

**KazTransOil JSC**

**Consolidated financial statements**

*For the year ended 31 December 2019  
with the independent auditor's report*



**CONTENTS**

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Independent auditor's report

**Consolidated financial statements**

Consolidated statement of financial position.....	1-2
Consolidated statement of comprehensive income.....	3-4
Consolidated statement of cash flows.....	5-6
Consolidated statement of changes in equity.....	7
Notes to the consolidated financial statements.....	8-69



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## Independent auditor's report

To the Shareholders and board of directors of KazTransOil JSC

### **Opinion**

We have audited the consolidated financial statements of KazTransOil JSC and its subsidiaries (hereinafter, the Group), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<b>Fair value of property, plant and equipment</b>	
<p>The Group assessed fair value of its property, plant and equipment as of 31 July 2019. The Group has property, plant and equipment in Kazakhstan and in Georgia. Property, plant and equipment located in Kazakhstan and in Georgia makes up a significant portion of total assets of the Group as at 31 December 2019.</p> <p>Due to high level of subjectivity in respect of assumptions underlying the assessment of the fair value of property, plant and equipment, we believe that this matter is of the most significance in our audit. The Group uses independent external appraisers in the process of valuation.</p> <p>The fair value of the Group's assets in Kazakhstan was appraised using the income approach for specialized assets and the market approach for non-specialized assets.</p> <p>Significant assumptions used in calculating the fair value included future transportation volumes, tariffs, discount rate and long-term growth rate.</p> <p>The assets in Georgia were divided into two groups for revaluation purposes: the "Batumi Sea Port" (BSP) and the "Batumi Oil Terminal" (BOT).</p> <p>Fair value of all BOT's assets and BSP's non-specialized assets was determined using market approach. Fair value of specialized BSP's assets has been determined using income approach.</p> <p>Significant assumptions used in calculating the fair value of BSP included expected volume of transshipment services provided, tariffs, start of transshipment of additional volumes of carbide from 2020, the amount of capital and operating expenditures, discount rate and long-term growth rate.</p>	<p>We overviewed the Group's valuation process and assessed the independence and expertise of the external appraisers.</p> <p>For the assets revalued using the income approach we compared input data used by the independent external appraisers with the Group's business plans. We assessed underlying assumptions and compared them with historical data. We engaged our internal valuation specialists to assess the valuation methods applied.</p> <p>We compared data used in discount rate and long-term growth rate calculations with available external information and checked arithmetical accuracy of these calculations.</p> <p>For the assets, revalued using indexation, we assessed calculation of indexes and compared indexes used in calculation of fair value to available external data.</p> <p>For the assets, revalued using direct cost approach, we compared major inputs (technical characteristics of assets (length, width, volume, etc.), cost of materials, cost of construction works, labor input coefficients) to the Group's internal technical documentation.</p> <p>For the assets, revalued using market approach we compared inputs with available market data for similar items.</p> <p>We checked mathematical accuracy of the fair value calculations.</p> <p>We analyzed the disclosures made in the financial statements about the revaluation of property, plant and equipment.</p>

Information about property, plant and equipment is disclosed in Note 6 to the consolidated financial statements; a description of the accounting policy and key judgements and estimates is included in Notes 4 and 5 to the consolidated financial statements.	
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***Other Information included in the Group's 2019 Annual report***

Other information consists of the information included in the Group's 2019 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Responsibilities of management and the committee on internal audit of the board of directors for the consolidated financial statements***

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations or has no realistic alternative but to do so.

The committee on internal audit of the board of directors is responsible for overseeing the Group's financial reporting process.

***Auditor's responsibilities for the audit of the consolidated financial statements***

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

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

- ▶ Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the committee on internal audit of the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The partner in charge of the audit resulting in this independent auditor's report is Gulmira Turmagambetova.

*Ernst & Young LLP*



Gulmira Turmagambetova 0374  
Auditor / General Director  
Ernst & Young LLP

Auditor Qualification Certificate  
No. 0000374 dated 21 February 1998

050060, Republic of Kazakhstan, Almaty  
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16 March 2020



State Audit License for audit activities on  
the territory of the Republic of Kazakhstan:  
series MFOY-2 No. 0000003 issued by the  
Ministry of Finance of the Republic of  
Kazakhstan on 15 July 2005

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	734,421,997	671,773,612
Right-of-use assets	7	3,902,044	–
Intangible assets	8	7,728,097	6,891,299
Investments in joint ventures	9	55,015,339	30,001,323
Advances to suppliers for property, plant and equipment	10	898,475	110,135
VAT recoverable	14	1,958,523	–
Long-term accounts receivable	12	1,128,626	82,987
Bank deposits	16	2,139,767	2,778,076
Investments in bonds	19	919,511	828,437
Other non-current assets		11,866	12,585
		<b>808,124,245</b>	<b>712,478,454</b>
<b>Current assets</b>			
Inventories	11	6,278,501	5,130,498
Trade and other accounts receivable	12	5,858,238	5,627,598
Advances to suppliers	13	1,258,565	744,873
Prepayment for income tax		1,823,885	961,849
VAT recoverable and other prepaid taxes	14	7,121,095	9,504,898
Other current assets	15	6,859,636	7,883,154
Bank deposits	16	45,960,400	25,424,203
Cash and cash equivalents	17	28,649,091	33,278,843
		<b>103,809,411</b>	<b>88,555,916</b>
Non-current assets held for sale	18	879,814	2,406,231
		<b>104,689,225</b>	<b>90,962,147</b>
<b>Total assets</b>		<b>912,813,470</b>	<b>803,440,601</b>

*The accounting policy and explanatory notes on pages 8 through 69 form an integral part of these consolidated financial statements.*



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

<i>In thousands of Tenge</i>	Notes	31 December 2019	31 December 2018
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	20	61,937,567	61,937,567
Treasury shares repurchased from shareholders	20	(9,549)	(9,549)
Asset revaluation reserve	20	299,585,499	243,588,977
Foreign currency translation reserve	20	37,737,309	39,572,764
Other capital reserves	20	(1,893,432)	(72,146)
Retained earnings		305,621,572	280,398,586
<b>Total equity</b>		<b>702,978,966</b>	<b>625,416,199</b>
<b>Non-current liabilities</b>			
Employee benefit obligations	21	15,756,306	12,940,911
Deferred tax liabilities	36	80,564,703	67,394,342
Provision for asset retirement and land recultivation obligation	27	27,780,887	21,109,397
Deferred income	22	8,141,994	8,423,897
Lease liabilities	24	2,891,445	–
		<b>135,135,335</b>	<b>109,868,547</b>
<b>Current liabilities</b>			
Employee benefit obligations	21	658,941	663,463
Income tax payable		1,187,559	1,348,926
Trade and other accounts payable	23	15,183,124	12,957,514
Lease liabilities	24	1,912,220	–
Advances received	25	18,478,982	20,660,210
Other taxes payable	26	5,697,566	6,056,874
Provisions	27	306,553	1,635,604
Liability on a contribution to charter capital of a joint venture	9	5,000,000	–
Other current liabilities	28	26,274,224	24,833,264
		<b>74,699,169</b>	<b>68,155,855</b>
<b>Total liabilities</b>		<b>209,834,504</b>	<b>178,024,402</b>
<b>Total equity and liabilities</b>		<b>912,813,470</b>	<b>803,440,601</b>
<b>Book value per ordinary share (in Tenge)</b>	20	<b>1,808</b>	<b>1,608</b>

Signed and approved for issue on 16 March 2020.

Acting General Director (Chairman of the Management Board)



*[Signature]*  
Arynov S.A.

Chief Accountant

*[Signature]*  
Sarmagambetova M.K.

*The accounting policy and explanatory notes on pages 8 through 69 form an integral part of these consolidated financial statements.*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>For the year ended 31 December</b>	
		<b>2019</b>	<b>2018</b>
Revenue	29	<b>239,625,950</b>	225,399,570
Cost of sales	30	<b>(159,871,851)</b>	(152,393,686)
<b>Gross profit</b>		<b>79,754,099</b>	73,005,884
General and administrative expenses	31	<b>(17,878,396)</b>	(16,871,021)
Other operating income	32	<b>1,558,451</b>	1,112,840
Other operating expenses	33	<b>(3,706,953)</b>	(3,150,563)
Impairment of property, plant and equipment and intangible assets, net	6, 8	<b>(13,185,067)</b>	(2,649,261)
<b>Operating profit</b>		<b>46,542,134</b>	51,447,879
Net foreign exchange gain, net		<b>103,827</b>	2,594,699
Finance income	34	<b>2,675,477</b>	2,820,024
Finance costs	35	<b>(3,884,190)</b>	(2,590,261)
Share in income/(loss) of joint ventures	9	<b>13,638,401</b>	(2,075,937)
<b>Profit before income tax</b>		<b>59,075,649</b>	52,196,404
Income tax expense	36	<b>(13,954,211)</b>	(13,711,421)
<b>Net profit for the year</b>		<b>45,121,438</b>	38,484,983
<b>Earnings per share (in Tenge)</b>	20	<b>117</b>	100

*The accounting policy and explanatory notes on pages 8 through 69 form an integral part of these consolidated financial statements.*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)**

<i>In thousands of Tenge</i>	Notes	For the year ended 31 December	
		2019	2018
<b>Other comprehensive income</b>			
<i>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods</i>			
Exchange difference from translation of foreign operations of the Group		(1,835,455)	6,504,534
<b>Total other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods</b>		<b>(1,835,455)</b>	<b>6,504,534</b>
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>			
<i>Revaluation and impairment of property, plant and equipment of the Group, net</i>			
Revaluation and impairment of property, plant and equipment of the Group, net	6	91,146,458	55,421,707
Income tax effect	36	(18,231,513)	(11,494,525)
		<b>72,914,945</b>	<b>43,927,182</b>
<i>Charge of provision for asset retirement and land reclamation obligation of the Group</i>			
Charge of provision for asset retirement and land reclamation obligation of the Group	27	(3,334,156)	(3,102,220)
Income tax effect	36	666,831	620,445
		<b>(2,667,325)</b>	<b>(2,481,775)</b>
<i>Revaluation of property, plant and equipment of joint ventures</i>			
Revaluation of property, plant and equipment of joint ventures		9,005,755	433,192
Income tax effect		(1,801,151)	(86,638)
	9	<b>7,204,604</b>	<b>346,554</b>
<i>Charge of provision for asset retirement and land reclamation obligation of joint ventures</i>			
Charge of provision for asset retirement and land reclamation obligation of joint ventures		(662,878)	(3,195)
Income tax effect		132,576	638
	9	<b>(530,302)</b>	<b>(2,557)</b>
<i>Actuarial (loss)/gain from employee benefit obligations of the Group</i>			
Actuarial (loss)/gain from employee benefit obligations of the Group	21	(1,872,560)	688,653
Income tax effect	36	51,467	(137,731)
		<b>(1,821,093)</b>	<b>550,922</b>
<i>Actuarial (loss)/gain from employee benefit obligations of joint venture</i>			
Actuarial (loss)/gain from employee benefit obligations of joint venture		(242)	434
Income tax effect		49	(87)
	9	<b>(193)</b>	<b>347</b>
<b>Total other comprehensive income not to be reclassified to profit or loss in subsequent periods, net</b>		<b>75,100,636</b>	<b>42,340,673</b>
<b>Total other comprehensive income for the year, net of tax</b>		<b>73,265,181</b>	<b>48,845,207</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>118,386,619</b>	<b>87,330,190</b>

Signed and approved for issue on 16 March 2020.

