nominal value of shares, but not less than dividends due to holders of ordinary shares.

In case of liquidation, the holders of preference shares are the first to receive any declared unpaid dividends. Then all holders of ordinary and preference shares participate in distribution of remaining assets on equal basis.

Preference shares are included in borrowings (Note 19).

Below are dividends declared and paid during the period:

	2013		2012	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Dividends payable at 1 January	20,441	-	20,441	-
Dividends declared during the year	-	2,270	-	2,270
Dividends paid during the year	-	(1,762)	-	(2,270)
Dividends payable at 31 December	**20,441**	**508**	**20,441**	**-**
Dividends per share declared during the year	**-**	**20.00 Tenge**	**-**	**20.00 Tenge**

All dividends are declared and paid in Kazakhstani Tenge. Dividends on preference shares are included within finance costs (Note 28), there were no dividends on ordinary shares.

18 Other Reserves

In accordance with its Charter, the Company should create general loss reserve in the amount of not less than 15% of its authorised share capital. In 2001 in accordance with the Company shareholders' decision, reserve was created in the amount of Tenge 7,455 thousand, which represented 15.6% of share capital.

19 Borrowings

	31 December 2013	31 December 2012
Finance lease liabilities (b)	17,717	25,154
Cumulative irredeemable preference shares	2,112	2,112
Bank loans (a)	-	1,251,613
Total borrowings	**19,829**	**1,278,879**

(a) Bank loans

In 2013 the Group repaid the bank loans in full according to the repayment schedule.

(b) Finance lease liabilities

Below are minimum lease payments on finance lease and their present value:

	Due in 1 year	Due between 1 and 2 years	Due between 2 and 5 years	Total
Minimum lease payments at 31 December 2013	**8,280**	**12,693**	**-**	**20,973**
Less future finance charges	-	3,256	-	3,256
Present value of minimum lease payments at 31 December 2013	**8,280**	**9,437**	**-**	**17,717**
Minimum lease payments at 31 December 2012	**7,575**	**14,318**	**10,110**	**32,003**
Less future finance charges	-	6,015	834	6,849
Present value of minimum lease payments at 31 December 2012	**7,575**	**8,303**	**9,276**	**25,154**

Leased assets with carrying amount disclosed in Note 8 are pledged under finance lease liabilities as the rights to the leased asset revert to the lessor in the event of default. Finance lease liabilities are secured by leased assets. Interest rates on finance lease are fixed and vary from 16% to 18%.

19 Borrowings (Continued)

The Group's borrowings mature as follows:

		31 December 2013	31 December 2012
Borrowings due:	- within 1 year	8,280	1,259,188
	- between 1 and 5 years	11,549	19,691
Total borrowings		**19,829**	**1,278,879**

The Group's borrowings are denominated in currencies as follows:

		31 December 2013	31 December 2012
Borrowings denominated in:	- Kazakhstani Tenge	19,829	1,227,267
	- US Dollar	-	51,612
Total borrowings		**19,829**	**1,278,879**

The effective interest rates at the reporting date were as follows:

	31 December 2013		31 December 2012	
% per annum	Tenge	US dollar	Tenge	US dollar
Bonds	-	-	10	-
Secured bank loans	-	-	16	Libor + 6.7
Finance lease liabilities	17-18	-	17-18	-

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

The carrying amounts and fair values of borrowings are as follows:

	Carrying amounts		Fair values	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Finance lease liabilities	17,717	25,154	19,222	27,291
Cumulative irredeemable preference shares	2,112	2,112	2,112	2,112
Bank loans	-	1,251,613	-	1,271,432
Total borrowings	**19,829**	**1,278,879**	**21,334**	**1,300,835**

The fair value of short-term borrowings approximates their carrying amounts, since effect of discounting is insignificant. Fair value of bonds is determined by multiplying the number of issued bonds at the reporting date by quoted market price received from the Kazakhstan Stock Exchange ("KASE").

