



KazTransCom JSC

**Consolidated Financial Statements and
Independent Auditor's Report**

31 December 2014

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of JSC KazTransCom and its subsidiary (referred to as "the Group") as of 31 December 2014, and the results of its operations, changes in equity and cash flows for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

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

Management is also responsible for:

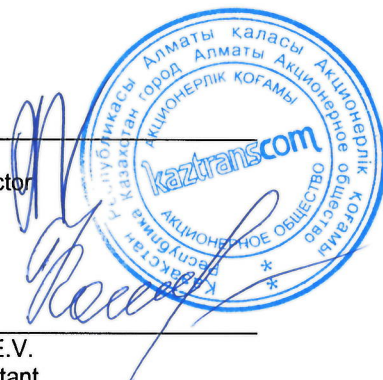
- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with Kazakhstan legislation and accounting standards and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud, errors and other irregularities.

The consolidated financial statements for the year ended 31 December 2014 were approved by the Group's management on 27 February 2015.

On behalf of the Group's management:

Khan A.V.
General Director

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 (referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years 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 judgement, 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 preparation and fair presentation of the Group's 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 Group'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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 15 March 2014.

Olga Belonogova
Engagement Partner
Certified Public Accountant
State of Oregon, USA
Certificate No. 10687
dated 2 December 2003



Daulet Kuatbekov
Qualified auditor
Certificate
No. 0000523
dated 15 February 2002
Republic of Kazakhstan

Deloitte, LLP

Deloitte LLP
State audit license of the Republic of Kazakhstan
No. 0000015, type MFU-2, issued by the Ministry of
Finance of the Republic of Kazakhstan
on 13 September 2006



Nurlan Bekenov
General Director
Deloitte LLP

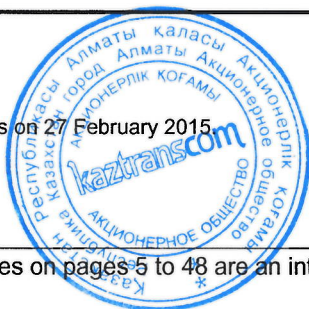
27 February 2015
Almaty, Kazakhstan

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

	Note	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	8	9,405,937	9,329,373
Intangible assets	9	218,744	197,192
Financial assets available for sale	10	24,000	24,000
Deferred income tax assets	29	-	38,704
Non-current receivables		45,291	58,970
Other non-current assets		5,332	5,573
Total non-current assets		9,699,304	9,653,812
Current assets			
Inventories	12	1,118,435	854,482
Trade and other receivables	14	1,791,376	2,305,727
Prepayments to suppliers		150,624	222,763
Current income tax prepaid		-	124,310
Other current assets	15	754,688	128,249
Cash and cash equivalents	16	2,295,519	967,426
Total current assets		6,110,642	4,602,957
TOTAL ASSETS		15,809,946	14,256,769
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		12,916,618	11,330,183
TOTAL EQUITY		12,977,744	11,391,309
LIABILITIES			
Non-current liabilities			
Borrowings	19	2,303	11,549
Deferred income tax liabilities	29	1,294,371	1,204,397
Provisions for asset retirement obligations	20	47,113	42,748
Total non-current liabilities		1,343,787	1,258,694
Current liabilities			
Borrowings	19	9,246	8,280
Trade payables	21	576,509	751,946
Current income tax payable		138,533	-
Other payables	21	764,127	846,540
Total current liabilities		1,488,415	1,606,766
TOTAL LIABILITIES		2,832,202	2,865,460
TOTAL LIABILITIES AND EQUITY		15,809,946	14,256,769

Signed on behalf of Board of Directors on 27 February 2015

Khan A.V.
General Director



Kolutayeva E.V.
Chief Accountant

The accompanying notes on pages 5 to 48 are an integral part of these consolidated financial statements.

KazTransCom JSC
Consolidated Statement of Profit or Loss and Other Comprehensive Income
(in thousands of Kazakhstani Tenge)

	Note	2014	2013 (restated)
Continuing operations			
Revenue	22	15,182,758	11,663,514
Cost of sales	23	(10,862,170)	(7,564,960)
Gross profit		4,320,588	4,098,554
Other operating income	24	69,515	46,505
Distribution costs	25	(497,241)	(455,195)
General and administrative expenses	26	(1,672,171)	(1,400,062)
Other operating expenses		(17,217)	(13,741)
Operating profit		2,203,474	2,276,061
Finance income	27	196,244	31,918
Finance costs	28	(7,010)	(62,121)
Profit before income tax		2,392,708	2,245,858
Income tax expense	29	(515,899)	(490,522)
Profit for the year from continuing operations		1,876,809	1,755,336
Loss for the year from discontinued operations	30	(290,374)	(167,633)
Profit for the year		1,586,435	1,587,703
Other comprehensive income for the year		-	-
Total comprehensive income for the year		1,586,435	1,587,703
Share of total comprehensive income attributable to shareholders of the Group		1,586,435	1,587,703
Earnings per ordinary share, from continuing and discontinued operations, basic and diluted in tenge	31	649.58	650.03
Earnings per preferred share, from continuing and discontinued operations, basic and diluted in tenge	31	669.58	670.03
Earnings per ordinary share, from continuing operations, basic and diluted in tenge	31	768.63	718.76
Earnings per preferred share, from continuing operations, basic and diluted in tenge	31	788.63	738.76

