MOORE STEPHENS

European Business Association of Kazakhstan (EUROBAK)

Financial statements

for the year ended 31 December 2018
prepared in accordance with IFRSs

Almaty 2019

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INDEPENDENT AUDITORS' REPORT

To: Owners of European Business Association of Kazakhstan (EUROBAK)

Opinion

We have audited the accompanying financial statements of European Business Association of Kazakhstan (EUROBAK) (hereinafter – the "Company" or "EUROBAK"), which comprise the statement of financial position as at 31 December 2018, and the statement of total comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other Matter

The financial statements of the Company for the year ended 31 December 2017, were audited by another auditor who expressed an unmodified opinion on those statements on 14 January 2019.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Approve

Vasily Nikitin
Certified auditor
Audit certificate №0000507 dated 8 February 2001
Managing partner
Moore Stephens Kazakhstan LLP
21 January 2020

Aidar Aitov
Audit partner

General licence No. 18021214 for audit activity issued 23 November 2018 by Ministry of Finance of the Republic of Kazakhstan

EUR	Note	2018	2017
Membership fees and sponsorship	3	160,027	163,836
General and administrative expenses	4	(154,863)	(163,258)
Other operating expenses		(429)	(345)
Foreign exchange gain		16,603	7,373
Profit before and taxation		**21,338**	**7,606**
Income tax expense	5	(5,314)	(2,428)
Profit for the year		**16,024**	**5,178**
Other comprehensive expense for the year – Items that will never be reclassified to profit or loss:			
Exchange differences on translation to presentation currency		(8,149)	(9,626)
Total comprehensive income (expense) for the year		**7,875**	**(4,448)**

These financial statements have been approved for issue on 21 January 2020 and signed on behalf of the Company's management by:

Mark Smith
Chairman

Oleg Khanin
Treasurer

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The notes on pages 5 to 14 are an integral part of these financial statements

EUROBAK
Statement of financial position
as at 31 December 2018

EUR	Note	2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	6	681	753
Intangible assets		2	3
		683	756
Current assets			
Advances paid and other current assets	7	1,627	4,540
Receivables from members	8	6,765	377
Cash	9	105,259	93,195
		113,651	98,112
TOTAL ASSETS		**114,334**	**98,868**
EQUITY AND LIABILITIES			
Equity and reserves			
Foreign currency translation reserve		(81,945)	(73,796)
Retained earnings		165,705	149,681
		83,760	75,885
Current liabilities			
Accounts payable	10	2,426	2,935
Payments received in advance		22,854	17,013
Income tax payable		4,918	2,247
Other payables		376	788
		30,574	22,983
TOTAL EQUITY AND LIABILITIES		**114,334**	**98,868**

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The notes on pages 5 to 14 are an integral part of these financial statements

EUR	Note	2018	2017
OPERATING ACTIVITIES			
Profit before taxation		21,338	7,606
Adjustments for:			
Depreciation and amortisation	4	552	336
Allowance for bad debts	4	1,547	–
Foreign exchange gain, net		(16,442)	(7,373)
Loss on disposal of intangible assets		–	103
Cash inflow from operating activities before changes in working capital		6,995	672
Decrease (increase) in advances paid and other current assets		1,360	(646)
(Increase) decrease in receivables from members		(7,159)	204
(Decrease) increase in accounts payable		(253)	5,875
Increase in advances received		8,032	8,814
Decrease in taxes payable		(365)	(8,196)
Cash flows from operations before income tax paid		8,610	6,723
Income tax paid		(2,201)	(71)
Net cash from operating activities		**6,409**	**6,652**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	6	(550)	(198)
Purchases of intangible assets		–	(23)
Net cash used in investing activities		**(550)**	**(221)**
Net increase in cash		5,859	6,431
Net foreign exchange difference		6,205	(4,113)
Cash at the beginning of the year		93,195	90,877
Cash at the end of the year	9	**105,259**	**93,195**

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The notes on pages 5 to 14 are an integral part of these financial statements

EUR	Foreign currency translation reserve	Retained earnings	Total
At 1 January 2017	**(64,170)**	**144,503**	**80,333**
Profit for the year	–	5,178	5,178
Other comprehensive expense for the year	(9,626)	–	(9,626)
At 31 December 2017	**(73,796)**	**149,681**	**75,885**
Profit for the year	–	16,024	16,024
Other comprehensive expense for the year	(8,149)	–	(8,149)
At 31 December 2018	**(81,945)**	**165,705**	**83,760**

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1. General information

(a) Organisation and operation

The Representative office of European Business Association of Kazakhstan (EUROBAK) (hereinafter – the "Company" or "EUROBAK") is a non-commercial organisation representing the European business community in Kazakhstan. It was formed upon the joint initiative of European Union companies, working and investing in Kazakhstan, and the Delegation of the European Union Commission. It plays a key role in promoting and nurturing mutual understanding between Kazakhstan and the countries of the European Union in both business and social spheres. At present, the Representative office of the Company membership includes the leading European companies and institutions doing business and based in Kazakhstan.

