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### Information on JS Company "Montazhspetsstroy"

1. balance sheet as of December 31,2017;
2. incomes and expenses statement for year ending on December 31, 2017;
3. money flow statement (direct method) for year ending on December 31, 2017;
4. statement of Changes in Owner's Equity for year ending on December 31, 2017;

## **Information on Almatyaudit LLP**

1. State re-registration Certificate
2. State License No. 042 dated 10.02.2000.
3. Recognition certificates of legal entity as a member of “Collegium of Auditors of the Republic of Kazakhstan” Registration number 157-A dated April 21,2017.
4. Certificate of Insurance.
5. Auditor certificate of competence No. 10 d/d 28.02.1994.
6. Recognition certificates of Reshetina Valentina Petrovna as a member of professional audit organization “Collegium of Auditors of the Republic of Kazakhstan” Registration number 0543 dated April 21,2017
7. Certificate of Professional Accountant d/d 10.11.2010, series ПБ-01, No. 0015.
8. Certificate of T. A. Reshetina International Institute of Audit and Management.
9. Tax consultant certificate of competence of V.P.Reshetina № 00612 dated 03.06.2015
10. Tax consultant certificate of competence of T.A.Reshetina № 00613 dated 03.06.2015.



№ \_\_\_\_\_

От \_\_\_\_\_

**“Approve”**  
**Director of “Almatyaudit” LLP “Firm on rendering**  
**auditing and advisory services “**  
license No. 042 d/d 10.02.2000.  
**V. P. Reshetina.**  
“ \_\_\_\_\_ ” \_\_\_\_\_ **2018.**

**To President**  
**of JS Company "Montazhspetsstroy"**  
**Mr T. K. Nazarov**

**Audit report**  
**by results of financial statements of**  
**JS Company “Montazhspetsstroy”**  
**for the financial period of 2017.**

Independent audit company “Almatyaudit” LLP “Firm on rendering auditing and advisory services “ (license No. 042 d/d 10.02.2000) represented by Director, Auditor, V. P. Reshetina (qualifying certificate No. 10 d/d 28.02.1994), together with Assistant Auditor, T. A. Reshetina, based on contract dated 03.04.2018, conducted audit on results of financial statements of **JS Company "Montazhspetsstroy"** for the financial period of 2017.

The audit was conducted on the basis of financial statements.

Financial statements prepared in a format approved by the Ministry of Finance of the Republic of Kazakhstan dated February 27, 2015 No. 143 “On the approval of the list and forms of annual financial statements for publishing public interest by companies (except financial companies)” give a true and fair view of the financial position of the company as of December 31, 2017, and is being kept in accordance with IFRS approved by the Foundation of International Standards of Financial Statements.

**Management of Joint Stock Company is responsible for provided financial statements.**

**JS Company “Montazhspetsstroy”** represented by **the President T. K. Nazarov** is responsible for reliability of provided information.

**Responsibility of Auditor.**

Our responsibility is to express an opinion on this financial statement.

The audit was conducted in accordance with International Auditing Standards. These standards require our planning and conducting the audit in order to obtain reasonable information about financial statement is free of significant misstatements. We consider that audit conducted by us provides a reasonable basis for expression of our opinion.

**Auditor opinion**

*In our opinion financial statements of the Company gives true and fair view.*

*Based on results of the audit review, as well as on the basis of financial statement reflecting true and fair view of the company financial position, the following can be concluded:*

*The financial statement gives a true and fair view of the company financial position as of December 31, 2017, and is conducted in accordance with IFRS.*

*Having calculated the above mentioned ratios, as well as having studied the dynamics of financial indicators, the following can be concluded. In the financial period 2017 liquidity and solvency indicators of **JS Company “Montazhspetsstroy”** conform to provided standards. Accordingly, Joint-Stock Company is able to discharge liabilities by itself using assets of the company.*

*As of the end of financial period of 2017 the balance sheet total was 10 563 307,8 thousand KZT.*

*In the “capital” section of the “authorized capital” subsection the amount is 78 531.6 thousand KZT. Given the type of activity of Joint-Stock Company, which is associated with certain risks, “reserves” subsection was formed, as of 31.12.2017 the amount was 4 318 714,5 thousand KZT. “Retained Profit” as of the end of accounting period of 2017 was 4 340 794,0 thousand KZT, as of the accounting period 1 268 816,4 thousand KZT.*

*Joint-Stock Company in finance period of 2017 forms “Long-term liabilities” section “deferred taxes” subsection that is 81 445,9 thousand KZT.*

*“Short-term liabilities” as of the end of financial period were 1 743 821,8 thousand KZT, formed by means of:*

- short-term trade and other credit debt– 1 166 296,2 thousand KZT;*
- short-term reserves – 216 617,6 thousand KZT;*
- employee benefit – 481,7 thousand KZT;*
- other short-term liabilities – 359 804,0 thousand KZT,*
- other short-term financial liabilities – 622,3 thousand KZT.*

*“Long-term assets” as of 31.12.2017. were 4 567 070,7 thousand KZT, by means of:*

- other long-term financial assets – 15 886,5 thousand KZT;*
- long-term trade and other debit debt– 458 451,4 thousand KZT;*
- fixed assets – 4 092 732,8 thousand KZT.*

*Short-term assets” as of the end of financial period of 2017 were – 5 996 237,1 thousand KZT, formed by means of:*

- funds – 141 746,6 thousand KZT;*
- short-term trade and other debit debt– 2 649 724,1 thousand KZT;*
- current income tax – 11 607,2 thousand KZT;*
- inventories – 1 033 210,7 thousand KZT;*
- other short-term assets – 2 159 948,5 thousand KZT.*

***In our opinion, consolidated financial statements of the Company is presented objectively on all existing aspects of financial position as of December 31, 2017 and is free of significant misstatements.***

***The results of financial statement, flow of money and owners' equity expired for the year as of specified date, comply with International Financial Reporting Standards (IFRS).***

***Financial statements except information in the report “On money flow” is prepared by accrual basis –transactions and events are recognized when they have been occurred, but not when there have been inflow and outflow of cash or cash equivalents, recorded and reported in the financial statement of periods to which they relate.***

***The audit has been conducted in accordance with audit regulation (standards) approved in the Republic of Kazakhstan.***

**Auditor**

(qualification certificate No 10 dated 28.02.1994.)