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

KazTransCom JSC
Consolidated Statement of Cash Flows
(in thousands of Kazakhstani Tenge)

	Note	2014	2013
Cash flows from operating activities			
Sales of goods, works, services		14,487,804	12,861,582
Advances received		10,836	18,269
Payments to suppliers for goods and services		(4,590,550)	(3,636,330)
Advances paid		(1,193,321)	(1,344,740)
Salaries and wages payable		(3,441,254)	(3,435,234)
Interest received from deposits		33,345	-
Interest expense on borrowings		(2,387)	(57,022)
Corporate income tax paid		(186,104)	(249,403)
Other payments to budget		(1,900,927)	(1,684,721)
Other payments		(630,536)	(724,229)
Net cash from operating activities		2,586,906	1,748,172
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		2,771	40,998
Loans given		(9,150)	-
Net cash outflow from disposal of subsidiary		(365)	-
Acquisition of property, plant and equipment		(544,875)	(673,326)
Acquisition of intangible assets		(67,330)	(11,152)
Deposits placed		(638,225)	-
Net cash used in investing activities		(1,257,174)	(643,480)
Cash flows from financing activities			
Interests received		-	17,054
Repayment of borrowings, including repayment of bonds		-	(1,251,612)
Dividends paid	17	(1,639)	(1,470)
Net cash used in financing activities		(1,639)	(1,236,028)
Net increase/(decrease) in cash		1,328,093	(131,336)
Cash and cash equivalents at the beginning of the year	16	967,426	1,098,762
Cash and cash equivalents at the end of the year	16	2,295,519	967,426

The accompanying notes on pages 5 to 48 are an integral part of these consolidated financial statements.

KazTransCom JSC
Consolidated Statement of Changes in Equity
(in thousands of Kazakhstani Tenge)

	Note	Share capital	Additional paid-in capital	Other reserves	Retained earnings	Total Equity
Balance at 1 January 2013		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
Profit for the year		-	-	-	1,586,435	1,586,435
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	1,586,435	1,586,435
Balance at 31 December 2014	17	46,662	7,009	7,455	12,916,618	12,977,744

The accompanying notes on pages 5 to 48 are an integral part of these consolidated financial statements.

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 2014 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 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. Based on the minutes of the Board of Directors meeting №6/1 dated 21 November, 2014 it was decided to sell a 100% of share capital in ERP-Service LLP. As at 12 December 2014, the transaction on sale of subsidiary was fully completed.

As of 31 December 2014 and 2013 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 the provision of telecommunication services in the Republic of Kazakhstan. The Group carries out its activities on the basis of a General license issued by the Agency of the Republic of Kazakhstan on Informatisation and Communication dated 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, 2009, 2012 and 2014
- occupation health and safety management (OHSAS 18001:2007), starting from 2005, re-certificated audits were conducted in 2008, 2011 and 2014.
- environmental management (ISO 14001:2004), starting from 2005, re-certificated audits were conducted in 2008, 2011 and 2014.
- information security management systems (ISO/IEC 27001:2005), starting from 2011, recertificated audit conducted in 2014.

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 2014, the Group had 7 branches (as at 31 December 2013: seven branches) in the Republic of Kazakhstan located in Aktobe, Pavlodar, Atyrau, Uralsk, Almaty, Aktau and Astana and a representative office in Russia. Based on the minutes of the Board of Directors meeting #12, dated 1 April, 2014, it was decided to close the representative office in Moscow.

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 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 the consolidated financial statements, unless specified otherwise.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates as well as exercise of professional judgment 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 differ 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 currency 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 profit or loss. 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 2014, the official exchange rate of the Kazakhstan Stock Exchange used to recalculate the balances in foreign currency was 182.35 Tenge per US dollar 1 (31 December 2013: 153.61 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 readily convertible currency outside the Republic of Kazakhstan.

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 bringing 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 in 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 consolidated statement of profit or loss and other 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.

	<u>Useful life (years)</u>
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.

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:

	<u>Useful life (years)</u>
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 profit or loss. 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). Such a cash-generating unit for the group are non-financial assets of its subsidiary.

2.10 Financial instruments*(a) Basic conditions of assessment*

Financial instruments of the Group are carried at amortised 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.

(c) 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.

(d) Classification of financial liabilities

The 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).

(e) *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.

(f) *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.

2.11 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.

2.12 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 the 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.

2.13 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.

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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

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 borrowing 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 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.

2.23 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.

2.24 Revenue recognition

Revenue is stated on accrual basis in the amount of receipts 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.

2.25 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.

(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.

2.26 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".

2.27 Earnings per share

Preference shares are neither redeemable, nor considered to be participating shares with respect to the distribution of dividends. Ordinary share dividends cannot exceed preference share dividends. Thus, preference shares are compound instruments with an 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

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

In the current year, the Group has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014.