The Company was established in 1999 for various specific purposes. These purposes include: representing the views of European business in Kazakhstan through a strong collective voice, fostering European Union-Kazakhstan, or to those, who are considering doing business or investing in the country.

The Company's state registration certificate #0471981 is dated 9 February 2000, and issued by the Ministry of Justice of the Republic of Kazakhstan.

The legal address of European Business Association of Kazakhstan is Five Chancery Lane, Clifford's Inn. London, EC 4A1 BU. The legal address of the Company is 29/6 Satpayev str., Almaty, the Republic of Kazakhstan.

(b) Kazakhstan business environment

The Company's operations are primarily located in Kazakhstan. Consequently, the Company is exposed to country risk being the economic, political and social risks inherent in doing business in Kazakhstan. These risks include matters arising from the policies of the government, economic conditions, imposition or changes to taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights.

The financial statements include the management's estimates of Kazakhstan economic conditions and their impact on the results and financial position of the Company. Actual economic conditions can differ from those estimates.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter – "IFRSs") as issued by the International Accounting Standards Board (hereinafter – "IASB") and interpretations issued by the International Financial Reporting Interpretations Committee (hereinafter – "IFRIC") of the IASB.

(b) Going concern

These financial statements have been prepared on a going concern basis.

The management believes the Company's stable profitability, positive cash flows from operating activities and adequate working capital are sufficient to meet the Company's anticipated cash flow requirements. After making appropriate enquiries, the management has reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future. Accordingly, the Company continues to adopt the going concern basis of accounting in preparing the financial statements.

(c) Basis of accounting

The financial statements have been prepared on a historical cost basis.

(d) Functional and presentation currency

The national currency of the Republic of Kazakhstan is the Kazakhstan tenge (hereinafter – "tenge" or "KZT"), which is the functional currency of the Company. The Company prepares the financial statement EUR as a reporting currency for its presentation to investors and other interested parties. The financial statements of the Company are prepared in tenge and translated to Euro for presentational purposes as follows:

- assets and liabilities are translated (from KZT to EUR) at the closing exchange rate;
- income and expenses are translated at the average exchange rate for the year ended;
- capital transactions are translated using exchange rate at the date of transactions.

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2. Basis of preparation, continued

(e) Adoption of standards and interpretations

In preparing the financial statements, the Company has applied the following standards effective from 1 January 2018:

- IFRS 9 "Financial Instruments". The new standard has been applied retrospectively but did not impact the Company's accounting policies for the recognition and measurement of financial assets and liabilities. The standard outlines a new expected credit loss model, used to estimate the risk to the Company's financial assets. The impact of this model was evaluated and found to be immaterial, given the nature of the Company's financial assets and its credit risk management policies and procedures which control credit exposure and minimise the risk of loss.
- IFRS 15 "Revenue from Contracts with Customers". In applying the transition requirements and provisions of the new standard, the Company reviewed its contracts and assessed the nature of its performance obligations. Given the nature of the Company's operations the transition to the standard did not result in any classification or measurement adjustment or any restatement of comparative information.

The Company has not early adopted any standards, interpretations or amendments that were issued but are not yet effective.

(f) New standards and interpretations not yet adopted

A number of new standards and interpretations have not yet entered into force, and their requirements are not considered when preparing the financial statements:

- IFRS 16 "Leases". The standard was issued in January 2016 with an effective date of 1 January 2019. The standard specifies how an entity will recognise, measure, present and disclose leases for lessees. The new standard's approach to lessor accounting substantially unchanged. The Company leases its office premises under operating lease agreement and the adoption of the standard would change accounting treatment of the asset.
- IFRS 17 "Insurance Contracts". The standard was issued in May 2017 with an IASB effective date of 1 January 2021. IFRS 17 will replace IFRS 4 "Insurance Contracts" and applies to all types of insurance contracts (regardless of the type of entities that issue them), as well as to certain guarantees and financial instruments with discretionary participation features. This standard is not expected to have an impact on the financial position or performance of the Company.
- IFRIC 23 "Uncertainty over Income Tax Treatments": issued in June 2017 and effective from 1 January 2019. The interpretation provides additional guidance in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. This interpretation is not expected to have an impact on the financial position or performance of the Company.
- Improvements to IFRSs: There are a number of amendments to certain standards following the 2016-2018 annual improvements project. These changes are not expected to have an impact on the Company's financial statements.