**V.P. Reshetina**

**“Approve”**  
**Director of “Almatyaudit” LLP “Firm on rendering auditing and advisory services “**  
license No. 042 d/d 10.02.2000.

**V. P. Reshetina.**

“ \_\_\_\_\_ ” \_\_\_\_\_ **2018.**

**Audit report**  
**by results of financial statements of**  
**JS Company “Montazhspetsstroy”**  
**for the financial period of 2018.**

Independent audit company “Almatyaudit” LLP “Firm on rendering auditing and advisory services “ (license No. 042 d/d 10.02.2000) represented by Director and Auditor, V. P. Reshetina (qualifying certificate No. 10 d/d 28.02.1994), together with Assistant Auditor, T. A. Reshetina, based on contract dated 03.04.2018, conducted audit on results of financial statements of JS Company "Montazhspetsstroy" for the financial period of 2017.

The Audit was conducted in accordance with International Financial Reporting Standards.

At the time of audit review the following documents were submitted:

- legal documents (Charter, certificate of state registration of legal entity, taxpayer certificate);
- balance sheet for the period of 2017;
- incomes and expenses statement for year ending on December 31, 2017;
- money flow statement (direct method) for year ending on December 31, 2017;
- statement of Changes in Owner's Equity for year ending on December 31, 2017;

**While preparing of financial statement the management is responsible:**

- selection of the appropriate accounting principles and its consistent application;
- application of reasonable evaluations and calculations;
- compliance with the requirements of IFRS and disclosure of all significant deviations from IFRS in notes to the financial statement;
- preparation of the financial statement based on the assumption that the Company will continue as a going concern, except when such assumption is illegal.

**The Management is also responsible for:**

- development, implementation and support of operations of an effective and reliable system of internal control in the Company;
- support of accounting system enabling in any time with a reasonable degree of accuracy to prepare the information about the financial position of the Company and to ensure the financial statement compliance with IFRS requirements;
- accounting records maintenance in accordance with the legislation and accounting standards of the Republic of Kazakhstan;
- taking measures within the limits of its competence for protection of assets of the Company;
- preventing and detecting fraud and other irregularities.

**Responsibility of Auditors**

Our responsibility is to express an opinion on the fairness of this financial statement on the basis of the audit conducted by us. We have conducted the audit in accordance with International Auditing Standards. These standards require obligatory conformance with ethical practices by auditors as well as planning and conducting the audit to obtain an adequate assurance that financial statement is free of significant misstatements.

The audit includes performance of procedures to obtain audit evidences concerning numerical indicators and notes to the financial statement. Selection of appropriate procedures is based on auditor's competent judgment, including assessment of material misstatement risks of the financial statement due to fraud or errors. Assessment of such risks includes consideration of internal control system over preparation and fair

presentation of the financial statement in order to develop audit procedures applicable in these circumstances, but not for purposes of expressing an opinion on internal control effectiveness.

The audit also includes evaluation of applicable accounting policy appropriateness and reasonableness of assumption made by management, as well as evaluation of overall presentation of financial statement.

We believe that audit evidence we have obtained is a reasonable cause to express an opinion on this financial statement.

### **Auditor opinion**

In our opinion consolidated financial statements is true, in all material respects reflects the financial position of the Company as of December 31, 2017, as well as financial results of its activity and cash flows for the year that ended in accordance with International Financial Reporting Standards.

### **Drawing of attention to special circumstances**

As of the time of audit review the following documents were submitted:

- legal documents (Charter, certificate of registration, taxpayer certificate);
- balance sheet as of December 31,2017;
- incomes and expenses statement for year ending on December 31, 2017;
- money flow statement for year ending on December 31, 2017;
- statement of Changes in Owner's Equity for year ending on December 31, 2017;

**JS Company “Montazhspetsstroy”** represented by the **President T. K. Nazarov** is responsible for reliability of provided information.

**JS Company “Montazhspetsstroy”** was re-registered by the Department of Justice of Almaty d/d 25.03.2005 under No. 8479-1910-AO, series B No. 0467601, business identification number 940640000066.

Date of primary state registration: 03.06.1994.

### **Location of legal entity:**

291/1, Tole bi street, Almaty, the Republic of Kazakhstan.

Value Added Tax registration certificate was issued 03.09.2012, series 60001 under No. 0023228.

Joint-stock company Charter was numbered, bound, sealed and approved by the Resolution of the General Meeting of Shareholders d/d 29.04.2015, notarized d/d 29.05.2015, registered under No. 1-536.

To ensure the operation of the Company an authorized capital was formed, authorized capital is increased by placing authorized shares of the Company, and by the decision of the Board of Directors; money, property rights including right to intellectual property assets and other property can be placed in payment of shares.

The Annual Meeting of Stockholders of “Montazhspetsstroy” JSC was held on April 27, 2012. Company Quorum was 83.91%.

At the meeting a range of issues was considered, one of which was:

- “to comply with a request of E. G. Yezhikov-Babakhanov for his premature resignation of the President - the Sole Executive Body of JS Company “Montazhspetsstroy” from June 1, 2012”.
- “to elect T. K. Nazarov as a President – the sole Executive Body of of “Montazhspetsstroy” JSC for accession to an office from June 1, 2012”.