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements, Investment Entities
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 Levies

The adoption of the above mentioned Standards and Interpretations has not led to any changes in the Group's accounting policies. The amendments did not materially affect the consolidated financial statements of the Group.

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

	Effective for accounting periods beginning on or after
<i>IFRS 9 Financial Instruments</i>	1 January 2018, with earlier application permitted
<i>IFRS 15 Revenue from Contracts with Customers</i>	1 January 2017, with earlier application permitted
<i>Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016, with earlier application permitted
<i>Amendments to IAS 16 Property, plant and equipment and IAS 38 Intangible Assets Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016, with earlier application permitted
<i>IAS 19 Defined Benefit Plans: Employee Contributions</i>	1 July 2014, with earlier application permitted
<i>Amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle</i>	1 July 2014, with limited exceptions; earlier application is permitted
<i>Amendments to IFRSs Annual Improvements to IFRSs 2011-2013 Cycle</i>	1 July 2014, with earlier application permitted

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

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.

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(in thousands of Kazakhstani Tenge)

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:

In thousands of Kazakhstani Tenge	31 December 2014				31 December 2013			
	US dollar	Euro	Russian rouble	British Pounds	US dollar	Euro	Russian rouble	British Pounds
Trade and other receivables	175,148	42,619	1,511	-	429,318	25,242	1,630	-
Cash and cash equivalents	1,922,096	63,927	4	17	100,863	25,260	137	-
Other current assets	674,695	-	-	-	-	-	-	-
Trade payables	(242,681)	(3,995)	(669)	-	(87,856)	(9,096)	(6,340)	-
Net position	2,529,258	102,551	846	17	442,325	41,406	(4,573)	-
Strengthening of currency by 20% against US dollar (2013: 10%)	(505,852)	(20,510)	(169)	(3)	(88,465)	(8,281)	915	-
Weakening of currency by 20% against US dollar (2013: 10%)	505,852	20,510	169	3	88,465	8,281	(915)	-

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 2014, the Group repaid loans in full. Therefore, the Group is not exposed to the interest rate risk at the end of the reporting period.

(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 2014	31 December 2013
Cash and cash equivalents	16	2,295,519	967,426
Trade and other receivables	14	1,791,376	2,305,727
Other current financial assets	15	733,845	100,246
Long-term trade receivables		45,291	58,970
Total maximum exposure to the credit risk		4,866,031	3,432,369

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 Note 14. As at 31 December 2014, 64% of the Group's trade accounts receivable represents 12 debtors (2013: 12 debtors represent 75%).

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.

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
As at 31 December 2014			
Borrowings	9,246	1,057	2,110
Trade payables	576,509	-	-
Total financial liabilities	585,755	1,057	2,110

KazTransCom JSC

Notes to the Consolidated Financial Statements - 31 December 2014 (in thousands of Kazakhstani Tenge)

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

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 2014	31 December 2013
Total debt		
Total capital	11,549	19,829
	12,977,744	11,391,309
Gearing ratio	0%	0%

The Group management considers the level of gearing ratio at 31 December 2014 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 measurement

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.

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 2014 would be to increase / decrease it by Tenge 103,922 thousand (2013: increase decrease by Tenge 94,678 thousand).

(b) Asset retirement obligation provision

The Group has a liability on dismantling and the land reclamation upon decommissioning of communication lines. This liability arose at the beginning of 2007 due to introduction of the 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 2014, the carrying amount of provisions for asset retirement obligations was Tenge 47,113 thousand (31 December 2013: Tenge 42,748 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) Investments carried at cost

Management could not reliably estimate fair value of the Group's investments in 1% of issued share capital of Rauan Media Group JSC. The investments are carried at their cost of Tenge 24,000 thousand (2013: 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.

(e) Inventories for resale

The Group classifies telecommunication equipment for resale as inventories, since this equipment is purchased for the purpose of installation into the property, plant and equipment of the clients during the construction or maintenance of communication lines of the clients or resale. However, the Group may use certain equipment for its 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 2014, classified by management as current within inventories may be transferred to property, plant and equipment in future.

(f) Valuation of inventories

Inventories are recorded at the lower of cost and net realisable value. The Group creates an obsolescence 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, a 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.

Management believes that provision for inventory impairment recorded at 31 December 2014 and 31 December 2013 is sufficient and represents the management's best estimate with respect to impaired inventories (Note 12).

(g) 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 2014 and 31 December 2013 are sufficient and represent the best estimate of management of accounts receivable which will not be collected (Note 14).

(h) 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.

As at 31 December 2014 no impairment indicators were identified. As at 31 December 2013 management analysed whether there are any indications of property, plant and equipment impairment and identified impairment indicators with respect to non-financial assets of its 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 in 2013 was Tenge 159,602 thousand. Based test performed, no assets impairment was identified. Due to the fact that the subsidiary was sold in 2014, the Group has not performed an impairment test.

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 Management of the Group.

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

The Group is organised on the basis of three 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 a long-term contract with Agip KCO (Note13).

One of the operations (IT outsourcing) was discontinued in the current year. The segment information reported on the next pages does not include any amounts for these discontinued operations, which are described in more detail in note 30.