(g) Use of estimates and judgments

The Company's management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRSs. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments made by the management for preparation of these financial statements is described in the following notes:

- Note 5 – Income tax expense. The management made estimates in relation to the level of taxes payable which may then be audited by the tax authorities and timing of realisation of temporary differences;
- Note 6 – Property, plant and equipment. Estimates were made in relation to the useful lives of assets;
- Note 7 – Advances paid and other current assets. The management made estimates in relation to the allowance for doubtful assets;
- Note 8 – Receivables from members. The management made estimates in relation to the allowance for expected credit losses;
- Note 11 – Financial risk management objectives and policies. Fair value analysis is based on estimated future cash flows and discount rates;
- Note 12 – Commitments and contingencies. These require the management to make estimates as to amounts payable and to determine the likelihood of cash outflows in the future.

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3. Membership fees and sponsorship

Membership fees and sponsorship comprise the following:

EUR	2018	2017
Membership fees	136,643	136,611
Sponsorship	23,384	27,225
	160,027	**163,836**

The accounting policies for the membership fees and expenses are explained in note 14(h).

4. Administrative expenses

Administrative expenses comprise the following:

EUR	2018	2017
Salaries and payroll taxes	86,323	90,264
Organisation of events	22,691	21,784
Office rent	17,714	19,548
Professional services	13,067	10,404
Business trips	3,029	5,107
Third party services	2,488	2,719
Allowance for doubtful debts	1,547	–
Communication services	1,500	2,453
Depreciation and amortisation	552	356
Other	5,952	10,623
	154,863	**163,258**

5. Income tax expense

Income tax expense comprises only current corporate income tax. A reconciliation of income tax expense applicable to accounting profit before tax at the statutory rate to income tax expense at the effective tax rate is as follows:

EUR	2018	2017
Profit before and taxation	**21,338**	**7,606**
Income tax rate	20%	20%
At statutory income tax rate	4,268	1,521
Non-taxable income	(31,948)	(32,767)
Less: corporate income tax expense of 20%	31,001	32,763
Corporate income tax expense	3,321	1,517
Taxable income	16,607	7,587
Less: corporate income tax expense of 20%	(3,321)	(1,517)
Base for accrual	13,286	6,070
At statutory income tax rate	15%	15%
Corporate income tax expense	1,993	911
Total corporate income tax expenses	**5,314**	**2,428**

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6. Property, plant and equipment

Property, plant and equipment comprises mainly computers and office furniture.

EUR	2018	2017
Cost		
At 1 January	4,621	5,014
Additions	550	198
Translation difference	(472)	(591)
At 31 December	4,699	4,621
Depreciation		
At 1 January	3,868	4,046
Depreciation charge	551	311
Translation difference	(401)	(489)
At 31 December	4,018	3,868
Net book value	**681**	**753**

7. Advances paid and other current assets

EUR	2018	2017
Advances paid for services	1,495	2,581
Prepaid expenses	474	1,170
Other	887	789
	2,856	4,540
Allowance for bad debts	(1,229)	–
	1,627	**4,540**

Movement in the allowance for doubtful debts is as follows:

EUR	2018	2017
At 1 January	–	–
Accrued	1,328	–
Translation difference	(99)	–
At 31 December	**1,229**	–

8. Receivables from members

EUR	2018	2017
Receivables from members	6,968	377
Allowance for expected credit losses	(203)	–
	6,765	**377**

Movement in the allowance for expected credit losses is as follows:

EUR	2018	2017
At 1 January	–	–
Accrued	219	–
Translation difference	(16)	–
At 31 December	**203**	–

9. Cash

EUR	2018	2017
Cash on current bank accounts in euro	54,552	51,802
Cash on current bank accounts in US dollars	48,707	36,102
Cash on current bank accounts in tenge	1,916	5,180
Cash on hand in tenge	84	111
	105,259	**93,195**

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10. Accounts payable

As at 31 December 2018 and 2017, accounts payable comprise payables for services to third parties in amount of EUR 2,426 and EUR 2,935, correspondingly.

11. Financial risk management objectives and policies

(a) Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

The management of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The management oversees compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

(b) Categories and fair values of financial assets and financial liabilities

Categories of financial assets and financial liabilities

The carrying amounts of financial assets and liabilities of the Company are as follows:

EUR	Note	2018	2017
Financial assets at amortised costs			
Receivables from members	8	6,765	377
Cash	9	105,259	93,195
		112,024	**93,572**
Financial liabilities at amortised cost			
Accounts payable	10	(2,426)	(2,935)
		(2,426)	**(2,935)**

Fair values

The fair values of each category of financial asset and liability are not materially different from their carrying values as presented.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises mainly from the Company's receivables members and cash.