### **Main types of Company activities:**

- marketing researches of internal and external investment projects in order to receive contracts for design, construction and installation works, supply of products and materials and rendering other services for the benefit of shareholders of the Company;
- participation in competitions, tenders for contractual works for and on behalf of the Company;
- performance of architectural, urban planning and construction works (services) in accordance with the List of these types on the basis of the **State License 01-ГCJI No. 000021 issued on October 21, 1994;**
- coordination of interaction of construction and installation companies – shareholders of the Company as well as other organizations involved in the implementation of awarded tenders;
- providing consulting services on licensing of urban development activities;

- external economic, commercial and entrepreneurial, trading and procurement activities, conclusion of relevant agreements, contracts and agreements under the existing legislation;
- issue and transaction of securities, movable and immovable property;
- organization of retraining and advanced training work for managers and specialists of the Company;
- if any type of activity requires a special permit (license, certificate) of the competent authorities (licensor), the Company carries out this type of activity only after receipt of the relevant permit in the prescribed manner and in accordance with it.

For carrying out the following types of activity the Company has licenses:

- General State License GSL No. 000021 d/d October 21, 1994, license form was replaced on January 19, 2011, series No. 0148754, for construction and installation works in the field of architecture, urban planning and construction activity.
- General State License GSL No. 07938 d/d October 28, 2005, license form was replaced on December 29, 2010, series No. 0148572, for design and survey work in the field of architecture, urban planning and construction activity.
- State License GSL No.14006651 d/d May 15,2014 for rendering of first medico-sanitary aid and pre-medical first aid.

### **Historical data**

Joint Stock Company «Montazhspetsstroy» was founded in 1994 as a coordinator of construction organizations activity of “Kazakh SSR Ministry of Erection and Special Construction Work” acting since 1965 with highly professional staff involved in construction of large industrial facilities of the Republic of Kazakhstan, such as Pavlodar, Shymkent and Atyrau refineries, brass plants in Balkhash and Zhezkazgan, the lead, titanium and magnesium plant in Shymkent and Ust-Kamenogorsk, the metallurgical plant in Karaganda, the phosphorus plants in Zhambyl and Shymkent and dozens of other projects of national importance.



Yevgeniy G. Yezhikov-Babakhanov, Chairman of The Board of Directors of JS Company “Montazhspetsstroy”. Many years of experience in the construction of various industrial complexes and infrastructure facilities allow many thousands of installers’ team to successfully participate in the programs of Republic formation initiated by the President of the Republic of Kazakhstan Nursultan Nazarbayev, with this view the Company is open to co-operation in various investment projects.



President of the Republic of Kazakhstan is on the project of JS Company “Montazhspetsstroy”.

Company Principles: To direct Company’s activity to participation in innovative economic development projects of the Republic in order to implement program approved by President Nursultan A. Nazarbayev, program of the development of Kazakhstan as powerful, independent and industrial state.

Strategy: Company’s basic strategy is a leader’s strategy. Aim of our Company is to be the best company involved in construction of various industrial complexes and infrastructure facilities. The formula for success of our work is the following: individual and flexible customer approach, construction management on the basis of advanced international practices, well - organized interaction between all organization departments of Company, use of capabilities, knowledge and experience in construction sector! Company priorities are: Ensure safe, healthy work environment and well-being of the Company’s personnel involved in production and management activity; Apply advanced methods on construction management arrangement at wide-spread implementation of progressive technologies of building-and-assembly jobs; Apply clear and “transparent” actions in order to establish mutually beneficial and long-term partnership with investors, suppliers of construction services and materials.

## **Fundamental principles of financial statements preparation**

### **General provisions**

The attached financial statements for 2017 has been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Financial Reporting Standards Committee (IFRSC),and prepared in accordance with the Law of the Republic of Kazakhstan “On accounting and financial statement” No. 234 from February 28, 2007 by the Charter and Accounting policy, the Tax Code of the Republic of Kazakhstan and other legislative acts.

This financial statements is presented in thousand KZT, unless otherwise indicated.

This financial statements has been prepared on accrual basis and on historical cost principle except for certain financial instruments accounted at fair value.

Joint-Stock Company keeps double-entry accounting in accordance with the requirements of the Republic of Kazakhstan legislation in accordance with the Standard chart of accounting records.

Accounting records in the Company is kept by automated journal-order system and operations are performed by using a standard chart of accounting records and on the basis of printouts of 1C-Accountancy computing program.

During the preparation of the statements, the auditors analyzed the primary documents on financial and economic activities, computer printouts for analytical accounts of accounting and financial statements for the period ended December 31, 2017.

The validity of records on the debit and credit of the Company's balance sheet accounts is confirmed by primary documents.

The balances at the beginning and end of the period under review on the turnover balance sheet correspond to the data of remaining bookkeeping registers.

### **Presentation basis**

The preparation of financial statements provides the usage by management of subjective evaluations and assumptions affecting the amounts specified in consolidated financial statements. Subjective evaluations are based on information available as of the date of consolidated financial statements preparation; therefore, actual results obtained by the Company may differ from these evaluations in the future.

### **Measurement currency and presentation of the financial statements**

Elements of financial statements of the Company are evaluated, and reports on them are kept in national currency of the Republic of Kazakhstan – KZT. Transactions and events in foreign currencies are recorded in national currency of the Republic of Kazakhstan using the market currency exchange rate. All financial information is presented in thousand KZT.

### **Ongoing principle**

This financial statement has been prepared on the assumption that the Company will continue normal economic activity in the foreseeable future that implies reimbursement of assets cost and repayment of liabilities in the ordinary course of business.

### **Accrual method**

Financial statements, except for cash flow information, is prepared in accordance with accrual method (transactions and events are recognized when they have occurred (but not as soon as cash or cash equivalents are accumulated or paid), registered in accounting records and presented in consolidated financial statements of those periods to which they belong).

Expenses are recognized in the statement of incomes and expenses based on the direct matching of the expenses incurred with specific income items earned (matching concept).

Income is recognized when obtaining economic benefits associated with the transaction and the possibility of reliable estimation of the income amount.

### **Review of accounting policy main features**

#### **Fundamental accounting policy principles**

The basis for the accounting records of the Company is Accounting Policy.

#### **Financial statements of the Company includes:**

- statement of financial status;
- total annual income report;
- money flow statement;
- Statement of Changes in Owner's Equity;
- explanatory note.