Acting General Director (Chairman of the Management Board)



*[Signature]*  
Arynov S.A.

Chief Accountant

*[Signature]*  
Sarmagambetova M.K.

The accounting policy and explanatory notes on pages 8 through 69 form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>In thousands of Tenge</i>	Notes	For the year ended 31 December	
		2019	2018
<b>Cash flows from operating activities</b>			
Profit before income tax		59,075,649	52,196,404
<b>Non-cash adjustment to reconcile profit before tax to net cash flows</b>			
Depreciation and amortization	30, 31	53,890,388	52,409,550
Share in (income)/loss of joint ventures	9	(13,638,401)	2,075,937
Impairment of property, plant and equipment and intangible assets, net	6, 8	13,185,067	2,649,261
Finance costs	35	3,884,190	2,590,261
Finance income	34	(2,675,477)	(2,820,024)
Reversal and revision of estimates on provision on asset retirement and land recultivation obligation, net	33	1,445,338	1,162,914
Write – off of VAT recoverable	31,33	964,398	346,556
Impairment of non-current assets held for sale	33	960,743	283,956
Employee benefit obligations, current and past services costs	30, 31	352,387	568,282
Charge of other current provisions, net	31,33	224,398	1,293,697
Charge of expected credit losses, net	31	206,260	774,844
Charge of provision for obsolete inventories	31	201,231	11,562
Expenses on liquidation of idle production facilities	33	134,212	106,084
Net foreign exchange gain		(103,827)	(2,594,699)
Actuarial loss/(gain)	32, 33	77,964	(70,352)
Income on recognition of inventories	32	(74,338)	(3,454)
Loss on disposal of property, plant and equipment and intangible assets, net	33	73,809	1,228,319
Gain on disposal of non-current assets held for sale, net	32	(34,624)	(254,756)
Others		(39,611)	(41,345)
<b>Operating cash flows before working capital changes</b>		<b>118,109,756</b>	<b>111,912,997</b>
<b>(Increase)/decrease in operating assets</b>			
Inventories		(2,270,498)	(1,482,723)
Trade and other accounts receivable		(306,580)	318,366
Advances to suppliers		(514,466)	(214,002)
VAT recoverable and other prepaid taxes		(319,360)	(1,291,167)
Other current assets		876,057	(1,999,423)
<b>Increase/(decrease) in operating liabilities</b>			
Trade and other accounts payable		(664,295)	1,656,515
Advances received		(2,180,689)	2,431,124
Other taxes payable		(609,939)	(680,487)
Other current and non-current liabilities and employee benefit obligations		(1,014,508)	1,249,592
<b>Cash generated from operating activities</b>		<b>111,105,478</b>	<b>111,900,792</b>
Income taxes paid		(18,777,492)	(17,364,973)
Interest received		2,035,120	2,917,095
<b>Net cash flows from operating activities</b>		<b>94,363,106</b>	<b>97,452,914</b>

*The accounting policy and explanatory notes on pages 8 through 69 form an integral part of these consolidated financial statements.*

**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

<i>In thousands of Tenge</i>	Notes	For the year ended 31 December	
		2019	2018
<b>Cash flows from investing activities</b>			
Withdrawal of bank deposits		58,141,587	33,037,782
Proceeds from disposal of property, plant and equipment and non-current assets held for sale		1,929,361	5,491,706
Proceeds from bonds redemption	19	74,177	43,457
Placement of bank deposits		(78,395,261)	(27,090,320)
Purchase of property, plant and equipment		(38,955,906)	(56,309,790)
Contribution to charter capital of a joint venture	9	(100,000)	–
Purchase of intangible assets		(30,366)	(27,164)
<b>Net cash flows used in investing activities</b>		<b>(57,336,408)</b>	<b>(44,854,329)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	20	(40,001,322)	(61,540,496)
Payment of lease liabilities	24	(1,851,566)	–
<b>Net cash flows used in financing activities</b>		<b>(41,852,888)</b>	<b>(61,540,496)</b>
<b>Net change in cash and cash equivalents</b>		<b>(4,826,190)</b>	<b>(8,941,911)</b>
Net foreign exchange difference		207,858	1,367,345
Change in allowance for expected credit losses	17	(11,420)	(17,118)
Cash and cash equivalents at the beginning of the year		33,278,843	40,870,527
<b>Cash and cash equivalents at the end of the year</b>	17	<b>28,649,091</b>	<b>33,278,843</b>

Signed and approved for issue on 16 March 2020.

Acting General Director (Chairman of the Management Board)



*Arynov S.A.*

Chief Accountant

*Sarmagambelova M.K.*

*The accounting policy and explanatory notes on pages 8 through 69 form an integral part of these consolidated financial statements.*

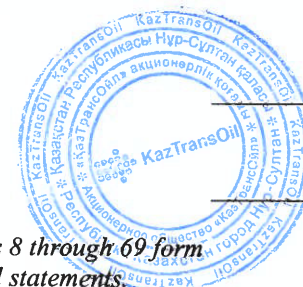
## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In thousands of Tenge</i>	Share capital	Treasury shares repurchased from shareholders	Asset revaluation reserve	Foreign currency translation reserve	Other capital reserves	Retained earnings	Total
<b>As at 31 December 2018</b>	61,937,567	(9,549)	243,588,977	39,572,764	(72,146)	280,398,586	625,416,199
Changes in accounting policy (Note 4)	-	-	-	-	-	(822,530)	(822,530)
<b>As at 1 January 2019 (restated)</b>	<b>61,937,567</b>	<b>(9,549)</b>	<b>243,588,977</b>	<b>39,572,764</b>	<b>(72,146)</b>	<b>279,576,056</b>	<b>624,593,669</b>
Net profit for the year	-	-	-	-	-	45,121,438	45,121,438
Other comprehensive income/(loss)	-	-	76,921,922	(1,835,455)	(1,821,286)	-	73,265,181
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>-</b>	<b>76,921,922</b>	<b>(1,835,455)</b>	<b>(1,821,286)</b>	<b>45,121,438</b>	<b>118,386,619</b>
Amortization of revaluation reserve for revalued property, plant and equipment	-	-	(20,925,400)	-	-	20,925,400	-
Dividends (Note 20)	-	-	-	-	-	(40,001,322)	(40,001,322)
<b>As at 31 December 2019</b>	<b>61,937,567</b>	<b>(9,549)</b>	<b>299,585,499</b>	<b>37,737,309</b>	<b>(1,893,432)</b>	<b>305,621,572</b>	<b>702,978,966</b>
<b>As at 31 December 2017</b>	61,937,567	(9,549)	226,395,595	33,068,230	(623,415)	278,922,619	599,691,047
Changes in accounting policy (Notes 9, 12, 16 and 17)	-	-	-	-	-	(64,542)	(64,542)
<b>As at 1 January 2018 (restated)</b>	<b>61,937,567</b>	<b>(9,549)</b>	<b>226,395,595</b>	<b>33,068,230</b>	<b>(623,415)</b>	<b>278,858,077</b>	<b>599,626,505</b>
Net profit for the year	-	-	-	-	-	38,484,983	38,484,983
Other comprehensive income	-	-	41,789,404	6,504,534	551,269	-	48,845,207
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>41,789,404</b>	<b>6,504,534</b>	<b>551,269</b>	<b>38,484,983</b>	<b>87,330,190</b>
Amortization of revaluation reserve for revalued property, plant and equipment	-	-	(24,596,022)	-	-	24,596,022	-
Dividends (Note 20)	-	-	-	-	-	(61,540,496)	(61,540,496)
<b>As at 31 December 2018</b>	<b>61,937,567</b>	<b>(9,549)</b>	<b>243,588,977</b>	<b>39,572,764</b>	<b>(72,146)</b>	<b>280,398,586</b>	<b>625,416,199</b>

Signed and approved for issue on 16 March 2020.

Acting General Director (Chairman of the Management Board)

Chief Accountant



*(Signature)*  
Arynov S.A.

*(Signature)*  
Sarmagambetova M.K.

*The accounting policy and explanatory notes on pages 8 through 69 form an integral part of these consolidated financial statements.*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 1. GENERAL

On 2 May 2001, the Government of the Republic of Kazakhstan issued a resolution to create a new closed joint stock company National Company "Transportation of Oil and Gas" (hereinafter – "TNG") owned by the Government. Based on that resolution, the Committee for State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan transferred the "KazTransOil" CJSC NOTC shares to TNG, and, as a result, "KazTransOil" CJSC NOTC was re-registered and renamed as "KazTransOil" CJSC.

Under Decree of the President of the Republic of Kazakhstan dated on 20 February 2002, on the basis of closed joint-stock companies, National Oil and Gas Company "Kazakhoil" and National Company "Transport of Oil and Gas", reorganized by merger, the National Company "KazMunayGas" Closed Joint-Stock Company was created and became the sole shareholder of "KazTransOil" CJSC.

On 31 May 2004 in accordance with the requirements of Kazakhstani legislation, "KazTransOil" CJSC was re-registered as "KazTransOil" JSC (hereinafter – "Company").

As at 31 December 2019 10% of shares of the Company are owned by minority shareholders who acquired them within the "People's IPO" program. The major shareholder of the Company, who owns the controlling interest of the Company (90%) is National Company "KazMunayGas" JSC (hereinafter "KMG" or "Parent Company"). 90% of KMG shares are owned by Sovereign Wealth Fund "Samruk-Kazyna" JSC (hereinafter – "Samruk-Kazyna"), controlled by the Government of the Republic of Kazakhstan. 10% of KMG shares are owned by the National Bank of the Republic of Kazakhstan.

As at 31 December 2019 and 2018 the Company had ownership interest in the following companies:

	Place of incorporation	Principal activities	Ownership	
			31 December 2019	31 December 2018
"MunaiTas" LLP (hereinafter – "MunaiTas")	Kazakhstan	Oil transportation	51%	51%
"Kazakhstan-China Pipeline" LLP (hereinafter – "KCP")	Kazakhstan	Oil transportation	50%	50%
"Batumi Oil Terminal" (hereinafter – "BOT")*	Georgia	Forwarding, transshipment and storage of oil and oil products and operating of Batumi Sea Port	100%	100%
"Petrotrans Limited" (hereinafter – "PTL")**	United Arab Emirates	Forwarding of oil and oil products	100%	100%
"Main Waterline " LLP (hereinafter – Main Waterline)	Kazakhstan	Water transportation	100%	100%

\* BOT has the exclusive right to manage 100% of the shares of "Batumi Sea Port" LLC (hereinafter – "BSP").

\*\* PTL has a branch operating in Republic of Kazakhstan, Nur-Sultan.

The Company and its subsidiaries are hereinafter referred to as the "Group".

The Company's head office is located in Nur-Sultan, Kazakhstan, at 20 Turan Avenue.