The carrying value of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at 31 December was:

EUR	2018	2017
Receivables from members	6,765	377
Cash (less petty cash)	105,175	93,084
	111,940	**93,461**

Receivables from members

The Company's exposure to credit risk is influenced by the individual characteristics of each member. The Company regularly monitors its exposure to doubtful debts in order to minimise this exposure.

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11. Financial risk management objectives and policies, continued

The Company creates an allowance for impairment of the receivables, which represents its estimate of expected credit losses. The ageing of trade receivables at 31 December was:

EUR	Gross	Expected loss rate	Impairment
At 31 December 2018			
Not past due	3,163	0.4%	14
Past due 0-90 days	3,805	5.0%	189
	6,968	**2.9%**	**203**
At 31 December 2017			
Not past due	–	0.0%	–
Past due 0-90 days	377	0.0%	–
	377	**0.0%**	**–**

Cash

Credit risk related to cash is monitored by the management in accordance with the policies of the Company. Free funds are held with the banks in Kazakhstan with ratings of Standard & Poor's "B". The purpose of this policy is to reduce concentration of credit risk and minimise possible financial loss due to banks' failure to meet their contractual obligations.

(d) Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring continuity of funding and flexibility through the use of loans and purchases on credit.

Maturity of accounts payable is less than 3 months.

(e) Price risk

In accordance with IFRS 7, the impact of prices for services has been determined based on the balances of financial assets and liabilities as at 31 December 2018. This sensitivity does not represent profit or loss impact that would be expected from a movement in prices for services over the course of a period of time. In addition, the analysis assumes that all other variables remain constant. A 10% increase (decrease) in prices for services after the year end would not have an impact on profit after tax (2017: nil).

(f) Interest rate risk

The Company is not exposed to interest rate risk as at the reporting dates there are no financial instruments with floating interest rates.

(g) Currency risk

The Company is subject to currency risk exposure when performing transactions in currencies other than its functional currency.

The Company's exposure to foreign currency risk was as follows based on estimated (nominal) amounts:

EUR	KZT	USD	EUR	Total
2018				
Receivables from members	6,039	–	726	6,765
Cash	1,999	48,707	54,553	105,259
Accounts payable	(2,426)	–	–	(2,426)
	5,612	48,707	55,279	109,598
2017				
Receivables from members	377	–	–	377
Cash	5,291	36,102	51,802	93,195
Accounts payable	(2,935)	–	–	(2,935)
	2,733	36,102	51,802	90,637

Financial instruments denominated in tenge are not exposed to foreign currency risk and are provided for reconciliation of total amounts.

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11. Financial risk management objectives and policies, continued

Sensitivity analysis

A 10% weakening of tenge against the following currencies as at 31 December would have increased total loss by the amounts shown below. This analysis assumes that all other variables remain constant.

EUR	2018	2017
US dollar	4,871	3,610
Euro	5,528	5,180

A 10% strengthening of tenge against the above currencies as at 31 December would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

12. Commitments and contingencies

(a) Kazakhstan's taxation contingencies

Inherent uncertainties in interpreting tax legislation

The Company is subject to uncertainties relating to the determination of its tax liabilities. Kazakhstan tax legislation and practice are in a state of continuous development and, therefore, are subject to varying interpretations and changes which may be applied retrospectively.

The management interpretations of such legislation in applying it to business transactions of the Company may be challenged by the relevant tax authorities and, as a result, the Company may be claimed for additional tax payments, including fines, penalties and interest charges that could have a material adverse effect on the Company's financial position and results of operations.

Period for additional tax assessments

The tax authorities are able to raise additional tax assessments for five years after the end of the relevant tax period concerning all taxes. In certain cases, as determined by the tax legislation, the terms could be extended for three years.

Possible additional tax liabilities

The management believes that the Company is in compliance with the tax laws and any contractual terms entered into that relate to tax which affect its operations and that, consequently, no additional tax liabilities will arise. However, due to the reasons set out above, the risk remains that the relevant tax authorities may take a differing position with regard to the interpretation of contractual provisions or tax law.

The resulting effect of this matter is that additional tax liabilities may arise. However, due to the range of uncertainties described above in assessing any potential additional tax liabilities, it is not practicable for the management to estimate the financial effect in terms of the amount of additional tax liabilities, if any, together with any associated penalties and charges for which the Company may be liable.

(b) Insurance

The insurance industry in Kazakhstan is in a developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. Available insurance programs may not provide full coverage in the event of a major loss.