### **Cash and cash equivalents**

Cash and cash equivalents include resources in bank accounts, counter cash, cash in special accounts, cash in transit.

### **Intangible assets**

Intangible assets are valued based on historical cost, which consists of actual expenses amounts for their purchase and recognized according to historical cost.

Accrual of amortization of intangible assets is performed monthly on a straight-line depreciation basis from the next month after the transition of intangible assets and stops after a complete write-off.

Amortization and impairment expenses are specified in the statement of income and expenses as part of general and administrative expenses in the period to which they relate.

### **Fixed assets**

Fixed assets during an initial recognition are considered based on acquisition cost. The cost includes expenses which are directly related to the asset acquisition.

After the initial recognition as an asset, fixed assets are recognized at cost excluding all accumulated impairment losses. Depreciation is charged on a straight-line basis based on useful life of fixed assets. Amortization charges for the current period are recognized as expenses.

### **Reserves**

Reserves are recognized in the balance sheet when the Company has a legal or implied obligation as a result of past events and it is probable that an outflow of economic benefits will be required to repay the obligation.

### **Use of estimates**

When preparing financial statement in accordance with IFRS, the management has made estimates and assumptions relating to the reporting of assets and liabilities. Particularly, in relation to the fair



value of fixed assets, financial instruments, value impairment loss, reserve for impairment of debit debt. In fact, future results may differ from these estimates.

### **Recognition of income and expenses**

Incomes are recognized in the amount in which inflow of economic benefits is possible in the Company and the amount of these incomes can be estimated reliably.

The expenses are recognized in the same period in which incomes are recognized, in respect of which these expenses were incurred. The expenses are recognized in the period in which they were actually incurred, but not when cash were paid.

### **Loan costs**

Objects falling within the category of loans are obtained funds of banks and organizations including partners of common projects by concluding the loan agreements.

The loan is an agreement according to which one party (the moneylender) transfers to party (the borrower) money or other property, and the borrower is obliged to return them to the moneylender after a certain period, as well as to pay accrued fees.

To account the fee accrued on the loans, the company uses an applicable alternative approach to the reflection of loan costs in accordance with IFRS (IAS) 23.

Loan costs including debt issue costs are recognized as expenses in the period when they occur, or at the same time an alternative method in the form of capitalization of loan costs is acceptable.

### **Taxation**

Joint-Stock Company calculates and pays taxes and other obligatory payments payable in the territory of the Republic of Kazakhstan in accordance with the regulations of Tax Code of the Republic of Kazakhstan.

Corporate income tax includes amounts payable and calculated based on the taxable income for a year using tax rates applicable as of the balance sheet preparation date in accordance with applicable law.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. The calculation of deferred tax amount is based on expected method of implementation or settlement of balance sheet value of assets and liabilities using tax rates applicable as of the balance sheet preparation date. The deferred tax asset is recognized only to the extent that there is a possibility of availability of future taxable income, at the cost of which the asset can be covered.

Kazakhstan's tax legislation, in particular, can lead to different interpretations and amendments which may be retroactive. In addition, considering that the interpretation of tax legislation by the management of Joint-Stock Company may differ from the interpretation of tax authorities which often depends on the opinion of experts and officials of tax authorities, transactions may be challenged by tax authorities and it may result in charging additional taxes, fines and penalties.

Because of the uncertainty specific to Kazakhstan Tax regime, the final amount of taxes, penalties and fines, if any charged, may exceed the amount actually accrued as of December 31, 2017.

Tax authorities can carry out inspection of tax assessment data for the last five years.

The Company believes that it has paid or accrued all applicable taxes.

### **Corporate income tax**

Expense (income) by income tax represents the sum of actual tax value for accounting period and expenses (income) value by deferred tax. Profit actual tax liability for the current period is defined as the value payable (recoverable) to tax authorities, using profit tax rates and tax legislation as of the balance sheet date.

### **Current tax**

Income tax expenses amount for the current period is determined with regard to taxable income margin obtained for the year. Taxable income differs from net profit as specified in incomes and expenses statement because it excludes taxable or deductible income or expense items in other years as well as it excludes items that are not taxable and not deductible for tax purposes. Income tax expenses of the Company in the current year are accrued using the tax rates that have been recorded fully or substantively as of the balance sheet preparation date.

### **Contingent liabilities**

Operating environment – Joint-Stock Company performs its principal activity in the territory of the Republic of Kazakhstan.

Laws and regulations governing business activities in the Republic of Kazakhstan often change and as a result Company assets and activity may be exposed to risk due to changes in the political and business environment.

### **Contingent events**

As of the time of preparation of consolidated financial statements Joint-Stock Company has no legal proceedings at the Judiciary authorities.

### **Events after the balance sheet date**

As of the date of consolidated financial statements preparation in the Company an event occurred after the balance sheet date and requires disclosure in the notes to consolidated financial statements does not happen.

### **Pension payments**

In accordance with the legislation of the Republic of Kazakhstan “On Pension Provision”, the Company transfers employees’ pension contributions to Pension Savings Funds in the established amount, from income of employees at reasonable time.

### **Fair value of financial instruments**

Given in consolidated financial statements information about the estimated fair value of financial instruments meet the requirements of IFRS No.32 “Financial Instruments: information disclosure and presentation” and IFRS No.39 “Financial Instruments: recognition and “evaluation” as to the definition of fair value or approximate fair value of such instruments.

### **Risks management policies**

Joint-Stock Company activity is exposed to economic, political and social risks specific to conduct of business in Kazakhstan. These risks include the consequences of Government policy, economic conditions, changes in tax and legal fields, exchange rate fluctuations and implementability of contractual rights.

The consequences of such events occurrence can materially affect the activity of Joint-Stock Company.

Joint Stock Company used IFRS that disclosed information that enables users of financial statement to evaluate the significance of financial instruments as well as the nature and extent of risks arising from these instruments.