(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.

(d) 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.

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

Segment information for the main reportable operating segments of the Group for 2014 and 2013 is set out below:

	Telecom- munication services	Technical maintenance	System integration	IT outsourcing	Head- quarters	Total
2014						
Segment revenue	11,904,397	2,086,782	1,191,579	-	-	15,182,758
Cost of segment sales	(8,332,251)	(2,268,666)	(261,253)	-	-	(10,862,170)
Gross profit for segment	3,572,146	(181,884)	930,326	-	-	4,320,588
Other income	-	-	-	-	69,515	69,515
Administrative and other expenses	-	-	-	-	(2,186,629)	(2,186,629)
Finance income	-	-	-	-	196,244	196,244
Finance costs	-	-	-	-	(7,010)	(7,010)
Profit before income tax	3,572,146	(181,884)	930,326	-	(1,927,880)	2,392,708
Income tax expense	-	-	-	-	(515,899)	(515,899)
Profit for the year from continuing operations	3,572,146	(181,884)	930,326	-	(2,443,779)	1,876,809
31 December 2014						
Segment assets	11,996,898	421,366	117,295	-	-	12,535,559
Other unallocated assets	-	-	-	-	3,274,387	3,274,387
Total assets	11,999,898	421,366	117,295	-	3,274,387	15,809,946
Segment liabilities	1,274,825	71,928	40,996	-	-	1,387,749
Current and deferred tax liability	-	-	-	-	1,432,904	1,432,904
Other unallocated liabilities	-	-	-	-	11,549	11,549
Total liabilities	1,274,825	71,928	40,996	-	1,444,453	2,832,202
2014						
Capital expenditure	594,914	-	-	-	-	594,914
Depreciation and amortisation	1,026,689	-	2,315	-	-	1,029,004

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	Telecom- munication services	Technical maintenance	System integration	IT outsourcing	Head- quarters	Total
2013						
Segment revenue	7,702,003	2,876,491	1,085,020	-	-	11,663,514
Cost of segment sales	(4,757,009)	(2,309,606)	(498,345)	-	-	(7,564,960)
Gross profit for segment	2,944,994	566,885	586,675	-	-	4,098,554
Other income	-	-	-	-	46,505	46,505
Administrative and other expenses	-	-	-	-	(1,868,998)	(1,868,998)
Finance income	-	-	-	-	31,918	31,918
Finance costs	-	-	-	-	(62,121)	(62,121)
Profit before income tax	2,944,994	566,885	586,675	-	(1,852,696)	2,245,858
Income tax expense	-	-	-	-	(490,522)	(490,522)
Profit for the year from continuing operations	2,944,994	566,885	586,675	-	(2,343,218)	1,755,336
31 December 2013						
Segment assets	11,462,139	766,554	193,695	-	-	12,422,388
Assets from discontinued operations	-	-	-	287,549	-	287,549
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	-	-	1,576,694
Current and deferred tax liability	-	-	-	-	1,204,397	1,204,397
Liabilities from discontinued operations	-	-	-	65,768	-	65,768
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	-	-	936,952

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

	31 December 2014		31 December 2013	
	Assets	Liabilities	Assets	Liabilities
Segment assets and liabilities	12,535,559	1,387,749	12,422,388	1,575,466
Assets and liabilities from discontinued operations	-	-	287,549	65,768
Non-current borrowings	-	2,303	-	11,549
Current borrowings	-	9,246	-	8,280
Deferred income tax	-	1,294,371	38,704	1,204,397
Current income tax payable	-	138,533	-	-
Cash and cash equivalents	2,295,519	-	967,426	-
Prepayments to suppliers	150,624	-	222,763	-
Current income tax prepaid	-	-	124,310	-
Financial assets available for sale	24,000	-	24,000	-
Other	804,244	-	169,629	-
Total	15,809,946	2,832,202	14,256,769	2,865,460

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 2014 and 31 December 2013 are detailed below.

At 31 December 2014 and 2013 the outstanding balances with related parties were as follows:

	Other related parties	Key management personnel
31 December 2014		
Accounts receivable	187,764	-
Trade payables	51,165	-
Other payables	-	69,660
Other current assets	9,150	-
31 December 2013		
Accounts receivable	82,519	-
Trade payables	37,021	-
Other payables	307,788	91,111

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

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The income and expense items with related parties for 2014 and 2013 were as follows:

	Other related parties	Key management personnel
2014		
Revenue	2,736,800	-
Cost of sales	1,495,500	-
General and administrative expenses	2,725	94,233
2013		
Revenue	1,126,817	-
Cost of sales	124,252	-
General and administrative expenses	-	242,284

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 profit or loss and other comprehensive income for the year ended 31 December 2014 was Tenge 94,233 thousand (2013: Tenge 242,284 thousand). Directors classified as key management personnel include 3 positions (2013: three positions).