(c) Legal commitments

In the ordinary course of business, the Company is subject to legal actions and complaints. The management believes that the ultimate liability, if any, arising from such actions or complaints will not have a materially adverse effect on the financial condition or results of operations of the Company. As at 31 December 2017, the Company was not involved in any significant legal proceedings.

13. Related party disclosures

(a) Management remuneration

Rewards received by key executives are included in personnel costs of general and administrative expenses (see note 4) amounted to EUR 43,085 (2017: EUR 57,365).

(b) Terms and conditions of transaction with related parties

Related party transactions were made on terms agreed between the parties, which are not necessarily carried out on arm's length. Outstanding balances at year end are unsecured, are interest free, and the disbursements are made in cash.

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14. Significant accounting policies

The following significant accounting policies have been consistently applied in the preparation of the financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange ruling rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate ruling at the date when their fair value was determined. Foreign currency differences arising on retranslation at the exchange rate on the date of the transaction as well as those from retranslation of monetary assets and liabilities at the reporting date are recognised in profit or loss.

The following exchange rates were used in preparing the financial statements:

	2018		2017	
	Year-end	Average	Year-end	Average
US dollar	384.20	344.71	332.33	326.00
Euro	439.37	406.66	398.23	368.32

(b) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Any gain (loss) on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income (other expenses) in profit or loss.

Depreciation

Depreciation of property, plant and equipment, which have expected useful lives of 3 to 5 years, is computed under the straight-line method over the estimated useful lives of the assets. Useful lives and residual values of property, plant and equipment are analysed at each reporting date.

(c) Impairment

The carrying amounts of non-current assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset-by-asset basis, except where such assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash generating unit level.

If the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount, a provision is recorded to reflect the asset or cash-generating unit at the lower amount. Impairment losses are recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The Company's cash-generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversals of impairment

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

TRANSLATED

14. Significant accounting policies, continued

(e) Receivables from members

Receivables from members are normally recognised at their nominal value less any expected credit loss and do not generally carry any interest.

At the end of each reporting period the Company assesses whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (hereinafter – "loss event") and that loss event had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding expected credit losses) discounted at the financial asset's effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(f) Provisions

Provisions are accounted for when the Company has a legal or constructive obligation for which it is probable there will be an outflow of resources and for which the amount can be reliably estimated.

(g) Retirement employee benefits

The Company does not have any pension arrangements separate from the state pension system of the Republic of Kazakhstan, which requires current contributions by the employer and employee calculated as a percentage of current gross salary payments.

(h) Revenues and expenses

Revenues are recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenues are measured at the fair value of the consideration received or receivable. When the fair value of consideration received cannot be measured reliably, revenues are measured at the fair value of the goods or services given up.

Membership fees and sponsorship

Membership fees and sponsorship are recognised as income when they become due.

Expenses

Expenses are accounted for at the time the actual flow of the related services occur, regardless of when cash or its equivalent is paid, and are reported in the financial statements in the period to which they relate.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(j) Taxation

In accordance with the General Provision of EUROBAK, the Company is a non-commercial and non-profit organisation and as a result is not subject to income tax in accordance with the Tax Code of the Republic of Kazakhstan. Income may occur due to other income of the Company which is not associated with the non-commercial operations. The Company is also taxed at 15% rate of net income from activities in the territory of the Republic of Kazakhstan through permanent establishment.

(k) Financial instruments

Recognition

The Company recognises financial assets and liabilities on its balance sheet when it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

TRANSLATED

14. Significant accounting policies, continued

Measurement

When financial assets and liabilities are initially recognised, they are measured at fair value being the consideration given or received plus directly attributable transaction costs. Any gain or loss at initial recognition is recognised in profit or loss, except for the loans receivable from (payable to) owners, gains or losses at initial recognition of which are recognised directly in equity. Subsequent to initial recognition, the loans receivable from owners are measured at amortised cost using the effective interest method.

In determining the estimated fair value, investments are valued at the quoted market prices of the purchase on the transaction date. In the absence of quoted prices in active market investments, fair value is determined using quoted market prices for similar instruments traded.

Derecognition

A financial asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is settled.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on a financial asset that is measured at amortised cost at an amount equal to 12-month expected credit losses. For trade receivables the Company measures the loss allowance at an amount equal to lifetime expected credit losses. At each reporting date, the Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

15. Events after the balance sheet date

Events occurred after the end of the year, which provide additional information about the position of the Company as at the date of the statement of financial position (adjusting events) are reflected in the financial statements.

Events occurred after the end of the year are not adjusting events are disclosed in notes if they are significant.

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