Credit risk, liquidity risk, market risk and price risk are the main risks to which JSC is faced in the course of its activity.

### **Credit risk**

The risk of that one party of financial instrument will cause financial losses to another party by default of its obligations.

### **Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices, includes interest rate risk, currency risk and price risk.

### **Currency risk**

Main monetary financial instruments such as liquid assets, debit debt, interest-bearing securities and/or available debt instruments and other are directly denominated in the functional currency (KZT).

Interest income and expenses from financial instruments are also directly reflected in the functional currency (KZT). Company is exposed to currency risk, as it has contracts with Clients:

Karachaganak Petroleum Operating B.V., “Tengizchevroil” LLP, North Caspian Operating Company N.V.”, “Bonatti S.p.A. – Kazakhstan subsidiary” are concluded in US Dollars.

Also credits within a year were received in currency.

### **Liquidity risk**

The risk associated with liquidity is the risk that Joint Stock Company can be faced with difficulties when raising the funds necessary to meet all requirements for liabilities related to financial instruments. Liquidity risk may arise from the inability to quickly realize the financial asset at its fair value.

Joint-Stock Company management ensures availability of sufficient funds to meet all requirements on liabilities as they fall maturing.

Liquidity management procedures of Joint-Stock Company include the following:

- cash flow forecasting and considering the required size of liquid assets for this;
- monitoring balance sheet liquidity ratios for compliance with internal requirements and regulatory requirements;
- management of concentration and repayment of indebtedness period.

Strategy of Joint-Stock Company on liquidity risk is based on the optimal ratio between compliance of sufficient liquidity level and the most complete use of available resources, balanced in terms of recruitment and placement to obtain the top profit.

#### **Price risk associated with change in other prices**

The risk that the fair value or future cash flows of the financial instrument will fluctuate due to changes in market prices (other than changes that lead to **interest** or **currency risk**), regardless of these changes are caused by factors that are unique to a particular financial instrument or its emitter, or factors affecting all similar financial instruments traded in the market.

#### **Cash and cash equivalents**

Description	as of 31.12.2017
Cash and cash equivalents	141 746,6 thousand KZT

#### **Trade and other debit debt**

Accounting of trade debit debt kept as per payment terms and includes short-term debit debt from purchasers, customers and employees

#### **Short-term trade and other debit debt**

Description	as of 31.12.2017
Short-term trade and other debit debt	2 649 724,1 thousand KZT

#### **Inventory**

**Inventory records in JSC is performed in accordance with IFRS 2 “Inventory”. Joint-Stock Company inventories consist of raw materials and supplies, finished products, goods and in-progress production.**

Description	as of 31.12.2017
Inventory	1 033 210,7 thousand KZT.

All Inventories are available in physical existence, reflected in the accounting records by the cost, in accordance with the recognition of inventories in Accounting policy, are real and reasonable amounts, confirmed by relevant documents and reflected in the reporting period.

Estimated prime cost of inventories of raw materials, supplies, fuel, spare parts and other supplies, as well as industrial consumption products is performed by weighted average cost method. Estimated prime cost of raw materials, supplies and other inventories is performed on a continuous basis.

Raw materials and supplies are recorded in storage areas (warehouses) on the basis of quantities and in accountancy by operational accounting method of records – in numerical terms of financially responsible persons (petrol and diesel fuel to refuel rental cars on “Sinooil” smart cards).

#### **Current tax assets**

Current debit debt of tax assets and other short-term assets as of the end of the financial period includes the actual overpayment.

Description	as of 31.12.2017
<b>Current income tax</b>	11 607,2 thousand KZT
<b>other short-term assets</b>	2 159 948,5 thousand KZT

#### **Long-term assets are formed**

Description	as of 31.12.2017
Fixed assets	4 092 732,8 thousand KZT
Long-term trade and other debit debt	458 451,4 thousand KZT
Other long-term financial assets	15 886,5 thousand KZT
<b>Total long-term assets</b>	<b>4 567 070,7 thousand KZT</b>

Short-term credit debt includes loans, short-term trade and other credit debts, short-term reserves, employee benefits, other short-term debt.

#### **Short-term trade and other credit debt**

Description	as of 31.12.2017
Short-term trade and other credit debt	1 166 296,2 thousand KZT
Short-term reserves	216 617,6 thousand KZT
Employee benefits	481,7 thousand KZT
Other short-term financial liabilities	359 804,0 thousand KZT
Other short-term liabilities	622,3 thousand KZT.
<b>Total short-term liabilities</b>	<b>1 743 821,8 thousand KZT</b>

#### **Long-term liabilities:**

As of the end of financial period 2017 the Joint-stock company, forms long-term liabilities "deferred tax liabilities" subsection, amount was 81,445.9 thousand tenge.

#### **Equity.**

##### **Owner's equity.**

Amount of authorized capital of Joint-Stock Company equals to the sum of contributions of the founders, as well as formed during an unstable economy period and taking into account the type of Joint Stock Company activity, which is associated with certain risks, a subsection “reserves” has been formed.

Description	as of 31.12.2017
Authorized capital	78 531,6 thousand KZT

Reserves	4 318 714,5 thousand KZT
<b>Total owner's equity.</b>	<b>4 397 246,1 thousand KZT</b>

### Undistributed income (loss) of the reporting year

Undistributed income of the Joint-Stock Company as of the end of financial period of 2017 was 4 340 794,0 **thousand KZT**

Incomes of Joint-Stock Company in the reporting period of 2017 were – 1 268 816,4 thousand KZT.

	thousand KZ
Revenue	17 360 677,3
Cost of goods and services sold	14 018 975,2
<b>Gross profit</b>	<b>3 341 702,1</b>
Sales expenses	
Administrative expenses	1 127 359,2
Other expenses	467 277,1
Other incomes	46 470,2
<b>Total operating profit</b>	<b>1 793 536,0</b>
Financing incomes	19 026,3
Financing expenses	78 203,7
The profit (loss) share of Associated companies and joint ventures considered by equity method	
Other non-operating income	194,8
Other non-operating expenses	17 550,0
<b>Profit (loss) before tax assessment</b>	<b>1 717 003,4</b>
Income tax expenses	448 187,0
<b>Profit (loss) after tax assessment from continuing operations</b>	<b>1 268 816,4</b>

### Money flow statement

Money flow statement of operating, investing and financing activities as well as operating activity using the indirect method.