20 Provisions for Asset Retirement Obligations

The Group has an obligation to dismantle and restore a landfill site after decommissioning of cable communication line ("CCL"). This liability arose in the beginning of 2007 due to introduction of new environmental code in the Republic of Kazakhstan.

Below are changes in provisions for asset retirement obligations:

	Note	2013	2012
Carrying amount at 1 January		**40,243**	**49,345**
Unwinding of the present value discount	26	3,018	4,648
Decrease of obligation due to change in estimates		(513)	(13,750)
Carrying amount at 31 December		**42,748**	**40,243**

The amount of provision for asset retirement obligations was calculated using current prices (the prices effective at the reporting date) for expenditures to be incurred and then inflated using the forecast inflation rate effective for the period until the settlement of obligations. The discount rate used to calculate present value of the liability at 31 December 2013 was 7.5% per annum (2012: 7.5% per annum), inflation rate - 4.8% per annum (31 December 2012: 6% per annum).

21 Trade and Other Payables

	Note	31 December 2013	31 December 2012
Trade payables		751,946	641,293
Total financial liabilities		**751,946**	**641,293**
Advances received		329,744	53,519
Provision for unused vacation		207,665	202,774
Value added tax		103,351	119,147
Provision for management compensation		91,111	151,000
Payments to pension fund		36,508	135
Personal income tax payable		27,186	658
Dividends payable	16	20,950	20,441
Payables to employees		6,083	2,564
Other payables		23,942	17,446
Total trade and other payables		**1,598,486**	**1,208,977**

Trade payables are denominated in the following currencies:

	31 December 2013	31 December 2012
Tenge	648,654	567,440
US Dollar	87,856	60,779
Euro	9,096	12,093
Russian Rouble	6,340	981
Total trade payables	**751,946**	**641,293**

22 Revenue

	Note	2013	2012
Line cable communication services		5,494,473	5,899,426
Technical maintenance of information systems and equipment		3,455,663	3,629,979
Satellite communication services		1,034,976	1,006,304
Revenue from construction contract	13	1,085,020	774,530
Local telephone and trunk communication services		1,031,332	599,507
Equipment installation and sales		140,389	219,965
Total revenue		**12,241,853**	**12,129,711**

23 Cost of Sales

	2013	2012
Payroll expenses and personnel costs	3,355,382	3,279,148
Communication services	1,781,219	1,549,110
Depreciation and amortisation expenses	911,696	874,230
Lease of communication facilities and other equipment	741,075	834,691
Equipment, materials and consumables	569,389	442,002
Third-party contractors	420,475	506,302
Repair and maintenance expenses	186,412	186,256
Utilities	137,017	101,783
Business trip expenses	91,073	94,326
Transportation expenses	8,633	8,473
Other	48,337	43,863
Total cost of sales	**8,250,708**	**7,920,184**

24 Other Operating Income

	Note	2013	2012
Gains on disposal of property, plant and equipment		40,998	-
Rent services		17,446	18,126
Income from change in estimate in calculation of asset retirement obligation goods	20	513	13,750
Sale of other inventories		-	4,533
Other		28,495	21,380
Total other operating income		**87,452**	**57,789**

25 Distribution Costs

	2013	2012
Payroll expenses and personnel costs	366,145	313,416
Marketing expenses	29,502	39,133
Communication services	8,700	8,971
Business trip expenses	4,157	5,404
Material	3,668	4,159
Depreciation and amortisation expenses	1,109	1,061
Other	42,227	32,414
Total distribution costs	**455,508**	**404,558**

26 General and Administrative Expenses

	2013	2012
Payroll expenses and personnel costs	857,958	838,664
Taxes other than income tax	251,686	225,561
Third parties services	63,258	57,701
Professional and consulting services	59,593	159,395
Provision for impairment of trade receivables	51,331	6,537
Bank charges	42,419	52,925
Business trip expenses	40,829	43,369
Depreciation and amortisation	35,071	41,245
Rent	28,964	29,361
Communication services	14,933	14,902
Materials	14,614	15,916
Provision for inventory impairment	(477)	(282)
Other	42,483	87,761
Total general and administrative expenses	**1,502,662**	**1,573,055**