The Company has production facilities, which are located in Mangystau, Atyrau, Western-Kazakhstan, Aktubinsk, Karaganda, Pavlodar, Turkestan, North – Kazakhstan regions of the Republic of Kazakhstan and in Shymkent, also the Company has a branch, which is located in Almaty (Research and Development Centre) and representative offices in Russian Federation (Moscow, Omsk and Samara).

The Company is the national operator of the Republic of Kazakhstan on the main oil pipeline. The Group operates network of main oil pipelines of 5,378 km and water pipelines of 1,945 km. The company provides services on oil transportation via main pipelines, a transport expedition of Kazakhstani oil via pipeline networks of other states, services for the operation and maintenance of oil pipelines of other companies, including joint ventures of the Group. Group's joint ventures MunaiTas and KCP own Kenkiyak-Atyrau, Kenkiyak-Kumkol, and Atasu-Alashankou pipelines mainly used for transportation of Kazakhstani crude oil, and also for transit of Russian oil to China.

The Company is a natural monopolist and, respectively, is subject to regulation of the Committee on Regulation of Natural Monopolies, Protection of Competition and Consumer rights of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter – "CRNM" or "CRNMPCandCR"). CRNM is responsible for approving the methodology for calculating the tariff and tariff rates for oil transportation in domestic market of the Republic of Kazakhstan.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**1. GENERAL (continued)**

According to the Law of the Republic of Kazakhstan *On Natural Monopolies* transit of crude oil through the pipelines on the territory of the Republic of Kazakhstan and export from the Republic of Kazakhstan are excluded from the regulation of natural monopolies.

In accordance to order of CRNMPCandCR the maximum tariff for pumping oil on the domestic market for 2019 is 4,721.72 Tenge per ton for 1,000 kilometers without VAT. Starting from 1 September 2019, CRNM set a temporary compensating tariff in the amount of 4,716.62 Tenge per ton for 1,000 kilometers without VAT.

Starting from 1 April 2018 tariffs for pumping oil on export from the Republic of Kazakhstan equals to 6,398.92 Tenge per ton for 1,000 kilometers without VAT.

Tariff for pumping oil for transit through Kazakhstani part of main oil pipeline "Tuymazy-Omsk-Novosibirsk-2" starting from 1 April 2018 is 4,292.40 Tenge per ton for 1,000 kilometers.

Tariff for transportation of Russian oil through the territory of Kazakhstan to the People's Republic of China on the route border of Russian Federation-border of Republic of Kazakhstan (Priirtyshsk)-Atasu (Republic of Kazakhstan) – Alashankou (People's Republic of China) is 4.23 US Dollars per ton (in Priirtyshsk-Atasu sector) (in 2018: 3.11 US Dollars per ton).

In general, tariff rates are based on the cost of capital return on operating assets. In accordance with the legislation of the Republic of Kazakhstan on regulation of natural monopolies, tariff rates cannot be lower than the expenditures required to provide services, and should provide for entity's profitability at the level ensuring effective functioning of a natural monopoly.

These consolidated financial statements for the year ended 31 December 2019 were approved by Internal Audit Committee of the Company's Board of Directors and signed by the Acting General Director (Chairman of the Management Board) and the Chief Accountant on 16 March 2020.

**2. BASIS OF PREPARATION**

The consolidated financial statements of the Group (hereinafter – "the consolidated financial statements") have been prepared in accordance with International Financial Reporting Standards (hereinafter – "IFRS") as issued by the International Accounting Standards Board (hereinafter – "IASB").

The consolidated financial statements have been prepared on a historical cost basis, except for property, plant and equipment, which are stated at revalued amounts, and other items described in the accounting policies and notes to the consolidated financial statements.

The consolidated financial statements are presented in Tenge and all amounts are rounded to the nearest thousands, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

**3. BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****3. BASIS OF CONSOLIDATION (continued)**

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****4.1 Interest in a joint venture**

The Group has interests in joint operations in the form of joint ventures.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Factors considered in determining joint control are similar to the factors considered in determining the existence of control of subsidiaries.

The Group's investment in its joint ventures is accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The Group's share of profit or loss of a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax of the joint venture.

Financial statements of joint ventures are prepared for the same reporting period as for the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on own investments in its joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investment in a joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in consolidated statement of comprehensive income under "Share in profit or loss of joint ventures".

Upon loss of significant influence over the joint control over the joint ventures, the Group measures and recognises its remaining investment at its fair value. Any differences between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in statement of comprehensive income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.2 Foreign currency translation**

The Group's consolidated financial statements are presented in Tenge. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Functional currency of the Company, Main Waterline and the joint ventures MunaiTas and KCP is Tenge. Functional currency of PTL and BOT is US Dollar, functional currency of BSP is Georgian Lari.

*Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction first qualified for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All exchange differences arising from repayment and recalculation of monetary items, are included in consolidated profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

*Group companies*

On consolidation, the assets and liabilities of foreign operations are translated into Tenge at the rate of exchange prevailing at the reporting date and their income statements are translated at weighted average currency exchange rates. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange at the reporting date.

*Exchange rates*

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange (hereinafter – "KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

Weighted average currency exchange rates for the year ended 31 December 2019 and 2018 are as follows:

<i>Tenge</i>	<b>For the year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
US Dollars	<b>382.87</b>	345.04
Russian Rubles	<b>5.92</b>	5.50
Euro	<b>428.61</b>	406.88
Georgian Lari	<b>136.8</b>	136.98

As at 31 December the currency exchange rates of KASE are as follows:

<i>Tenge</i>	<b>2019</b>	<b>2018</b>
US Dollars	<b>382.59</b>	384.20
Russian Rubles	<b>6.16</b>	5.52
Euro	<b>429</b>	439.37
Georgian Lari	<b>134.48</b>	144.44

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.3 Current versus non-current classification of assets and liabilities**

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**4.4 Non-current assets held for sale and discontinued operations**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sale will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of comprehensive income.

Additional disclosures are provided in *Note 18*. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.5 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation models that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group and external appraisers also compares changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purposes of the disclosure of the fair value the Group classified assets and liabilities based on their nature, characteristics and risks inherent in them, as well as the applicable level in the fair value hierarchy, as described above.

An analysis of the fair value of property, plant and equipment and additional information about the methods of its definition are provided in *Note 5*.

**4.6 Property, plant and equipment**

Property, plant and equipment initially are recognized at cost. The subsequent accounting is at fair value less accumulated depreciation (except for land, technological oil and construction in process) and impairment losses recognised after the date of the revaluation.

In identifying excess of technological oil the Group assesses whether the transferred item from customers meets the definition of an asset, and if it is so, recognises the transferred asset as property, plant and equipment. At initial recognition such property, plant and equipment is measured at zero cost and revalued at each reporting date.

The Group periodically engages independent appraisers to revalue property, plant and equipment to their fair value. According to Accounting Policy property, plant and equipment is revalued each 3 years (except for technological oil, which is revalued during the period when the fair value changes) in order to ensure that fair value of the revalued asset does not significantly differ from its book value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.6 Property, plant and equipment (continued)**

Any revaluation surplus is recorded in other comprehensive income and, credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as expense in the statement of comprehensive income, in this case the increase is recognised through profit in the statement of comprehensive income. A revaluation deficit is recognised as expense in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation and impairment as at the revaluation date, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Further detailed information about the asset retirement and land recultivation obligation disclosed in *Notes 5 and 27*.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Buildings	5-50
Machinery and equipment	3-30
Pipelines and transportation assets	5-30
Other	2-10

According to the Group's accounting policy technological oil, construction in progress and land are not subject to depreciation.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

Residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

**4.7 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization is provided on a straight-line basis over the estimated useful economic life of the assets. Intangible assets are generally amortized over seven-ten years. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible assets.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.7 Intangible assets (continued)**

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognised.

**4.8 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit (hereinafter "CGU") fair value less costs to sell and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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.

In determining fair value less selling costs, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations (including impairment on inventories) are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for the previously overvalued property, plant and equipment when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount previously conducted revaluation.

At each reporting date the Group makes an assessment as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. Previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised through profit or loss, unless the asset is carried at revalued amount. In the latter case the reversal is treated as a revaluation increase.

Information on impairment of non-financial assets is disclosed in *Notes 5, 6 and 8*.

**4.9 Financial assets*****Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.9 Financial assets (continued)***Initial recognition and measurement (continued)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place ("regular way" trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term bank deposits, trade and other receivables, and investments in bonds.

*Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

*Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other accounts receivables, funds in credit institutions (cash and cash equivalents, bank deposits).

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group includes bonds of "Special financial company DSFK" LLP to this category (*Note 19*).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.9 Financial assets (continued)***Subsequent measurement (continued)**Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)*

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group doesn't have financial assets of this category.

*Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group doesn't have financial assets of this category.

***Derecognition***

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised (e.g., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.10 Impairment of financial assets**

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions (*Note 5*);
- Trade and other accounts receivable (*Note 12*);
- Bank deposits (*Note 16*);
- Cash and cash equivalents (*Note 17*).

The Group recognises an allowance for expected credit losses (ECLs) for all loans and other debt financial assets that are not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. ECLs are discounted at an approximation of the original effective interest rate for a similar instrument with a similar credit rating.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision model that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For funds in credit institutions (bank deposits, cash and cash equivalents), investments in bonds, the Group calculated ECLs based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Also it is considered a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

**4.11 Financial liabilities*****Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other accounts payable.

***Subsequent measurement***

The measurement of financial liabilities depends on their classification.

***Trade and other accounts payable***

After initial recognition, trade and other accounts payable are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income or loss when the liabilities are derecognised as well as through the effective interest rate amortization process.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.11 Financial liabilities (continued)*****Derecognition***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income as income or expense.

**4.12 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**4.13 Inventories**

Inventories are stated at the lower of cost and net realizable value.

Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cost of inventories is determined by using of FIFO basis.

**4.14 Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

**4.15 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss excluding any reimbursement.

The Group records a provision on asset retirement and land reclamation obligation. Provisions on asset retirement and land reclamation obligation are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement and land reclamation obligation. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of comprehensive income as a finance cost.

The estimated future costs on asset retirement and land reclamation obligation are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset (*Notes 5 and 27*).

**4.16 Employee benefits**

The Group provides long-term employee benefits to employees before, on and after retirement, in accordance with the Collective agreements between the Group and its employees and Company's Rule of social support of non-working pensioners and disabled people. The Collective agreement provides for one-off retirement payments, financial aid for employees' disability, anniversaries and funeral. The entitlement to benefits is usually conditional on the employee remaining in service up to retirement age.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.16 Employee benefits (continued)**

The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans with defined payments on the end of labor activity. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements are recognised in the current period, including current service cost, any past services cost and the effect of any curtailments or settlements.

The most significant assumptions used in accounting for defined benefit obligations are discount rate and mortality rate. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the consolidated statement of comprehensive income as interest cost. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

The results of the revaluation of employee benefits obligations, including actuarial gains and losses, are recognized by the Group as follows:

- Remuneration after termination of employment through other comprehensive income. In subsequent periods, the revaluation results will not be reclassified to profit or loss;
- Other long-term benefits through profit or loss.

Net interest is calculated by applying the discount rate to the net defined benefit obligations or asset. The Company recognises the following changes in the net defined benefit obligation under "cost of sales", "administration expenses" and "finance expenses" in consolidated statement of comprehensive income (by function):

- Service costs comprising current service costs, past-service costs;
- Net interest expense or income.