	В ТЫС. ТЕНГЕ
<b>1. Cash inflow, total</b>	<b>22 074 063,3</b>
including:	
sale of goods and services	21 101 340,6
other revenues	
advance payments received from purchasers, customers	609 366,4
insurance contracts income	
received remunerations	
other receipts	363 356,3
<b>2. Cash outflow, total</b>	<b>22 169 884,6</b>
including:	
payments to suppliers for goods and services	11 059 802,6
advance payments issued to suppliers of goods and services	4 702 253,7
wage payments	3 188 162,0
payment of remuneration	76 123,8

insurance contracts payments	
income tax and other payments into the budget	2 507 742,2
other payments	635 800,3
<b>3. Net cash flow from operating activity</b>	<b>-95 821,3</b>
<b>1. Cash inflow, total</b>	<b>86 941,8</b>
including:	
sale of fixed assets	85 188,8
sale of intangible assets	
sale of other long-term assets	
sale of equity instruments of other organizations (other than subsidiaries) and participation share in joint ventures	1 753,0
sale of debt instruments of other organizations	
compensation of control loss of subsidiaries	
sale of other financial assets	
futures and forward contracts, options and swaps	
dividends received	
received remunerations	
other receipts	
<b>2. Cash outflow, total</b>	<b>1 480 941,0</b>
including:	
acquisition of fixed assets	1 480 941,0
acquisition of intangible assets	
acquisition of other long-term assets	
acquisition of equity instruments of other organizations (other than subsidiaries) and participation share in joint ventures	
acquisition of debt instruments of other organizations	
acquisition of control of subsidiaries	
acquisition of other financial assets	
granting of loans	
futures and forward contracts, options and swaps	
associated companies and subsidiaries investments	
other payments	
<b>3. Net cash flow from investment activity</b>	<b>- 1 393 999,2</b>
<b>1. Cash inflow, total</b>	<b>97 494,0</b>
including:	
Issuance of shares and other financial instruments	
raising of loans	97 494,0
received remunerations	
other receipts	
<b>2. Cash outflow, total</b>	<b>549 154,6</b>
including:	

repayment of loans	455 649,5
remuneration payment	
dividends payment	93 505,1
payments to Owners on company equity issues	
other outflows	
<b>3. Net cash flow from financial activity</b>	<b>- 451 660,6</b>
<b>4. Effect of currency exchange rates to KZT</b>	
<b>5. Increase +/- decrease in cash</b>	<b>- 1 941 481,1</b>
<b>6. Cash and cash equivalents as of the beginning of reporting period</b>	<b>2 083 227,7</b>
<b>7. Cash and cash equivalents as of the end of reporting period</b>	<b>141 746,6</b>

*To determine the financial position as well as the solvency of a company we used the method of financial ratios.*

**Financial ratios method** is used to analyze the financial position of the company and represents the relative indicators defined according to financial reports data, mainly according to the accounting balance sheet and income and expenses statement data. The use of financial ratios is based on the theory assuming the existence of certain relationships between the individual articles.

**The advantages of ratios method:**

- enables to obtain information of interest for all user categories;
- distinguished by operability;
- enables to identify tendencies in change of the company financial position;
- provides the possibility of determine the financial position of the company of interest in relation to other similar companies;
- eliminates the distorting effect of information.

During the audit review the following indicators of financial stability and liquidity of Joint-Stock Company were calculated and analyzed (in thous. KZT).

**Current liquidity ratio** shows which part of short-term liabilities of the Company can be repaid when raising all current assets:

C.l.r.	as of 01.01.17.	$9\,753\,831,3 / 5\,633\,192,3 = 1,73$
	as of 31.12.17.	$5\,996\,237,1 / 1\,743\,821,8 = 3,44$

**Quick liquid ratio** shows which part of liabilities can be paid off taking into account the funds (money, debit debt, short-term financial investments).

Q.l.r.	as of 01.01.17.	$8\,858\,065,9 / 5\,633\,192,3 = 1,57$
	as of 31.12.17.	$4\,963\,026,4 / 1\,743\,821,8 = 2,85$

**Absolute liquidity ratio** shows which part of liabilities can be paid off by the Company when raising funds.

Al.r.	as of 01.01.17.	$2\,083\,227,7 / 5\,633\,192,3 = 0,37$
	as of 31.12.17.	$141\,746,6 / 1\,743\,821,8 = 0,08$

**Equity assets ratio** is a share of owner equity, companies in total amount of balance sheet assets.

E.a.r.	as of 01.01.17.	$7\,675\,302,1 / 13\,308\,494,4 = 0,58$
	as of 31.12.17.	$8\,738\,040,1 / 10\,563\,307,8 = 0,83$

**Equity concentration ratio** is a share of foundation capital in the total amount of balance sheet assets.

E.c.r.	as of 01.01.17.	$4\,463\,260,0 / 13\,308\,494,4 = 0,34$
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as of 31.12.17.  $4\,397\,246,1 / 10\,563\,307,8 = 0,42$

**Equity to Total Assets ratio** is a share of assets borrowed funds;

E.t.a. 1- E.a.r. as of 01.01.17.  $1 - 0,58 = 0,42$   
as of 31.12.17.  $1 - 0,83 = 0,17$

**Ratio of borrowed and own funds** is a ratio of own funds to external liabilities:

R.b.o.f as of 01.01.17.  $7\,675\,302,1 / (5\,633\,192,3 + 0) = 1,36$   
as of 31.12.17.  $8\,738\,040,1 / (1\,743\,821,8 + 81\,445,9) = 4,79$

**Immobilize ratio** is a ratio of long-term assets to current assets.

I.r. as of 01.01.17.  $3\,554\,663,1 / 9\,753\,831,3 = 0,36$   
as of 31.12.17.  $4\,567\,070,7 / 5\,996\,237,1 = 0,76$

**Investments coverage ratio** characterizes the share of owner funds and long-term liabilities in the total amount of company assets.