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8 Property, Plant and Equipment

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

	Land and buildings	Telecommunication equipment	Vehicles	Others	Construction in progress/ Equipment to be installed	Total
Cost						
Cost at 1 January 2013	1,606,720	8,433,424	597,936	1,331,296	1,065,226	13,034,602
Additions	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
Additions	66,999	486,556	51,517	114,639	594,914	1,314,625
Transfers	34,456	513,746	4,994	231	(553,427)	-
Disposals	(1,326)	(234,857)	(23,571)	(92,879)	(221,172)	(573,805)
Cost at 31 December 2014	1,783,954	11,097,074	631,577	1,466,935	264,391	15,243,931
Accumulated depreciation						
Balance at 1 January 2013	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
Depreciation charge	44,539	767,619	54,095	122,529	-	988,782
Transfers	(13,382)	44,282	(163)	(30,737)	-	-
Disposals	-	(218,483)	(18,211)	(87,832)	-	(324,526)
Balance at 31 December 2014	338,223	4,018,914	438,443	1,042,414	-	5,837,994
Carrying value at 1 January 2013	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
Carrying value at 31 December 2014	1,445,731	7,078,160	193,134	424,521	264,391	9,405,937

Additions of property, plant and equipment in the amount of Tenge 698,672 thousand in 2014 (2013: Tenge 990,873 thousand) represent transfers from inventories.

Disposal of equipment to be installed in the amount of Tenge 210,556 thousand in 2014 represent transfer to inventories.

Vehicles include cars under financial leases with a book value of Tenge 25,895 thousand as at 31 December 2014 (2013: 33,307 thousand tenge). At the end of lease term for each of the lease agreements, the Group has a right to repurchase the respective cars at a 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 a project to construct a main fiber-optic communication line on the Almaty-Khorgos site with the aim to connect 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. Briz and Co LLP, subsequently 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. Operating management of works under the contract is exercised by the Work Group comprising representatives of each of the parties. Full completion of the construction works was made in June 2014. The Group transferred construction in progress in amount of 45,283 to property, plant and equipment during 2014.

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9 Intangible Assets

	Licenses	Software	Other	Total
Cost				
Cost at 1 January 2013	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
Additions	24,124	53,314	-	77,438
Disposals	(5,872)	(19,645)	(45)	(25,562)
Cost at 31 December 2014	208,963	238,365	6,636	453,964
Accumulated amortisation				
Accumulated amortisation at 1 January 2013	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
Amortisation charge	21,147	28,082	1,210	50,439
Disposals	(2,521)	(17,549)	(45)	(20,115)
Accumulated amortisation at 31 December 2014	83,979	147,241	4,000	235,220
Carrying value at 1 January 2013	138,860	92,726	3,112	234,698
Carrying value at 31 December 2013	125,358	67,988	3,846	197,192
Carrying value at 31 December 2014	124,984	91,124	2,636	218,744

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10 Financial Instruments by Categories

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

	Note	Loans and receivables	Available-for-sale	Total
31 December 2014				
Assets as per statement of financial position				
Financial assets available for sale		-	24,000	24,000
Non-current receivables		45,291	-	45,291
Trade and other receivables	14	1,791,376	-	1,791,376
Other current assets	15	733,845	-	733,845
Cash and cash equivalents	16	2,295,519	-	2,295,519
Total		4,866,031	24,000	4,890,031

	Note	Other financial liabilities	Total
31 December 2014			
Liabilities as per statement of financial position			
Trade payables	21	576,509	576,509
Finance lease liabilities, including interest payable	19	9,439	9,439
Preference shares	19	2,110	2,110
Total		588,058	588,058

	Note	Loans and receivables	Available-for-sale	Total
31 December 2013				
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

	Note	Other financial liabilities	Total
31 December 2013			
Liabilities as per statement of financial position			
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

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11 Credit Quality of Financial Assets

None of the Group's clients have 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 2014	31 December 2013
Trade receivables		
Counterparties without external credit rating		
Group 1	52,309	122,523
Group 2	1,621,275	2,044,440
Group 3	12,017	58,501
Total trade receivables	1,685,601	2,225,464

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 2014	31 December 2013
Kazkom	Moody's		1,328,633	
mertsbank		B (stab)		844,904
Halyk Bank of Kazakhstan	Moody's	Ba2	961,842	53,574
VTB	Moody's	BBB-(stab)	-	47,416
Citibank	Standard & Poor's	A2	-	8,366
Sberbank of Russia	Moody's	Ba2 (stab)	1,227	6,020
BTA Bank	Moody's	B3	1,715	1,398
Moskommertsbank	National Rating Agency		-	
Nurbank	Standard & Poor's	B3 (stab)	68	137
				45
Total cash at bank and short-term bank deposits			2,293,485	961,860

Other current assets

	Rating Agency	Rating	31 December 2014	31 December 2013
Kazkommertsbank	Moody's	B (stab)	-	20,246
Sberbank of Russia	Moody's	Ba2 (stab)	86,470	30,000
Sberbank of Russia	Moody's	Ba2 (stab)	638,225	-
VTB	Moody's	BBB-(stab)	-	50,000
Total other current assets			724,695	100,246
Long-term receivables			45,291	58,970

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

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12 Inventories

	31 December 2014	31 December 2013
Telecommunication equipment for resale	704,362	464,876
Raw materials	281,994	227,555
Spare tools and appliances under maintenance contracts	106,095	98,935
Spare parts	30,625	68,868
Provision for inventory impairment	(4,641)	(5,752)
Total inventories	1,118,435	854,482

13 Long-term Construction Contracts

	31 December 2014	31 December 2013
Revenue recognised from long-term contract	1,191,579	1,085,020
Actual expenses incurred for long-term contract	(261,253)	(498,345)
Profit from long-term contract	930,326	586,675
Total bills issued	1,191,579	1,085,020

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. As of 31 December 2014 the contract was fully completed.