Employee benefits are considered as other long-term employee benefits. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plan.

These obligations are valued by independent qualified actuaries on an annual basis.

More information is disclosed in *Notes 5 and 21*.

**4.17 Revenue and other income recognition**

The Group's activities mainly relates to the transportation of oil and water through main pipelines on the territory of the Republic of Kazakhstan, as well as to the transshipment of oil and oil products in Georgia.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The Group has concluded that it is acting as a principal in all of its revenue arrangements (as it typically controls the goods or services before transferring them to the customer), except for transportation expedition contract where the Group is acting as an agent for which the Group recognizes revenue commission for its services.

In the consolidated financial statements, the Group generally recognizes revenue for the following types:

*Rendering of transportation services*

Revenue from rendering of transportation and transshipment services is recognized at a point in time on the basis of actual volumes of oil and water transported during the reporting period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.17 Revenue and other income recognition (continued)***Rendering of pipeline operation and maintenance services*

Revenues from pipeline operation and maintenance services are recognized over time, as the buyer simultaneously receives and benefits from the performance of the Group's contractual obligations.

*Rendering of other services*

Revenue from rendering of other services is recognized as services are provided.

*Interest income*

For all financial instruments measured at amortized cost and at fair value through profit or loss, as well as at fair value through other comprehensive income, interest income or expense are recognized using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated statement of comprehensive income.

*Dividends*

Dividend income is recognized when the Group's right to receive the payment is established (on the date of dividends approval).

*Fees for undelivered oil volumes*

Income from fees for undelivered oil volumes is recognized for nominated and non-delivered oil volumes under oil transportation contracts on "ship or pay" terms.

In preparing to adopt IFRS 15, the Group is considering the following:

Variable consideration

IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue.

The variable consideration is absent in contracts with customers, due to the absence of discounts, credit payment, concessions in price, incentives, bonuses for results or other similar items. This update will have no effect on revenue recognition.

Principal versus agent considerations

IFRS 15 requires assessment of whether the Group controls a specified good or service before it is transferred to the customer/customer's buyer.

The Group determined that it acts as a principal for all contracts under which revenue is recognized (since it controls the promised service before it is transferred to customer or to customer's buyer), except for contracts on oil transportation coordination services where Group determined that it does not control the services before they are accepted by the customer's buyer. Hence, Group is an agent, rather than principal in these contracts on oil transportation coordination services.

Advances received from customers

Advance payments received from customers are contractual obligations. The contractual obligations are the obligation to transfer to the buyer the goods or services for which the Group has received compensation from the buyer. If the buyer pays compensation before the Group transfers the product or service to the buyer, the contractual obligation is recognized at the time the payment is made or at the time the payment becomes payable (whichever is earlier). Contractual liabilities are recognized as revenue when the Group fulfills its contractual obligations.

Under IFRS 15, the Group must determine whether there is a significant financing component in its contracts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.17 Revenue and other income recognition (continued)***Fees for undelivered oil volumes (continued)*Advances received from customers (continued)

The Group receives only short-term advances from its customers. They are presented as part of advances received. The Group determined that the length of time between the delivery of the services to the customer by the Group and the time when the customer pays for such services is relatively short. Therefore, the Group has concluded that given contracts do not contain significant financing component.

In accordance with the requirements for the consolidated financial statements, the Group has detailed information on revenue recognized under contracts with customers in categories reflecting how economic factors influence the nature, size, timing and uncertainty of revenue and cash flows. Disclosure of detailed revenue is discussed in *Note 29*.

The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. These changes did not affect to the consolidated financial statements of the Group.

**4.18 Taxes***Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised in other comprehensive income is recognised in equity and not in the statement of comprehensive income. Management of the Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.18 Taxes (continued)***Deferred tax (continued)*

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

*Value added tax (VAT)*

VAT related to sales is payable to the budget when goods are shipped or services are rendered. Input VAT can be offset against output VAT upon the receipt of a tax invoice from a supplier.

Revenue, expenses and assets are recognized after deduction of VAT, except for instances, where amount of VAT is recognized as a part of costs for asset acquisitions or as a part of expenses.

Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases unsettled at the balance sheet date is stated in the consolidated statement of financial position on a net basis.

Due to specifics of tax legislation and the Group's operations a certain part of input VAT can be carried over into subsequent years. Such portion of VAT is classified as long-term asset and assessed for impairment and considered as a corporate asset allocated to existing CGU.

Receivables and payables are stated including VAT.

The net amount of sales tax recoverable from or payable to, the taxation authority is included as part of VAT recoverable, other taxes prepaid and other taxes payable in the statement of financial position.

**4.19 Equity***Share capital*

External costs directly attributable to the issue of new shares, excluding business combinations are shown as a deduction from the proceeds from share issue in equity.

*Treasury shares repurchased from shareholders*

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.19 Equity (continued)***Dividends*

The Group recognises a liability to make cash or non-cash distributions to shareholders, when the distribution is authorised and the distribution is no longer at the discretion of the Company. According to legislation of the Republic of Kazakhstan, distribution is authorised by the shareholders. A corresponding amount is recognised directly in equity.

At the moment of distribution of non-monetary assets the difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in consolidated statement of comprehensive income.

Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before consolidated financial statements are authorized for issue.

**4.20 Changes in accounting policies and disclosures**

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as at 1 January 2019.

**New standards, interpretations and amendments adopted by the Group**

The Group applied for the first time certain standards and amendments, which were effective for annual periods starting on or after 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard or amendment are described below:

*IFRS 16 Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

*(a) Nature of the effect of adoption of IFRS 16*

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. Any prepaid rent and accrued rent were recognised under Advances to suppliers and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.20 Changes in accounting policies and disclosures (continued)****New standards, interpretations and amendments adopted by the Group (continued)***IFRS 16 Leases (continued)**(a) Nature of the effect of adoption of IFRS 16 (continued)*Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients where in it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to contracts with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

<i>In thousands of Tenge</i>	<b>1 January 2019</b>
<b>Assets</b>	
Right-of-use assets (Note 7)	4,983,284
Investments in joint ventures (Note 9)	(398,494)
<b>Total assets</b>	<b>4,584,790</b>
<b>Liabilities</b>	
Lease liabilities (Note 24)	5,513,329
Deferred tax liability (Note 36)	(106,009)
<b>Total liabilities</b>	<b>5,407,320</b>
<b>Equity</b>	
Retained earnings	(822,530)
<b>Total</b>	<b>(822,530)</b>

Upon application of IFRS 16 had the following impact to the financial statements of a joint venture (KCP): as at 1 January 2019, the entity recognized assets in the form of right-of-use in the amount of 1,503,395 thousand Tenge and lease liabilities in the amount of 2,300,383 thousand Tenge, as well as a decrease in retained earnings of 796,988 thousand Tenge. The corresponding decrease in investments in a joint venture amounted to 398,494 thousand Tenge (Note 9).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.20 Changes in accounting policies and disclosures (continued)****New standards, interpretations and amendments adopted by the Group (continued)***IFRS 16 Leases (continued)**(a) Nature of the effect of adoption of IFRS 16 (continued)*Leases previously accounted for as operating leases (continued)

Below is a reconciliation of liabilities as at 1 January 2019 with contractual commitments for operating leases as at 31 December 2018:

*In thousands of Tenge*

<b>Operating lease contractual commitments as at 31 December 2018</b>	<b>7,361,333</b>
The weighted average rate of raising additional borrowings as at 1 January 2019	13.46%
<b>Discounted operating lease liabilities as at 1 January 2019</b>	<b>5,513,329</b>
<b>Less:</b>	
Contractual commitments related to short term lease liabilities	-
Contractual commitments related to low value assets	-
<b>Add:</b>	
Contractual commitments related to lease previously classified as a financial lease	-
Payments in the periods specified in the renewal option, not recognized as at 31 December 2018	-
<b>Lease liabilities as at 1 January 2019 (Note 24)</b>	<b>5,513,329</b>

*(b) Summary of new accounting policies*

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.20 Changes in accounting policies and disclosures (continued)****New standards, interpretations and amendments adopted by the Group (continued)***IFRS 16 Leases (continued)**(b) Summary of new accounting policies (continued)*Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal.

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

The following interpretations and amendments are applied for the first time in 2019 and did not affect the consolidated financial statements of the Group:

*IFRIC Interpretation 23 Uncertainty over Income Tax Treatment*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. Using the approach that better predicts the resolution of the uncertainty is required. The interpretation is effective for annual reporting periods starting on or after 1 January 2019, but certain transition reliefs are available. This interpretation does not have any impact on the consolidated financial statements.

*Amendments to IFRS 9 Prepayment Features with Negative Compensation*

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments are applied retrospectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.20 Changes in accounting policies and disclosures (continued)

##### New standards, interpretations and amendments adopted by the Group (continued)

###### *Amendments to IAS 19 Plan Amendment, Curtailment or Settlement*

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event;
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements and will apply only to any future plan amendments, curtailments, or settlements of the Group.

###### *Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

##### *Annual improvements 2015-2017 cycle*

###### *IFRS 3 Business Combinations*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. These amendments will apply on future business combinations of the Group.

###### *IFRS 11 Joint Arrangements*

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. These amendments are currently not applicable to the Group but may apply to future transactions.

###### *IAS 12 Income Taxes*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.20 Changes in accounting policies and disclosures (continued)

##### New standards, interpretations and amendments adopted by the Group (continued)

###### *Annual improvements 2015-2017 cycle (continued)*

###### *IAS 23 Borrowing Costs*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

###### **Standards issued but not yet effective**

The following are the standards and interpretations that were issued but have not yet entered into force on 31 December 2019. The Group intends to apply these standards from the date they enter into force.

###### *IFRS 17 Insurance Contracts*

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*. IFRS 17 establishes a single framework for the accounting for insurance contracts and contains requirements for related disclosures. The new standard replaces IFRS 4 *Insurance Contracts*. The standard is effective for annual periods starting on or after 1 January 2021. The Group does not expect the standard to have a material impact on its consolidated financial statements.

Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

###### *Revised version of Conceptual Framework for Financial Reporting*

In March 2018, the IASB issued a revised version of *Conceptual Framework for Financial Reporting*. In particular, the revised version introduces new definitions of assets and liabilities, as well as amended definitions of income and expenses. The new version is effective for annual periods starting on or after January 2020. The revised version of *Conceptual Framework* is not expected to have a significant impact on the consolidated financial statements.

###### *Amendments to IFRS 3 Definition of a Business Combinations*

In October 2018, the IASB issued amendments to IFRS 3 *Business Combinations*. The amendments enhance definition of a business set out by the standard. The amendments are effective for acquisitions to occur on or after 1 January 2020; earlier application is permitted. Since the amendments apply prospectively to transactions or other events after the date of first application these amendments is not expected to have a significant impact on the consolidated financial statements.

###### *Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Amendments to IAS 1 and IAS 8 introduce the new definition of material.

The amendments to IAS 1 and IAS 8 are effective on or after 1 January 2020; earlier application is permitted.

The Group does not expect the amendments to have a material impact on its consolidated financial statements.