27 Finance Income

	2013	2012
Foreign exchange gains	17,880	102,890
Bank interest income	20,063	20,127
Other interest income	158	633
Total finance income	**38,101**	**123,650**

28 Finance Costs

	Note	2013	2012
Losses from exchange rate differences on borrowings		-	87,704
Interest expenses		56,984	192,801
Unwinding of present value discount on asset retirement obligation	20	3,018	4,648
Preference share dividends		2,270	2,270
Unwinding of present value discount on bonds		-	85,932
Total finance costs		**62,272**	**373,355**

29 Income Tax

Income tax expense comprises the following:

	2013	2012
Current income tax	256,891	317,633
Deferred income tax	227,680	102,804
Deferred income tax (ERP-Service LTD)	(33,483)	4,601
Income tax expense for the year	**451,088**	**425,038**

Reconciliation between the expected and the actual tax charge is provided below:

	2013	2012
IFRS profit before tax	**2,038,791**	**2,003,345**
Theoretical tax charge at statutory rate 20% (2012: 20%).	407,758	400,669
Tax effect on non-deductible non-assessable items	43,330	24,369
Income tax expense for the year	**451,088**	**425,038**

Differences between IFRS and Kazakhstan statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in temporary differences is recorded at the tax rate applicable when deferred tax assets are realised or liabilities settled.

	31 December 2011	Charged to profit and loss	31 December 2012	Charged to profit and loss	31 December 2013
Tax effect of deductible temporary differences					
Provision for impairment of trade receivables	1,359	4,369	5,728	5,188	10,916
Accruals	90,215	(14,021)	76,194	(9,707)	66,487
Accruals (ERP-Service LTD)	8,896	(2,560)	6,336	32,703	39,039
Bonds	28,043	(28,043)	-	-	-
Provisions for asset retirement	9,869	(1,820)	8,049	501	8,550
Property, plant and equipment and intangible assets (ERP-Service LTD)	926	(2,041)	(1,115)	780	(335)
Gross deferred income tax asset	**139,308**	**(44,116)**	**95,192**	**29,465**	**124,657**
Tax effect of taxable temporary differences					
Property, plant and equipment and intangible assets	1,003,399	63,289	1,066,688	223,662	1,290,350
Gross deferred income tax liability	**1,003,399**	**63,289**	**1,066,688**	**223,662**	**1,290,350**
Recognised deferred income tax asset (ERP-Services LTD)	**9,822**	**(4,601)**	**5,221**	**33,483**	**38,704**
Recognised deferred income tax liability	**873,913**	**102,804**	**976,717**	**227,680**	**1,204,397**

In the context of the Group's current structure, tax losses and current tax assets of different group companies may not offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

30 Earnings per Share

For purpose of earning per share calculation, two share classes are specified: ordinary and preference shares. To calculate basic and diluted earnings per share the profit or loss attributable to the ordinary shareholders is adjusted by the amount of dividends declared in the period for each class of shares. The remaining profit or loss is allocated to ordinary shares and preferred shares to the extent that each instrument shares in earnings as if all the profit or loss for the reporting period had been distributed. The total amount of profit or loss allocated to each class of shares is divided by the weighted-average number of outstanding shares to which the earnings are allocated to determine the earnings per share for the instrument.

The Company has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share.