14 Trade and Other Receivables

	31 December 2014	31 December 2013
Trade receivables	1,802,881	2,051,216
Receivables from construction contracts	-	309,087
Less: Provision for impairment of trade receivables	(11,505)	(54,576)
Total trade and other receivables	1,791,376	2,305,727

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

	31 December 2014	31 December 2013
Tenge	1,572,098	1,849,537
US Dollar	175,148	429,318
Euro	42,619	25,242
Russian Rouble	1,511	1,630
Total trade and other receivables	1,791,376	2,305,727

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Below is presented the ageing analysis of trade receivables:

	31 December 2014	31 December 2013
<i>Current and not impaired</i>		
Trade and other receivable	1,685,601	1,916,377
Construction contracts receivable	-	309,087
Total current and not impaired	1,685,601	2,225,464
<i>Past due and not impaired</i>		
From 3 to 6 months	58,094	68,316
From 6 months to 1 year	47,681	11,947
Total past and not impaired	105,775	80,263
<i>Impaired</i>		
More than a year	11,505	54,576
Total impaired	11,505	54,576
Less provision for impairment	(11,505)	(54,576)
Total trade and other receivables	1,791,376	2,305,727

Movements on the Group provision for impairment are as follows:

	2014	2013
At 1 January	54,576	28,639
(Reversal)/accrual of provision for impairment of trade receivables	(2,182)	51,331
Accounts receivable write-off	(40,889)	(25,394)
At 31 December	11,505	54,576

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.

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15 Other Current Assets

	31 December 2014	31 December 2013
<i>Other current financial assets</i>		
Short term bank deposits	638,225	-
Restricted cash	86,470	100,246
Loans receivable	9,150	-
Total other current financial assets	733,845	100,246
<i>Other current non-financial assets</i>		
Deferred expense	20,843	28,003
Total other current assets	754,688	128,249

Other current assets are denominated in following currencies:

	31 December 2014	31 December 2013
US Dollar	674,695	-
Tenge	79,993	128,249
Total other current assets	754,688	128,249

16 Cash and Cash Equivalents

	31 December 2014	31 December 2013
Cash in deposit bank accounts in Tenge and foreign currency	1,823,521	201,126
Cash in bank in Tenge	307,419	634,474
Cash in bank in foreign currency	162,545	126,260
Cash on hand	2,034	5,566
Total cash and cash equivalents	2,295,519	967,426

Cash and cash equivalents are denominated in following currencies:

	31 December 2014	31 December 2013
US Dollar	1,922,096	100,863
Tenge	309,475	841,166
Euro	63,927	25,260
British Pounds	17	-
Russian Rouble	4	137
Total cash and cash equivalents	2,295,519	967,426

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17 Share Capital

(a) Ordinary Shares

	Number of outstanding shares (in thousands)	Ordinary shares	Additional paid- in capital	Total
At 31 December 2014	2,387	46,662	7,009	53,671
At 31 December 2013	2,387	46,662	7,009	53,671

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 2013: 2,387 thousand shares) with a par value of Tenge 20 per share (31 December 2013: 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.

As at 31 December 2014, treasury shares consists of 54,015 ordinary shares of the Company (31 December 2013: 54,015 ordinary shares).

As at 31 December 2014 and 31 December 2013, the following shareholders owned more than 5% of issued and standing ordinary shares of the Company:

Shareholders	Number of ordinary shares 31 December 2014	Number of ordinary shares 31 December 2013	% 31 December 2014	% 31 December 2013
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 2013: 115,738 shares), of which the number of outstanding shares is 105,714 shares (31 December 2013: 113,624 shares) with a par value of Tenge 20 per share (31 December 2013: 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).

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Below are dividends declared and paid during the period:

	2014		2013	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Dividends payable at 1 January	20,441	508	20,441	-
Dividends declared during the year	-	2,272	-	2,270
Dividends paid during the year	-	(1,797)	-	(1,762)
Dividends payable derecognized during the year	(20,441)	-	-	-
Dividends payable at 31 December	-	983	20,441	508
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, a reserve was created in the amount of Tenge 7,455 thousand, which represented 15.6% of share capital.

19 Borrowings

	31 December 2014	31 December 2013
Finance lease liabilities (a)	9,439	17,717
Cumulative irredeemable preference shares	2,110	2,112
Total borrowings	11,549	19,829

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(a) Finance lease liabilities

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

	Due in 1 year	Due between 1 and 2 years	Total
Minimum lease payments at 31 December 2014	9,246	1,057	10,303
Less future finance charges	-	864	864
Present value of minimum lease payments at 31 December 2014	9,246	193	9,439
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

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%.