###### *Amendments to IFRS 7 Financial instruments: Disclosures and IFRS 9 Financial Instruments Named Interest Rate Benchmark Reform*

In September 2019, the IASB issued amendments to IFRS 7 *Financial instruments: Disclosures* and IFRS 9 *Financial Instruments Named Interest Rate Benchmark Reform*. The amendments provide relief from certain requirements of hedge accounting, as their fulfillment can lead to discontinuation of hedge accounting due to uncertainty caused by the reform. The amendments are effective on or after 1 January 2020; earlier application is permitted.

These amendments is not expected to have a significant impact on the consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.20 Changes in accounting policies and disclosures (continued)****Standards issued but not yet effective (continued)***Amendments to IAS 1 Presentation of Financial Statements named Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements Named Classification of Liabilities as Current or Non-current*. The amendments clarify requirements for classifying liabilities as current or non-current. The amendments are effective on or after 1 January 2022; earlier application is permitted.

The Group does not expect the amendments to have a material impact on the consolidated financial statements, as the Group already applies criteria set by the amendments.

The Group does not plan early adoption in respect of above mentioned new standards and amendments to existing standards to which this option is available.

**5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Financial risk management and policies (*Note 40*);
- Sensitivity analyses disclosures (*Note 40*).

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*Fair value measurement of the Group's property, plant and equipment*

The Group accounts for its property, plant and equipment at fair value. During 2019 the Group engaged independent external appraisers to perform valuation of its property, plant and equipment.

The valuation methods used by the Group in assessing the fair value of property, plant and equipment are considered from the perspective of the best and most efficient use of the valued asset. The best and most efficient use of the Group's assets, except BOT and Main Waterline, is their use in operating activities. The best and most efficient use of the BOT's assets is their realization. The best and most efficient use of the Main Waterline's assets is their use in conjunction with the assets of oil production companies in the region.

The initial data used to determine the fair value of the Group's office buildings in the cities of the Republic of Kazakhstan with the relevant land plots, land plots in Georgia (Batumi), as well as vehicles and certain other non-specialized assets, refer to Level 2 in the fair value hierarchy (unquoted observable inputs).

The remaining property, plant and equipment are specialized and the initial data used for determining their fair value refer to Level 3 in the fair value hierarchy (unobservable inputs).

The methodology used in valuation of the specialized assets of the Group's companies, except BOT's property, plant and equipment, was initially based on the valuation of the depreciable replacement cost ("cost method"). The cost method is used if the valuation object is new or is under construction, it relates to objects with a limited market (specialized objects), for which it is not possible to obtain information on sales prices (in the absence of an active market). The fair value of BOT's assets was determined using market approach.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)****Estimates and assumptions (continued)***Fair value measurement of the Group's property, plant and equipment (continued)*

As part of the valuation, the appraiser performed a test for adequate profitability using the income approach to determine the amount of economic depreciation of the Group's specialized property, plant and equipment. Recoverable amount of property, plant and equipment of the Group's companies, except BOT and Main Waterline, is determined by assessing value in use. The value in use of assets is defined as the value of the business, adjusted for the fair value of net working capital and non-specialized property, plant and equipment. Cash flow forecasting was based on the budgets and business plans of the Group's companies approved by the management of the Group for 2019 and for the period 2020-2024, respectively. The value of cash flows in the post-forecast period is determined by the Gordon formula using the following discount rate and long-term growth rate indicators.

The above assets were grouped into cash flow generating units ("CGU") – Oil Transportation (Company) CGU and BSP CGU. The following basic assumptions were applied in determining the value in use:

	Cash-generating unit	
	Oil transportation (Company)	BSP
Discount rate	13.94%	11.82%
Long-term growth rate	3.29%	2%

The results obtained in terms of value in use were lower than those measured at the amortized replacement cost and, therefore, were taken as the fair value of the Group's property, plant and equipment. The results of assessing the value in use are sensitive to change of discount rate and long-term growth rate indicators and also to forecasts regarding the volume of sales of services provided, the level of tariffs for services provided, the size of capital and current costs.

Sensitivity analysis of value of property plant and equipment for the change in the discount rate and long-term growth rate is as follows:

In thousands of Tenge	(Decrease)/ increase in rate	(Decrease)/increase in value of property, plant and equipment	
		Oil transportation (Company) CGU	BSP CGU
Discount rate	-0.5%	21,053,605	335,914
	+0.5%	(19,176,879)	(327,880)
Inflation rate	-0.5%	(14,573,259)	(604,110)
	+0.5%	16,009,748	665,707

As a result of the revaluation of the fair value of the Group's property, plant and equipment, and analysis of property, plant and equipment for impairment, during the 12 months ended 31 December 2019, the net value of the Group's property, plant and equipment (excluding technological oil) increased by 71,339,490 thousand Tenge (Note 6). The net revaluation through revaluation reserve was amounted to 85,991,715 thousand Tenge and write off the revaluation reserve through profit and loss was amounted to 14,652,225 thousand Tenge. The write off the revaluation was mainly due to impairment of BOT's property, plant and equipment.

*Impairment of land use rights of BSP*

Based on the results of an independent assessment of the fair value of BSP, land plots based on their market value, the Group recovered previously recognized impairment of land use rights of BSP by 3,832 thousand US Dollars (equivalent to 1,467,158 thousand Tenge) (Note 8).

*Revaluation of technological oil*

Technological oil is revalued at each reporting date, due to the fact that fluctuations are quite frequent and significant. Technological oil was revalued on 31 December 2019.

Input data for determining the fair value of technological oil refer to Level 2 in the fair value hierarchy (unquoted observable inputs).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)****Estimates and assumptions (continued)***Revaluation of technological oil (continued)*

The following judgments were taken into account by the Group's management when determining fair value of technological oil:

- Technological oil is an integral part of the process of operating the pipeline without which the transportation is not possible and, accordingly, the object of valuation is a specialized asset;
- Technological oil cannot be sold or otherwise disposed due to regulations imposed by CRNMPCandCR;
- Tariffs are being closely monitored by CRNMPCandCR and the Government (except export tariffs and transit through the territory of Kazakhstan) to ensure they will not adversely affect general price index in the country, and thus may be set at the level which will not allow to recover cost of oil, if it was valued at international market price;
- The Group is affected by regulations set by KMG and, should there be a decision to sell some part of oil, subject for do approval of CRNMPCandCR, it would be sold only to the KMG Group's trading division at internal price;
- And if the Group needs to buy additional oil to fill in new parts of pipeline, it would buy oil from the KMG Group entities at the same internal price.

Taking into account all these factors as at 31 December 2019 the fair value of the Group's technological oil was determined based on the price of 63,774 Tenge per ton (as at 31 December 2018: 63,015 per ton). The effect of the change in fair value of the technological oil was equal to 1,938,556 thousand Tenge (as at 31 December 2018: 54,541,851 thousand Tenge), in addition as at 31 December 2019 the revaluation of technological oil surplus in the amount 3,216,187 thousand Tenge (as at 31 December 2018: 3,678,627 thousand Tenge) was recognized; the overall effect of revaluation is equal to 5,154,743 thousand Tenge (as at 31 December 2018: 58,220,478 thousand Tenge) (Note 6).

The volume of oil in the pipeline as at 31 December 2019 amounted to 2,605 thousand tons (31 December 2018: 2,555 thousand tons). According to the results of stock count held at the end of 2019 the oil surpluses in the amount of 50,431 tons (for 2018: 58,377 tons), and write-off of oil in the amount of 120 tons (for 2018: 1,457 tons) were recognized in the reporting period.

*Useful lives of items of property, plant and equipment*

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

*Asset retirement and land recultivation obligation*

According to the Law of the Republic of Kazakhstan *About the Main Pipeline* which came into force on 4 July 2012, the Group has a legal obligation to decommission its oil pipelines at the end of their operating life and to restore the land to its original condition. Activities on land recultivation are carried out when replacing the pipelines at the end of their useful life.

Asset retirement and land recultivation obligation is estimated based on the value of the work to decommission and rehabilitate calculated by the Group in accordance with the technical regulations of the Republic of Kazakhstan (pipeline decommission expense is equal to 5,954 thousand Tenge per kilometer (2018: 5,671 thousand Tenge).

Reserve on liquidation of landfills and waste management is also reflected within the asset retirement and land recultivation obligation. The reserve was created in 2013 in accordance with the requirements of Environmental Code of the Republic of Kazakhstan, which states that the owner of the landfills has to create a liquidation fund for recultivation of land and for monitoring of environmental impact right after the closure of the landfill.

The reserve was determined at the end of the reporting period using the projected inflation rate for the expected period of fulfillment of obligations, and the discount rate at the end of the reporting period which is presented below:

<i>As a percentage</i>	2019	2018
Discount rate	7.46%	8.91%
Inflation rate	5.48%	5.47%
Period of fulfillment of obligations	15 years	16 years

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)****Estimates and assumptions (continued)***Asset retirement and land recultivation obligation (continued)*

As there is no an active market for highly liquid corporate bonds in the Republic of Kazakhstan and due to the insufficiency of transactions on government bonds, the Group considers to use risk-free rates of US Treasury bonds as an estimated discount rate, adjusted for country risk and inflation rates of the Republic of Kazakhstan, with maturities corresponding to the expected duration of the asset retirement and land recultivation obligation.

As at 31 December 2019 the carrying amount of the asset retirement and land recultivation obligation was 27,780,887 thousand Tenge (31 December 2018: 21,109,397 thousand Tenge) (Note 27).

Assessing the cost of rehabilitation of the environment is subject to potential changes in environmental requirements and interpretations of the law. Furthermore uncertainties in the estimates of these costs include potential changes in regulatory requirements, alternative disposal and recovery of damaged land and levels of discount and inflation rates, and the time, when such obligations will be due.

Sensitivity analysis of asset retirement and land recultivation obligation for the change in significant assumptions as at 31 December 2019 is as follows:

<i>In thousands of Tenge</i>	<b>(Decrease)/ increase in rate</b>	<b>(Decrease)/ increase in liability</b>
Discount rate	-0.5%	1,996,206
	+0.5%	(1,852,989)
Inflation rate	-0.5%	(1,895,065)
	+0.5%	2,025,087

*Reserve for the impairment of advances to suppliers*

The Group recognized reserve for the impairment of long-term and short-term advances to suppliers. In estimating the reserve historical and anticipated suppliers performance are considered. Changes in the economy, industry and specific characteristics may affect the reserves recorded in the consolidated financial statements.

This, as at 31 December 2019 and 2018 these reserves have been created for the amount of 742,567 thousand Tenge and 745,465 thousand Tenge, respectively (Notes 10 and 13).

*Allowances for financial assets*

The Group recognises allowances for expected credit losses for trade accounts receivable and funds in credit institutions (cash and cash equivalents, bank deposits).

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated expected credit losses based on lifetime of these financial instruments. The Group used a provision model that is prepared taking into account historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For funds in credit institutions (bank deposits, cash and cash equivalents), investments in bonds, the Group calculated expected credit losses based on the 12-month period. The 12-month expected credit losses is the portion of lifetime expected credit losses that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit losses.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Also it is considered a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Thus, as at 31 December 2019 and 2018 allowance for expected credit losses was created in the amount of 4,952,944 thousand Tenge and 4,776,003 thousand Tenge, respectively (Notes 12, 16 and 17).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)****Estimates and assumptions (continued)***Tax provision*

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of inspections by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax inspections and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the country.