Earnings per share are calculated as follows:

	31 December 2013	31 December 2012
Amount of shares (in thousands)		
Ordinary shares	2,387	2,387
Treasury shares	54	54
Ordinary shares net of treasury shares	*2,333*	*2,333*
Preference shares	116	116
Treasury shares	10	10
Preferred shares net of treasury shares	*106*	*106*
Total number of shares	**2,439**	**2,439**
Profit for the year attributable to the Group's shareholders	1,587,703	1,578,307
Less:		
Minimum cumulative dividends on preference shares	2,270	2,270
Retained Earnings	**1,585,433**	**1,576,037**
Allocation to ordinary shareholders	1,516,529	1,507,542
Allocation to preference shareholders	68,904	68,495
Retained Earnings	**1,585,433**	**1,576,037**
Basic earnings per share::		
Preference shares		
Distributed earnings	20	20
Retained earnings	650.03	646.18
Total earnings per share	**670.03**	**666.18**
Ordinary shares		
Retained earnings	650.03	646.18

31 Contingencies, Commitments and Operating Risks

Political and economic situation in Kazakhstan. The economy of Kazakhstan continues to display the characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets.

Furthermore, the sector of communication services in Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments which are beyond the Group's control.

The financial condition and future operations of the Group may be adversely affected by continued economic difficulties related mainly to the developing countries. Management is unable to predict the extent and duration of the economic difficulties, nor appraise the impact, if any, on these financial statements.

Legal proceedings. In the normal course of business, the Group may be subject to legal proceedings or claims. According to the management's view, final liabilities, if any arise out of such legal proceedings or claims, will not significantly affect the financial position or operations of the Group.

Tax legislation. Kazakhstani tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The management of the Group believes that it correctly interprets respective regulations of legislation, and that Group's position in relation to tax, currency and customs legislation will be successfully protected in case of any dispute.

Accordingly, as at 31 December 2013 the Group has no provision for contingent tax liability (31 December 2012: nil). The Group management considers that there will be no significant losses in relation to existing and contingent tax claims above provisions made in these consolidated financial statements.

Insurance policies. Insurance services market in Kazakhstan is at the development stage and many forms of insurance which are common in other countries of the world are not yet available in the Republic of Kazakhstan. The Group does not have complete insurance protection in regard to its production facilities, losses, resulted from business disruption, or liabilities to third parties due to damage caused to real estate or environment as a result of accidents or the Group's activities. Until the Group obtains the adequate insurance protection, there is a risk that loss or damage of certain assets can have significant adverse impact on the activities and financial position of the Group.

Environmental matters. The enforcement of environmental regulation in the Republic of Kazakhstan is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations related to usage of land for telecommunication networks laying. As obligations are determined, they are recognised immediately in the financial statements (Note 20). Estimates can change in case of additional environmental analysis and revision of current program for restoration and equipment dismantlement.

Recent volatility in global and financial markets. The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in local and international stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in United States of America, Western Europe and elsewhere. Indeed the full extent of the impact of the ongoing crisis is proving to be impossible to anticipate or completely guard against.

The scope of funding significantly decreased from August 2007. These circumstances may influence company's ability to obtain new loans and refinance existing loans on similar terms as previously.

Situation of low liquidity may also influence debtors of the Group, which in turn may affect their ability to settle their debts. Deteriorating operational conditions of the debtors may also impact on cash flows forecasts and estimation of financial and non-financial assets impairment from management's side. Considering existing information, management believes that it stated changed estimations of expected cash flows properly in its estimation of impairment.

31 Contingencies, Commitments and Operating Risks (Continued)

In 2008-2009 the Group carried out a number of measures for cost optimisation and revealing its internal reserves for more effective distribution of activated resources, each of human and technological resources. For purpose of more dynamic response to potential changes in environment, the Board of Directors tightened its control of Group's operations.

However, despite the measures undertaken, management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

32 Events After the End of Reporting Period

On 11 February 2014 the National Bank of the Republic of Kazakhstan ceased supporting the Tenge exchange rate in relation to foreign currencies. Tenge weakened by 20% towards US dollar, and final exchange rate of KASE at that date was Tenge 184.50 = US dollar 1 (31 December 2014: Tenge 153.61 = US dollar 1). As a result, the Group recognised a foreign exchange gain in the amount of approximately 64 million tenge in 2014 to the date of this financial statement due to the revaluation of accounts receivable balances and cash denominated in US dollars and Euro.