The Group's borrowings mature as follows:

		31 December 2014	31 December 2013
Borrowings due:	- within 1 year	9,246	8,280
	- between 1 and 5 years	2,303	11,549
Total borrowings		11,549	19,829

The Group's borrowings are denominated in Tenge.

The fair value of short-term borrowings approximates their carrying amounts, since effect of discounting is insignificant.

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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	2014	2013
Carrying amount at 1 January		42,748	40,243
Unwinding of the present value discount	28	2,351	3,018
Increase/ (decrease) of obligation due to change in estimates	24	2,014	(513)
Carrying amount at 31 December		47,113	42,748

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 2014 was 5.5% per annum (2013: 7.5% per annum), inflation rate - 7.4 % per annum (31 December 2013: 4.8% per annum).

21 Trade and Other Payables

	Note	31 December 2014	31 December 2013
Trade payables		576,509	751,946
Total financial liabilities		576,509	751,946
Provision for unused vacation		358,340	207,665
Value added tax		194,806	103,351
Provision for management compensation		69,660	91,111
Payments to pension fund		43,959	36,508
Personal income tax payable		35,988	27,186
Advances received		24,653	329,744
Dividends payable	17	983	20,950
Payables to employees		761	6,083
Other payables		34,977	23,942
		764,127	846,540
Total trade and other payables		1,340,636	1,598,486

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Trade payables are denominated in the following currencies:

	31 December 2014	31 December 2013
Tenge	329,164	648,654
US Dollar	242,681	87,856
Euro	3,995	9,096
Russian Rouble	669	6,340
Total trade payables	576,509	751,946

22 Revenue

	Note	2014	2013
Line cable communication services		6,457,240	5,494,473
Local telephone and trunk communication services		4,306,350	1,031,332
Technical maintenance of information systems and equipment		2,090,614	2,877,306
Revenue from construction contract	13	1,191,579	1,085,020
Satellite communication services		977,059	1,034,976
Equipment installation and sales		159,916	140,407
Total revenue		15,182,758	11,663,514

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23 Cost of Sales

	2014	2013
Communication services	4,857,111	1,776,036
Payroll expenses and personnel costs	3,156,669	2,894,247
Depreciation and amortisation expenses	998,172	900,353
Lease of communication facilities and other equipment	812,342	725,935
Equipment, materials and consumables	310,419	567,870
Third-party contractors	271,163	240,312
Repair and maintenance expenses	196,996	186,125
Utilities	141,389	135,733
Business trip expenses	71,278	82,486
Transportation expenses	10,168	7,973
Other	36,463	47,890
Total cost of sales	10,862,170	7,564,960

24 Other Operating Income

	Note	2014	2013
Rent services		16,412	17,446
Gains on disposal of property, plant and equipment		2,771	2,281
Change in estimate in calculation of asset retirement obligation	20	(2,014)	513
Other		52,346	26,265
Total other operating income		69,515	46,505

25 Distribution Costs

	2014	2013
Payroll expenses and personnel costs	392,330	366,006
Marketing expenses	30,154	29,384
Communication services	9,322	8,700
Material	4,856	3,668
Business trip expenses	3,945	4,157
Depreciation and amortisation expenses	956	1,109
Other	55,678	42,171
Total distribution costs	497,241	455,195

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26 General and Administrative Expenses

	2014	2013
Payroll expenses and personnel costs	941,924	790,651
Taxes other than income tax	405,309	247,408
Third parties services	71,675	60,365
Business trip expenses	50,391	34,154
Depreciation and amortisation	29,815	32,038
Professional and consulting services	27,586	57,747
Bank charges	21,442	40,127
Rent	19,742	22,503
Communication services	13,853	13,185
Materials	12,764	13,269
Provision for impairment of trade receivables	(2,182)	49,032
Provision for inventory impairment	(1,111)	(477)
Other	80,963	40,060
Total general and administrative expenses	1,672,171	1,400,062

27 Finance Income

	2014	2013
Foreign exchange gains	158,106	17,803
Bank interest income	38,138	14,108
Other interest income	-	7
Total finance income	196,244	31,918

28 Finance Costs

	Note	2014	2013
Interest expenses		2,387	56,833
Unwinding of present value discount on asset retirement obligation	20	2,351	3,018
Preference share dividends		2,272	2,270
Total finance costs		7,010	62,121

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29 Income Tax

Income tax expense comprises the following:

	2014	2013
Current income tax	425,925	262,842
Deferred income tax	89,974	227,680
Income tax expense for the year	515,899	490,522

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

	2014	2013
Profit before income tax	2,392,708	2,245,858
Theoretical tax charge at statutory rate 20% (2013: 20%).	478,542	449,172
Tax effect on non-deductible non-assessable items	37,357	41,350
Income tax expense for the year	515,899	490,522

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.