*Deferred tax assets*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The amount of recognized deferred tax assets as at 31 December 2019 was 11,176,846 thousand Tenge (31 December 2018: 7,702,677 thousand Tenge) (Note 36). As at 31 December 2019 and 2018 the Group did not have unrecognized deferred tax assets.

*Employee benefits*

The cost of defined long-term employee benefits to employees before, on and after retirement and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

As there is no an active market for highly liquid corporate bonds in the Republic of Kazakhstan and the insufficiency of transactions on government bonds, the Company uses risk-free rates of US government treasury bonds as an estimated discount rate, with maturities corresponding to the expected term for fulfilling of employee benefits obligations, adjusted for country risk and inflation rates of the Republic of Kazakhstan.

The mortality rate is based on publicly available mortality tables. Increase in future salary and pension is based on expected future inflation rates for the respective country.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)****Estimates and assumptions (continued)***Employee benefits (continued)*

Principal actuarial assumptions used for valuation of employee benefit obligations as at 31 December 2019 and 2018 were as follows:

	2019	2018
Discount rate	7.28%	8.91%
Future salary increase	5.0%	5.0%
Mortality rate	5.09%	5.3%

As at 31 December 2019 the average period of post-retirement benefit obligations were 19.31 years (as at 31 December 2018: 19.4 years).

In connection with certain changes made in 2019 to the Regulation on social support for non-working pensioners and disabled people, the Company revised its obligations and reflected the changes as the cost of services of previous periods (*Note 21*).

Sensitivity analysis of employee benefit obligations for the change in significant estimates as at 31 December 2019 is as follows:

<i>In thousands of Tenge</i>	(Decrease)/ increase in rate	Increase/ (decrease) in liability
Discount rate	-0.5%	1,019,231
	+0.5%	(920,047)
Future salary increase	-0.5%	(928,279)
	+0.5%	1,023,214
Life duration	-1 год	(160,918)
	+1 год	172,737

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
<b>At revalued amount as at 31 December 2018</b>	21,750,408	234,950,826	23,621,024	111,687,588	182,703,715	160,974,494	20,900,293	36,402,095	792,990,443
Foreign currency translation	(68,422)	-	(223,048)	(860,836)	(527,523)	-	(7,036)	47,384	(1,639,481)
Additions	-	75,434	2,711,868	18,209	2,277,559	-	769,665	36,413,000	42,265,735
Disposals	(1,400,156)	(910,442)	(152,045)	(182,024)	(2,120,999)	(7,310)	(542,231)	(89,674)	(5,404,881)
Revaluation (through revaluation reserve) (Impairment)/revaluation (through profit and loss), net	3,760,170	40,974,514	1,401,903	5,125,188	31,622,144	5,154,743	1,974,108	1,141,096	91,153,866
Subtraction of accumulated depreciation and impairment due to revaluation	(26,761)	664,400	(1,031,517)	(5,883,295)	(5,774,565)	-	(209,625)	(2,350,763)	(14,612,126)
Transfers to non-current assets held for sale (Note 18)	-	(43,990,419)	(6,694,396)	(21,263,640)	(62,823,961)	-	(12,957,244)	(321,557)	(148,051,217)
Transfers from construction-in-progress	(73,519)	-	(339,155)	(672,938)	(31,483)	-	(604)	-	(1,117,699)
Transfers to intangible assets (Note 8)	7,856	1,352,304	728,208	3,262,878	16,172,930	-	219,535	(21,743,711)	-
Transfers and reclassifications	-	-	-	-	-	-	-	(245,274)	(245,274)
Transfers and reclassifications	-	26,464	(728,305)	(3,413,930)	4,141,436	-	(36,728)	11,063	-
<b>At revalued amount as at 31 December 2019</b>	<b>23,949,576</b>	<b>233,143,081</b>	<b>19,294,537</b>	<b>87,817,200</b>	<b>165,639,253</b>	<b>166,121,927</b>	<b>10,110,133</b>	<b>49,263,659</b>	<b>755,339,366</b>
<b>Accumulated depreciation and impairment as at 31 December 2018</b>	-	(35,420,503)	(5,469,079)	(17,643,196)	(51,697,315)	-	(10,682,006)	(304,732)	(121,216,831)
Foreign currency translation	-	-	66,207	72,951	99,573	-	4,478	-	243,209
Depreciation charge	-	(14,748,940)	(2,795,570)	(6,519,063)	(23,328,207)	-	(4,427,486)	-	(51,819,266)
Disposals	-	793,849	136,384	122,789	2,066,580	-	528,911	21,411	3,669,924
Impairment (through profit and loss)	-	(268)	-	(1,588)	-	-	-	(38,243)	(40,099)
Impairment (through revaluation reserve)	-	(1,083)	-	(6,325)	-	-	-	-	(7,408)
Subtraction of accumulated depreciation and impairment due to revaluation	-	43,990,419	6,694,396	21,263,640	62,823,961	-	12,957,244	321,557	148,051,217
Transfers to non-current assets held for sale (Note 18)	-	-	189,980	8,829	2,465	-	604	-	201,878
Transfers to intangible assets (Note 8)	-	-	-	-	-	-	-	7	7
Transfers and reclassifications	-	533	1,178	85,494	(87,118)	-	(87)	-	-
<b>Accumulated depreciation and impairment as at 31 December 2019</b>	<b>-</b>	<b>(5,385,993)</b>	<b>(1,176,504)</b>	<b>(2,616,469)</b>	<b>(10,120,061)</b>	<b>-</b>	<b>(1,618,342)</b>	<b>-</b>	<b>(20,917,369)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 6. PROPERTY, PLANT AND EQUIPMENT (continued)

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
<b>At revalued amount as at 31 December 2017</b>	19,890,305	227,862,264	14,563,900	109,033,695	157,269,793	102,839,808	17,899,977	35,937,112	685,296,854
Foreign currency translation	2,159,089	-	567,027	3,391,865	1,885,786	-	63,744	108,610	8,176,121
Additions	-	38,026	6,500,021	41,517	4,786,484	-	2,089,359	37,535,779	50,991,186
Additions of asset retirement and land recultivation obligation (Note 27)	-	106,229	-	-	-	-	-	-	106,229
Transfers from non-current assets held for sale (Note 18)	-	-	22,498	-	-	-	-	-	22,498
Disposals	(134,166)	(1,173,251)	(128,835)	(970,256)	(871,533)	(85,792)	(621,011)	(67,237)	(4,052,081)
Revaluation (through revaluation reserve)	-	-	-	-	-	58,220,478	-	-	58,220,478
Transfers to non-current assets held for sale (Note 18)	(168,288)	-	-	(4,270,070)	(578,375)	-	(29,015)	-	(5,045,748)
Transfers from construction-in-progress	3,468	8,321,832	2,970,215	4,472,508	19,150,067	-	1,468,985	(36,387,075)	-
Transfers to intangible assets (Note 8)	-	-	-	-	-	-	-	(725,094)	(725,094)
Transfers and reclassifications	-	(204,274)	(873,802)	(11,671)	1,061,493	-	28,254	-	-
<b>At revalued amount as at 31 December 2018</b>	21,750,408	234,950,826	23,621,024	111,687,588	182,703,715	160,974,494	20,900,293	36,402,095	792,990,443
<b>Accumulated depreciation and impairment as at 31 December 2017</b>	-	(20,559,375)	(2,747,072)	(8,191,902)	(28,283,381)	-	(6,196,923)	(57,681)	(66,036,334)
Foreign currency translation	-	-	(125,185)	(632,362)	(459,136)	-	(20,943)	-	(1,237,626)
Depreciation charge	-	(15,644,967)	(2,366,527)	(6,382,407)	(22,084,104)	-	(5,045,533)	-	(51,523,538)
Disposals	-	780,353	104,342	209,238	651,591	59,180	605,088	2,181	2,411,973
Impairment (through expenses)	-	(2,185)	(276,897)	(841,411)	(1,160,537)	(8,586)	(32,434)	(249,232)	(2,571,282)
Impairment (through revaluation reserve)	-	(2,457)	(58,448)	(2,045,762)	(633,919)	(50,594)	(7,591)	-	(2,798,771)
Transfers to non-current assets held for sale (Note 18)	-	-	-	237,984	283,028	-	17,735	-	538,747
Transfers and reclassifications	-	8,128	708	3,426	(10,857)	-	(1,405)	-	-
<b>Accumulated depreciation and impairment as at 31 December 2018</b>	-	(35,420,503)	(5,469,079)	(17,643,196)	(51,697,315)	-	(10,682,006)	(304,732)	(121,216,831)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 6. PROPERTY, PLANT AND EQUIPMENT (continued)

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
<b>As at 31 December 2019</b>									
At revalued amount	23,949,576	233,143,081	19,294,537	87,817,200	165,639,253	166,121,927	10,110,133	49,263,659	755,339,366
Accumulated depreciation and impairment	-	(5,385,993)	(1,176,504)	(2,616,469)	(10,120,061)	-	(1,618,342)	-	(20,917,369)
<b>Net book value</b>	<b>23,949,576</b>	<b>227,757,088</b>	<b>18,118,033</b>	<b>85,200,731</b>	<b>155,519,192</b>	<b>166,121,927</b>	<b>8,491,791</b>	<b>49,263,659</b>	<b>734,421,997</b>
<b>As at 31 December 2018</b>									
At revalued amount	21,750,408	234,950,826	23,621,024	111,687,588	182,703,715	160,974,494	20,900,293	36,402,095	792,990,443
Accumulated depreciation and impairment	-	(35,420,503)	(5,469,079)	(17,643,196)	(51,697,315)	-	(10,682,006)	(304,732)	(121,216,831)
<b>Net book value</b>	<b>21,750,408</b>	<b>199,530,323</b>	<b>18,151,945</b>	<b>94,044,392</b>	<b>131,006,400</b>	<b>160,974,494</b>	<b>10,218,287</b>	<b>36,097,363</b>	<b>671,773,612</b>

The carrying value of each revalued class of property, plant and equipment that would have been recognized in the consolidated financial statements had the assets been carried at cost less any accumulated depreciation and any accumulated impairment loss is as follows:

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
<b>As at 31 December 2019</b>	<b>17,966,615</b>	<b>154,981,672</b>	<b>15,537,915</b>	<b>59,764,353</b>	<b>112,835,701</b>	<b>30,407,824</b>	<b>6,273,128</b>	<b>49,777,755</b>	<b>447,544,962</b>
<b>As at 31 December 2018</b>	<b>18,437,634</b>	<b>157,523,347</b>	<b>15,720,849</b>	<b>69,988,280</b>	<b>110,237,099</b>	<b>30,409,139</b>	<b>8,162,817</b>	<b>37,152,464</b>	<b>447,631,629</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****6. PROPERTY, PLANT AND EQUIPMENT (continued)**

As at 31 December 2019 construction in progress mainly includes the following production facilities:

- Replacement of a pipe section of the “Astrakhan – Mangyshlak” main water pipeline;
- Overhaul with replacement of the separate sections of the Uzen-Atyrau-Samara, “Prorva-Kulsary” main oil pipelines;
- Replacement and reconstruction of the objects of main oil pipeline (communication lines, power supply, automation system and other).