I.c.r. as of 01.01.17.  $(7\,675\,302,1 + 0) / 13\,308\,494,4 = 0,58$   
as of 31.12.17.  $(8\,738\,040,1 + 81\,445,9) / 10\,563\,307,8 = 0,83$

**Ratio of inventories own funds coverage** is a ratio of the difference between own funds and long-term assets to inventories:

R.i.o.f.p. as of 01.01.17.  $(7\,675\,302,1 - 3\,554\,663,1) / 895\,765,4 = 4,60$   
as of 31.12.17.  $(8\,738\,040,1 - 4\,567\,070,7) / 1\,033\,210,7 = 4,04$

**Ratio of long-term investments coverage** shows which share of investment capital composed of own equity and long-term liabilities is mobilized under long-term assets:

R.l.t.i.c. as of 01.01.17.  $3\,554\,663,1 / (7\,675\,302,1 + 0) = 0,46$   
as of 31.12.17.  $4\,567\,070,7 / (8\,738\,040,1 + 81\,445,9) = 0,52$

**Current assets to equity ratio** is a ratio of difference between own funds and long-term assets to the value of own funds:

C.a.e.r. as of 01.01.17.  $(7\,675\,302,1 - 3\,554\,663,1) / 7\,675\,302,1 = 0,54$   
as of 31.12.17.  $(8\,738\,040,1 - 4\,567\,070,7) / 8\,738\,040,1 = 0,48$

*Having calculated the above mentioned ratios, as well as having studied the dynamics of financial indicators, the following can be concluded. In the financial period 2017 liquidity and solvency indicators of JS Company "Montazhspetsstroy" conform to provided standards. Accordingly, Joint-Stock Company is able to discharge liabilities by itself using the assets of the company.*

**Liquidity** describes the Company's ability to perform its short-term (current) liabilities using its current (working) assets. The Company is considered liquid if its current assets exceed current liabilities.

	<u>current assets</u>		<u>current liabilities</u>
as of 01.01.2017	9 753 831,3	>	5 633 192,3
as of 31.12.2017.	5 996 237,1	>	1 743 821,8

The necessary condition of liquidity is a positive value of net working capital – the amount of the excess of current assets over current liabilities (equities). Approximately it must exceed ½ of the amount of current assets.

**Standards:**

Current liquidity ratio > or = **3 - 1,2:**

Quick liquid ratio > **0,7-1:**

Absolute liquidity ratio > or **0,2; 0,3:**



*Current liquidity ratio* – shows the extent to which current liabilities, otherwise known as short-term liabilities are covered by current or working assets. It shows how many monetary units of current assets is per one monetary unit of current liabilities.

*Quick liquid ratio* defines the capacity of a company to meet its current liabilities due to ready sale of liquid assets.

*Absolute liquidity ratio* defines the capacity of a company to meet its current obligations from absolutely liquid assets, shows the part of current liabilities which can be discharged immediately.

*Solvency ratio* – is the capacity of a company to meet its short-term and long-term external liabilities using the assets. A company is considered solvent if its total assets exceed its external liabilities:

	<u>general assets</u>		<u>external liabilities</u>
as of 01.01.2017	13 308 494,4	>	5 633 192,3
as of 31.12.2017.	10 563 307,8	>	1 825 267,7

Thus, the more assets exceed external liabilities, the higher the degree of solvency.

To measure the solvency of a number of indicators are used:

*Equity to total assets ratio* reflects a share of own funds in liabilities of the company and is of interest for both owners and creditors. It is deemed that the share of own funds in liabilities shall exceed the share of assets borrowed funds. High ratio of equity to total assets reduces financial risk and enables to raise additional funds from third parties. The preferred value for the ratio is 0.5 and more.

With regard to companies, a variety of this indicator – capital concentration Ratio.

When calculating the *Capital concentration ratio* compared to equity to total assets ratio in the numerator do not show all its own funds, but only its own capital. It is often stated that equity to total assets ratio and capital concentration ratio must not be decreased below 0.5-0.6.

*Investments coverage ratio* has less strict restrictions in comparison with equity to total assets ratio; it is assumed that the normal value of the ratio is about 0.9.

*Ratio of borrowed and own funds* – the normal value of the ratio is considered 2.0, in which 33% of the financing is carried out from borrowing funds. In practice for the industry the value equal to 1.0 is sufficient.

*Ratio of inventories own funds coverage* serves to measure the degree of coverage of inventories own funds. Preferable value is 0,6-0,8:

*Current assets to equity ratio* shows what share of own funds is in a mobile form which enables to manipulate them freely, increasing purchases by changing the range of products. It is considered that the optimal value of this indicator can be close to 0.5.

### **Profitability indicators.**

Profitability indicators are combined into the following groups:

- profitability indicator of assets, calculated as the ratio of the respective types of income to one or another group of assets;
- profitability indicator of financial sources of capital, defined as the ratio of respective types of profit to one or another group of liabilities.

1. It characterizes the profitability of assets (total, current, long-term) with respect to various types of income. The most frequently to evaluate the profitability of assets the information on net income is used.