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	1 January 2013	Charged to profit and loss	31 December 2013	Charged to profit and loss	31 December 2014
Tax effect of deductible temporary differences					
Provision for impairment of trade receivables	5,728	5,188	10,916	(8,615)	2,301
Accruals	76,194	(9,707)	66,487	7,768	74,255
Accruals (ERP-Service LTD)	6,336	32,703	39,039	(39,039)	-
Provisions for asset retirement	8,049	501	8,550	873	9,423
Property, plant and equipment and intangible assets (ERP-Service LTD)	(1,115)	780	(335)	335	-
Gross deferred income tax asset	95,192	29,465	124,657	(38,678)	85,979
Tax effect of taxable temporary differences					
Property, plant and equipment and intangible assets	1,066,688	223,662	1,290,350	90,000	1,380,350
Gross deferred income tax liability	1,066,688	223,662	1,290,350	90,000	1,380,350
Recognised deferred income tax asset (ERP-Services LTD)	5,221	33,483	38,704	(38,704)	-
Recognised deferred income tax liability	976,717	227,680	1,204,397	89,974	1,294,371

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 Discontinued operations

On 21 November 2014, the Board of Directors decided to sell a 100% share in the capital of ERP-Service KazTransCom LLP.

The disposal of IT- outsourcing activity is consistent with the Group's long-term policy. The disposal was completed on 12 December 2014, on which date control of the IT- outsourcing activity passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed below.

Results from discontinued operations

Loss from discontinued operations for reporting period:

	2014	2013
Loss from discontinued operations	(190,839)	(167,633)
Loss on disposal of discontinued operations	(99,535)	-
	(290,374)	(167,633)

The results of discontinued operations included in the consolidated statement of profit or loss and other comprehensive income are set out below. The comparative loss from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	2014	2013
Revenues	277,575	578,339
Cost of goods sold	(462,504)	(685,748)
Other operating income	127,241	40,947
Transportation expenses	(1,457)	(313)
General and administrative expenses	(70,012)	(102,600)
Profit on exchange differences	629	-
Other operating expenses	(61,796)	(43,724)
Finance income	1,250	6,183
Finance cost	-	(151)
Operating loss before income tax	(189,074)	(207,067)
Income tax (expense)/benefit	(1,765)	39,434
Loss from discontinued operations	(190,839)	(167,633)

The cash flows from discontinued operations for the years ended 31 December are presented below:

	2014	2013
Net cash outflow from operating activities	(120,197)	(336,310)
Net cash outflow from investing activities	-	(4,993)
Net cash inflow from financing activities	928	4,927
Net cash outflows	(119,269)	(336,376)

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Analysis of the asset and liabilities over which control was lost:

	12 December 2014
Assets	
Property, plant and equipment	11,958
Intangible assets	5,002
Deferred income tax assets	38,704
Financial assets available for sale	2,511
Inventories	3,353
Trade accounts receivable	61,573
Prepayments to suppliers	3,158
Cash and cash equivalents	7,365
Current income tax prepaid	4,858
Other current assets	1,387
Liabilities	
Trade payables	(22,209)
Current portion of employee benefits	(5,076)
Income tax liabilities	(272)
Liabilities for other taxes and obligatory payments	(5,750)
Other current liabilities	(27)
Net assets disposed of	106,535
Loss from disposal of a subsidiary	2014
Consideration received	7,000
Net assets disposed of	(106,535)
Loss from disposal	(99,535)
Net cash outflow from disposal of a subsidiary.	2014
Consideration received in cash and cash equivalents	7,000
Less: cash and cash equivalent balances disposed of	(7,365)
	(365)

31 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.

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The Company has no potentially dilutive instruments; therefore, the diluted earnings per share equal the basic earnings per share.

<i>Earnings per share are calculated as follows:</i>	31 December 2014	31 December 2013
Amount of shares (in thousands)		
Ordinary shares	2,387	2,387
Treasury shares	54	54
<i>Ordinary shares net of treasury shares</i>	2,333	2,333
Preference shares	116	116
Treasury shares	10	10
<i>Preferred shares net of treasury shares</i>	106	106
Total number of shares	2,439	2,439
Profit for the year attributable to the Group's shareholders	1,586,435	1,587,703
Less:		
Minimum cumulative dividends on preference shares	2,120	2,270
Retained Earnings	1,584,315	1,585,433
Allocation to ordinary shareholders	1,515,460	1,516,529
Allocation to preference shareholders	68,855	68,904
Retained Earnings	1,584,315	1,585,433
Loss for the year from discontinued operations	290,374	167,633
Earnings used in the calculation of basic earnings per share from continuing operations	1,874,689	1,753,066

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Basic earnings per share from continuing and discontinued operations:

Preference shares

Distributed earnings	20	20
Retained earnings	649.58	650.03

Total earnings per share	669.58	670.03
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Ordinary shares

Retained earnings	649.58	650.03
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Basic earnings per share from continuing operations:

Preference shares

Distributed earnings	20	20
Retained earnings	768.63	718.76

Total earnings per share	788.63	738.76
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Ordinary shares

Retained earnings	768.63	718.76
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32 Contingencies, Commitments and Operating Risks

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

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market, which decreased significantly during 2014. Management is unable to reliably estimate the effects of any further price fluctuations on the Company's financial position.

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 2014 the Group has no provision for contingent tax liability (31 December 2013: 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.