As at 31 December 2018 construction in progress mainly includes the following production projects:

- Reconstruction of the “Astrakhan – Mangyshlak” water pipeline’s objects, including reconstruction of WPS-5;
- Overhaul with replacement of the pipeline of the main oil pipeline “Prorva-Kulsary”;
- Reconstruction of fire-fighting system and power supply for production facilities.

As at 31 December 2019:

- The initial cost and corresponding accumulated depreciation of fully depreciated plant and equipment still in use property were 1,030,764 thousand Tenge (31 December 2018: 1,158,467 thousand Tenge);
- Construction in progress included materials and spare parts in the amount of 3,669,128 thousand Tenge (31 December 2018: 4,479,477 thousand Tenge), which were acquired for construction works.

Depreciation for the year ended 31 December 2019, included in the cost of construction in progress amounted to 26,734 thousand Tenge (for the year ended 31 December 2018: 33,166 thousand Tenge).

**7. RIGHT-OF-USE ASSETS**

Right-of-use assets as at 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	Right-of-use assets				Total
	Land	Transportation assets	Buildings and constructions	Machinery, equipment and transfer devices	
<b>Net book value as at 31 December 2018</b>	-	-	-	-	-
Changes in accounting policy (Note 4)	97,419	4,512,445	373,420	-	4,983,284
Additions (Note 24)	-	-	-	341,652	341,652
Amortization charge	(10,951)	(1,254,808)	(84,932)	(72,201)	(1,422,892)
<b>Net book value as at 31 December 2019</b>	<b>86,468</b>	<b>3,257,637</b>	<b>288,488</b>	<b>269,451</b>	<b>3,902,044</b>
<b>As at 31 December 2019</b>					
At cost	131,814	6,106,397	399,633	341,652	6,979,496
Accumulated amortization	(45,346)	(2,848,760)	(111,145)	(72,201)	(3,077,452)
<b>Net book value</b>	<b>86,468</b>	<b>3,257,637</b>	<b>288,488</b>	<b>269,451</b>	<b>3,902,044</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****8. INTANGIBLE ASSETS**

Intangible assets as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	<b>Licenses</b>	<b>Software</b>	<b>Right for land use</b>	<b>Other</b>	<b>Total</b>
<b>Net book value as at 31 December 2018</b>	385,291	1,242,087	5,232,792	31,129	6,891,299
Additions	169,893	21,119	-	3	191,015
Transfers from construction in progress (Note 6)	86,225	159,042	-	-	245,267
Amortization charge	(128,506)	(348,364)	(193,732)	(4,362)	(674,964)
Reversal of impairment (Note 5)	-	-	1,467,158	-	1,467,158
Foreign currency translation	(5,851)	-	(323,192)	-	(329,043)
Disposals	-	(62,635)	-	-	(62,635)
<b>Net book value as at 31 December 2019</b>	<b>507,052</b>	<b>1,011,249</b>	<b>6,183,026</b>	<b>26,770</b>	<b>7,728,097</b>
<b>Net book value as at 31 December 2017</b>	312,106	1,290,744	4,912,491	30,460	6,545,801
Additions	12,087	7,639	-	22,768	42,494
Transfers from construction in progress (Note 6)	133,827	591,267	-	-	725,094
Amortization charge	(91,059)	(647,563)	(177,006)	(3,550)	(919,178)
Impairment	-	-	(77,979)	-	(77,979)
Foreign currency translation	18,330	-	575,286	-	593,616
Transfer to non-current assets held for sale (Note 18)	-	-	(18,549)	-	(18,549)
Transfers and reclassifications	-	-	18,549	(18,549)	-
<b>Net book value as at 31 December 2018</b>	<b>385,291</b>	<b>1,242,087</b>	<b>5,232,792</b>	<b>31,129</b>	<b>6,891,299</b>
<b>As at 31 December 2019</b>					
At cost	1,220,215	4,940,617	8,514,525	93,279	14,768,636
Accumulated amortization and impairment	(713,163)	(3,929,368)	(2,331,499)	(66,509)	(7,040,539)
<b>Net book value</b>	<b>507,052</b>	<b>1,011,249</b>	<b>6,183,026</b>	<b>26,770</b>	<b>7,728,097</b>
<b>As at 31 December 2018</b>					
At cost	1,021,657	5,499,098	9,160,850	93,276	15,774,881
Accumulated amortization and impairment	(636,366)	(4,257,011)	(3,928,058)	(62,147)	(8,883,582)
<b>Net book value</b>	<b>385,291</b>	<b>1,242,087</b>	<b>5,232,792</b>	<b>31,129</b>	<b>6,891,299</b>

**9. INVESTMENTS IN JOINT VENTURES**

Investments in joint ventures as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	<b>KCP</b>	<b>MunaiTas</b>	<b>Total</b>
<b>As at 31 December 2018</b>	10,513,603	19,487,720	30,001,323
Changes in accounting policy (Note 4)	(398,494)	-	(398,494)
Share in income of joint ventures	12,695,882	942,519	13,638,401
Share in other comprehensive income/(loss) of joint ventures	6,756,413	(82,304)	6,674,109
Additional contributions to the charter capital	-	5,100,000	5,100,000
<b>As at 31 December 2019</b>	<b>29,567,404</b>	<b>25,447,935</b>	<b>55,015,339</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****9. INVESTMENTS IN JOINT VENTURES (continued)**

<i>In thousands of Tenge</i>	KCP	MunaiTas	Total
<b>As at 31 December 2017</b>	14,331,613	17,405,373	31,736,986
Changes in accounting policy	(3,844)	(226)	(4,070)
Share in (loss)/income of joint ventures	(3,726,041)	1,650,104	(2,075,937)
Share in other comprehensive (loss)/income of joint ventures	(88,125)	432,469	344,344
<b>As at 31 December 2018</b>	<b>10,513,603</b>	<b>19,487,720</b>	<b>30,001,323</b>

At the end of 2019, by the decision of the participants, the charter capital of MunaiTas was increased by the total amount of 10,000,000 thousand Tenge, including the Company's share amounted to 5,100,000 thousand Tenge. The amount of the cash contribution made by the Company amounted to 100,000 thousand Tenge, the remaining amount of 5,000,000 thousand Tenge is recognized as the liability on a contribution to charter capital of a joint venture.

The following tables below show summarized financial information about joint ventures, including the Group's proportionate share:

<i>In thousands of Tenge</i>	KCP			
	31 December 2019		31 December 2018	
	50%	100%	50%	100%
<b>Assets and liabilities of joint ventures</b>				
Current assets	<b>26,652,051</b>	<b>53,304,102</b>	18,224,069	36,448,138
Non-current assets	<b>112,103,745</b>	<b>224,207,490</b>	108,058,909	216,117,818
Current liabilities	<b>(21,010,934)</b>	<b>(42,021,868)</b>	(20,594,902)	(41,189,804)
Non-current liabilities	<b>(88,177,458)</b>	<b>(176,354,916)</b>	(95,174,473)	(190,348,946)
<b>Net assets / net book value of investment</b>	<b>29,567,404</b>	<b>59,134,808</b>	10,513,603	21,027,206
<b>Additional information</b>				
Cash and cash equivalents	<b>15,968,565</b>	<b>31,937,129</b>	8,754,456	17,508,912
Short-term financial liabilities, net of trade and other payables and provisions	<b>(15,056,917)</b>	<b>(30,113,834)</b>	(15,411,861)	(30,823,722)
Long-term financial liabilities, net of trade and other payables and provisions	<b>(75,869,231)</b>	<b>(151,738,462)</b>	(89,400,397)	(178,800,794)

Long-term financial liabilities of KCP are represented by liabilities under loan agreement from 27 June 2018 with the Industrial and Commercial Bank of China Limited jointly with Industrial and Commercial Bank of China in Almaty JSC, acting as an agent. The loan amount was 540 million US Dollars (equivalent to 191,756,400 thousand Tenge at the date of attraction), the loan period is 6 years with the possibility of early repayment. The purpose of the loan is to refinance the loans from Industrial and Commercial Bank of China and ING Bank N.V. and Industrial and Commercial Bank of China and Industrial and Commercial Bank of China in Almaty JSC. As a result of refinancing, the bank margin was reduced from 3.96% to 2.375% and the deadlines for the final repayment of the principal debt were postponed from 2023 to 2024.

The Company along with the second participant of KCP did not guarantee the loans.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****9. INVESTMENTS IN JOINT VENTURES (continued)**

As at 31 December 2019 total payable under loan including interest equals to 475,319 thousand US Dollars (equivalent to 181,852,296 thousand Tenge), as at 31 December 2018 to 545,613 thousand US Dollars (equivalent to 209,624,516 thousand Tenge).

<i>In thousands of Tenge</i>	<b>MunaiTas</b>			
	<b>31 December 2019</b>		<b>31 December 2018</b>	
	<b>51%</b>	<b>100%</b>	<b>51%</b>	<b>100%</b>
<b>Assets and liabilities of joint ventures</b>				
Current assets	12,193,177	23,908,190	9,688,754	18,997,557
Non-current assets	17,450,072	34,215,827	14,019,921	27,490,041
Current liabilities	(1,471,757)	(2,885,798)	(1,634,263)	(3,204,437)
Non-current liabilities	(2,723,557)	(5,340,308)	(2,586,692)	(5,071,945)
<b>Net assets/net book value of investment</b>	<b>25,447,935</b>	<b>49,897,911</b>	<b>19,487,720</b>	<b>38,211,216</b>
<b>Additional information</b>				
Cash and cash equivalents	6,565,142	12,872,827	9,485,812	18,599,631
Short-term financial liabilities, net of trade and other payables and provisions	-	-	-	-
Long-term financial liabilities, net of trade and other payables and provisions	-	-	-	-

<i>In thousands of Tenge</i>	<b>KCP</b>			
	<b>For the year ended 31 December</b>			
	<b>2019</b>		<b>2018</b>	
	<b>50%</b>	<b>100%</b>	<b>50%</b>	<b>100%</b>
<b>Information on profit or loss and other comprehensive income of joint ventures for the year</b>				
Revenue	38,093,128	76,186,256	30,443,093	60,886,186
Income/(loss) from continuing operations for the year	12,695,882	25,391,764	(3,726,041)	(7,452,082)
Income/(loss) from discontinued operations for the year	-	-	-	-
Other comprehensive income/(loss)	6,756,413	13,512,826	(88,125)	(176,250)
<b>Total comprehensive income/(loss)</b>	<b>19,452,295</b>	<b>38,904,590</b>	<b>(3,814,166)</b>	<b>(7,628,332)</b>
<b>Dividends</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Additional information</b>				
Depreciation and amortization	(6,753,476)	(13,506,951)	(5,996,100)	(11,992,200)
Interest income	97,095	194,190	111,955	223,910
Interest expense	(5,443,989)	(10,887,978)	(6,072,471)	(12,144,942)
Income/(loss) on exchange differences	363,920	727,840	(12,668,632)	(25,337,264)
Income tax (expense)/benefit	(3,141,393)	(6,282,786)	521,561	1,043,122

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****9. INVESTMENTS IN JOINT VENTURES (continued)**