**Profitability ratio of assets** is a ratio of net income to assets amount;

P.c.a.r	as of 01.01.17.	$1\,797\,130,0 / 13\,308\,494,4 = 0,14$
	as of 31.12.17.	$1\,268\,816,4 / 10\,563\,307,8 = 0,12$

*The ratio shows how much KZT of net profit is obtained for assets KZT. If the profitability of assets is less than the interest rate for long-term loans, the company can not be considered good.*

**Profitability ratio of current assets** is a ratio of net profit to current assets value:

P.c.a.r. as of 01.01.17. 1 797 130,0 / 9 753 831,3 = 0,18  
as of 31.12.17. 1 268 816,4 / 5 996 237,1 = 0,21

*The ratio shows how much KZT of net profit is obtained for current assets KZT – working assets.*

**Profitability ratio of long-term assets** is a ratio of net profit to long-term assets:

P.l.t.a.r as of 01.01.17. 1 797 130,0 / 3 554 663,1 = 0,51  
as of 31.12.17. 1 268 816,4 / 4 567 070,7 = 0,28

*The ratio shows how much KZT of net profit is obtained for noncurrent long-term assets KZT.*

2. It characterizes the degree of profitability of funds invested in the company.

**Profitability ratio of general investments** is a ratio of profit before issue of taxes and amount of paid interests of long-term liabilities to general investment – long-term liabilities and own equity:

P.r.g.i. as of 01.01.17.  $(2\,421\,732,2 + 0) / (7\,675\,302,1 + 0) = 0,3$   
as of 31.12.17.  $(1\,717\,003,4 + 0) / (8\,738\,040,1 + 81\,445,9) = 0,19$

*This ratio shows how efficiently the invested funds were used, what income the company receives on invested funds KZT. It indirectly characterizes the efficiency of invested assets management, experience, competence of management.*

**Profitability ratio of owner`s capital** is a ratio of profit before tax assessment to owner`s capital:

P.r.o.c. as of 01.01.17.  $2\,421\,732,2 / 7\,675\,302,1 = 0,32$   
as of 31.12.17.  $1\,717\,003,4 / 8\,738\,040,1 = 0,19$

*This ratio shows how efficiently the owner`s capital was used. It is especially important for shareholders, because it can have an impact on quotations of shares on the stock exchange.*

**Profit ratio for long-terms liabilities** is a ratio of profit before tax assessment to long-terms liabilities:

P.r.l.t.l. as of 01.01.17.  $2\,421\,732,2 / 0 = 0$   
as of 31.12.17.  $1\,717\,003,4 / 81\,445,9 = 21,08$

*This ratio indirectly shows possibilities of long-term loans repayment. It should be compared with percentage rates for credits.*

**Information on consolidated financial standing of  
“Montazhspetsstroy” JSC  
for the financial period of 2017.**

in thousand KZT

No.	Description	as of 01.01.17	as of 31.12.17	deviation
1	Authorized capital	78 531,6	78 531,6	0
2	Treasury stock	-4 355,4	0	+ 4 355,4
3	Reserves	4 389 083,8	4 318 714,5	- 70 369,3
4	Long-term liabilities	-	+ 81 445,9	+ 81 445,9
5	Current liabilities	5 633 192,3	1 743 821,8	- 3 889 370,5
6	Long-term assets	3 554 663,1	4 567 070,7	+ 1 012 407,6
7	Debit debt	5 858 182,7	2 649 724,1	- 3 208 458,6
8	Inventories	895 765,4	1 033 210,7	+ 137 445,3
9	Current income tax	486,7	11 607,2	+ 11 120,5
10	Other short-term assets	916 168,8	2 159 948,5	+ 1 243 779,7
11	Cash assets	2 083 227,7	141 746,6	- 1 941 481,1
12	Retained Profit (loss)	+ 3 212 042,1	+ 4 340 794,0	+ 1 128 751,9
<b>13</b>	<b>Balance sheets</b>	<b>13 308 494,4</b>	<b>10 563 307,8</b>	<b>- 2 745 186,6</b>

Based on the results of the audit review, as well as on the basis of financial statement reflecting true and fair view of the financial position of **JS Company “Montazhspetsstroy”**, the following can be concluded:

As of the end of financial period of 2017 the currency of balance sheet was 10 563 307,8 thousand KZT.

In the “capital” section, in the “authorized capital” subsection the amount as of 31.12.17 is 78 531,6 thousand KZT. Given the type of activity of Joint-Stock Company, which is associated with certain risks, “reserves” subsection was formed, as of 31.12.2017 the amount was 4 318 714,5 thousand KZT. “Retained Profit” as of the end of accounting period of 2017 was 4 340 794,0 thousand KZT, for accounting period was 1 268 816,4 thousand KZT.

Joint-Stock Company in finance period of 2017 forms “Long-term liabilities” section, “deferred taxes” sub-section which amounts 81 445,9 thousand KZT.

“Short-term liabilities” as of the end of financial period were 1 743 821,8 thousand KZT, formed by means of:

- short-term trade and other credit debt– 1 166 296,2 thousand KZT;
- short-term reserves – 216 617,6 thousand KZT;
- employee benefit – 481,7 thousand KZT;
- other short-term liabilities – 359 804,0 thousand KZT,
- other short-term financial liabilities – 622,3 thousand KZT.

“Long-term assets” as of 31.12.2017. were 4 567 070,7 thousand KZT, by means of:

- other long-term financial assets – 15 886,5 thousand KZT;
- long-term trade and other debit debt– 458 451,4 thousand KZT;
- fixed assets – 4 092 732,8 thousand KZT.

Short-term assets” as of the end of financial period of 2017 were – 5 996 237,1 thousand KZT, formed by means of:

- funds – 141 746,6 thousand KZT;
- short-term trade and other debit debt– 2 649 724,1 thousand KZT;
- current income tax – 11 607,2 thousand KZT;
- inventories – 1 033 210,7 thousand KZT;
- other short-term assets – 2 159 948,5 thousand KZT.

**The audit is conducted in accordance with audit regulation (standards) approved in the Republic of Kazakhstan.**

**Auditor:**

Qualifying certificate  
No. 10 d/d 28.02.1994.

**Auditor Assistant**

**V. P. Reshetina**

**T. A. Reshetina**

**Familiarized with results of Audit report:**

**President**

“Montazhspetsstroy” JSC

**Chief Accountant**

“Montazhspetsstroy” JSC

**T. K. Nazarov**

**L. P. Vertiyeva.**