<i>In thousands of Tenge</i>	<b>MunaiTas</b>			
	<b>For the year ended 31 December</b>			
	2019	100%	2018	100%
	51%		51%	
<b>Information on profit or loss and other comprehensive income of joint ventures for the year</b>				
Revenue	3,690,358	7,235,996	4,542,842	8,907,533
Income from continuing operations for the year	942,519	1,848,076	1,650,104	3,235,498
Income/(loss) from discontinued operations for the year	-	-	-	-
Other comprehensive (loss)/income	(82,304)	(161,380)	432,469	847,978
<b>Total comprehensive income</b>	<b>860,215</b>	<b>1,686,696</b>	<b>2,082,573</b>	<b>4,083,476</b>
<b>Dividends</b>	-	-	-	-
<b>Additional information</b>				
Depreciation and amortization	(1,028,403)	(2,016,476)	(906,649)	(1,777,743)
Interest income	614,557	1,205,014	609,842	1,195,769
Income tax expense	(231,209)	(453,351)	(420,663)	(824,829)

**10. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT**

Advances to suppliers for property, plant and equipment as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Advances to third parties for property, plant and equipment and construction services	1,640,395	838,835
Advances to related parties for property, plant and equipment and construction services (Note 38)	-	16,118
	1,640,395	854,953
Less: impairment allowance	(741,920)	(744,818)
<b>Total</b>	<b>898,475</b>	<b>110,135</b>

Movement in reserve for impairment of advances given to suppliers for property, plant and equipment was as follows:

<i>In thousands of Tenge</i>	2019	2018
<b>As at 1 January</b>	<b>744,818</b>	661,754
Used in write-off of advances	-	(10,696)
Foreign currency translation	(2,898)	93,760
<b>As at 31 December</b>	<b>741,920</b>	744,818

**11. INVENTORIES**

Inventories as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Spare parts	3,269,061	2,367,694
Fuel	1,184,427	1,012,770
Construction materials	815,171	562,323
Chemical reagents	400,825	383,129
Overalls	360,870	345,834
Goods	78,972	98,814
Other	408,064	408,241
Less: impairment allowance	(238,889)	(48,307)
<b>Total</b>	<b>6,278,501</b>	<b>5,130,498</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****12. TRADE AND OTHER ACCOUNTS RECEIVABLE**

Long-term trade and other accounts receivable as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	<b>31 December 2019</b>	31 December 2018
Trade accounts receivable from third parties	82,639	82,987
Other accounts receivable from third parties	1,123,472	-
Less: allowance for expected credit losses	(77,485)	-
<b>Total</b>	<b>1,128,626</b>	<b>82,987</b>

Movement in allowance for expected credit losses related to long-term trade and other receivables is as follows:

<i>In thousands of Tenge</i>	<b>2019</b>	2018
<b>As at 1 January</b>	-	-
Charge for the year, net (Note 31)	77,485	-
<b>As at 31 December</b>	<b>77,485</b>	-

Current trade and other accounts receivable as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	<b>31 December 2019</b>	31 December 2018
Trade accounts receivable from third parties	7,406,294	7,163,458
Trade accounts receivable from related parties (Note 38)	2,446,713	2,420,294
Other accounts receivable from third parties	767,842	725,594
Other accounts receivable from related parties (Note 38)	509	19,761
Less: allowance for expected credit losses	(4,763,120)	(4,701,509)
<b>Total</b>	<b>5,858,238</b>	<b>5,627,598</b>

Movement in allowance for expected credit losses related to trade and other receivables is as follows:

<i>In thousands of Tenge</i>	<b>2019</b>	2018
<b>As at 1 January</b>	<b>4,701,509</b>	<b>3,444,446</b>
Changes in accounting policy	-	27,623
Charge for the year, net (Note 31)	128,775	774,844
Used for write-off of receivables	(3,066)	-
Currency translation	(64,098)	454,596
<b>As at 31 December</b>	<b>4,763,120</b>	<b>4,701,509</b>

Trade and other accounts receivable as at 31 December 2019 and 2018 are denominated in the following currencies:

<i>In thousands of Tenge</i>	<b>31 December 2019</b>	31 December 2018
Tenge	5,152,735	4,935,286
US Dollar	693,253	673,886
Russian Ruble	2,303	1,905
Other currency	9,947	16,521
<b>Total</b>	<b>5,858,238</b>	<b>5,627,598</b>

Information on the Group's exposure to credit risk from trade and other accounts receivable using the estimated reserves model as at 31 December is provided:

<i>In thousands of Tenge</i>	Trade and other accounts receivable					Total
	Unexpired	Past due payments				
	Less than 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year		
<b>As at 31 December 2019</b>						
Estimated total gross carrying value at default	6,136,378	558,655	254,038	230,709	4,647,689	11,827,469
Expected credit losses	(145,384)	(2,043)	(41,372)	(12,065)	(4,639,741)	(4,840,605)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****12. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)**

<i>In thousands of Tenge</i>	Trade and other accounts receivable					Total
	Unexpired	Past due payments			More than 1 year	
		Less than 3 months	From 3 to 6 months	From 6 to 12 months		
<b>As at 31 December 2018</b>						
Estimated total gross carrying value at default	3,931,434	341,864	164,353	343,815	5,630,628	10,412,094
Expected credit losses	(79,033)	(2,444)	(45,948)	(69,582)	(4,504,502)	(4,701,509)

**13. ADVANCES TO SUPPLIERS**

Advances to suppliers as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Advances to third parties	710,000	519,721
Advances to related parties (Note 38)	549,212	225,799
	1,259,212	745,520
Less: impairment	(647)	(647)
<b>Total</b>	<b>1,258,565</b>	<b>744,873</b>

**14. VAT RECOVERABLE AND OTHER PREPAID TAXES**

VAT recoverable and other prepaid taxes as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Current VAT recoverable	6,705,365	9,021,244
Non-current VAT recoverable	1,958,523	-
Other taxes prepaid	415,730	483,654
<b>Total</b>	<b>9,079,618</b>	<b>9,504,898</b>

**15. OTHER CURRENT ASSETS**

Other current assets as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Due for oil transportation coordination services	6,726,960	7,653,717
Prepaid insurance	35,760	128,906
Deferred expenses from third parties	34,805	47,352
Due from employees	31,905	13,986
Other	30,206	39,193
<b>Total</b>	<b>6,859,636</b>	<b>7,883,154</b>

**16. BANK DEPOSITS**

Bank deposits as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Short-term bank deposits - US Dollars	45,910,799	25,357,200
Long-term bank deposits - Tenge	2,158,180	2,802,206
Accrued interest on deposits - Tenge	39,791	53,150
Accrued interest on deposits - US Dollars	69,414	41,315
Less: allowance for expected credit losses	(78,017)	(51,592)
<b>Total</b>	<b>48,100,167</b>	<b>28,202,279</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****16. BANK DEPOSITS (continued)**

Movement in allowance for expected credit losses on short-term bank deposits is as follows:

<i>In thousands of Tenge</i>	2019	2018
<b>As at 1 January</b>	<b>27,462</b>	<b>-</b>
Changes in accounting policy	-	264
Charge for the year, net (Note 35)	<b>32,142</b>	<b>27,198</b>
<b>As at 31 December</b>	<b>59,604</b>	<b>27,462</b>

Movement in allowance for expected credit losses on long-term bank deposits is as follows:

<i>In thousands of Tenge</i>	2019	2018
<b>As at 1 January</b>	<b>24,130</b>	<b>-</b>
Changes in accounting policy	-	31,251
Reversal for the year (Note 35)	<b>(5,717)</b>	<b>(7,121)</b>
<b>As at 31 December</b>	<b>18,413</b>	<b>24,130</b>

As at 31 December 2019 and 2018 bank deposits comprised of the following:

- US Dollars denominated deposits with maturity from 3 to 12 months, with interest from 0.5% per annum (as at 31 December 2018: from 0.5% to 0.7% per annum), maturing from January to June 2020 (as at 31 December 2018: from January to June 2019);
- Restricted long-term bank deposits with interest from 2% to 3.4% per annum maturing in 2028 and in 2027, respectively (as at 31 December 2018: from 2% to 3.5% per annum maturing in 2029 and in 2027, respectively), arranged for the purpose of preferential lending rates for the Company's employees for the purchase of residential property.

**17. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Time deposits with banks – Tenge	<b>19,238,432</b>	27,107,538
Current accounts with banks – US Dollar	<b>4,365,671</b>	2,468,302
Current accounts with banks – Tenge	<b>2,920,193</b>	3,202,253
Current accounts with banks – Lari	<b>2,080,907</b>	461,040
Current accounts with banks – Russian Rubles	<b>32,182</b>	31,447
Current accounts with banks – Euro	<b>22,573</b>	8,452
Other current accounts with banks	<b>23,175</b>	21,567
Cash in hand	<b>280</b>	1,146
Less: allowance for expected credit losses	<b>(34,322)</b>	(22,902)
<b>Total</b>	<b>28,649,091</b>	<b>33,278,843</b>

Movement in allowance for expected credit losses on cash and cash equivalents is as follows:

<i>In thousands of Tenge</i>	2019	2018
<b>As at 1 January</b>	<b>22,902</b>	<b>5,784</b>
Changes in accounting policy	-	1,334
Charge for the year, net (Note 35)	<b>8,858</b>	<b>15,906</b>
Foreign currency translation	<b>2,562</b>	(122)
<b>As at 31 December</b>	<b>34,322</b>	<b>22,902</b>

As at 31 December 2019 current accounts and time deposits with maturity less than 3 months in Tenge placed with Kazakhstani banks carried interest ranging from 6.75% to 8.60% per annum (as at 31 December 2018: from 6.55% to 7.50% per annum).

Interest for current accounts placed in US Dollars ranged as at 31 December 2019 and 2018 from 0.25% to 4% per annum.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****18. NON-CURRENT ASSETS HELD FOR SALE**

Changes in non-current assets held for sale for the twelve month period ended 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	<b>2019</b>	<b>2018</b>
<b>As at 1 January</b>	<b>2,406,231</b>	<b>2,848,498</b>
Transfers from property, plant and equipment (Notes 6, 8)	<b>915,821</b>	4,525,550
Sold	<b>(1,481,495)</b>	(4,661,363)
Impairment for the year (Note 33)	<b>(960,743)</b>	(283,956)
Transfers to property, plant and equipment (Note 6)	-	(22,498)
<b>As at 31 December</b>	<b>879,814</b>	<b>2,406,231</b>

As at 31 December 2019 non-current assets held for sale are represented by property of the administrative residential building in Almaty, as well as unused vehicles. The Group plans to recover their carrying amount through sale rather than through continuing use. These assets were recognized at the lower of their carrying amount and fair value less costs to sell and are available for immediate sale in their present condition.

As at 31 December 2018 non-current assets held for sale are represented by property of the administrative residential building in Pavlodar which was sold within 12 months ended 31 December 2019 on terms of instalment payments over a ten-year period, as well as certain vehicles. The net amount of income from the sales of the above-mentioned assets amounted to 34,624 thousand Tenge (Note 32).

**19. INVESTMENTS IN BONDS**

In December 2017, in accordance with the Decision of the Government of the Republic of Kazakhstan dated 7 November 2017, the Group purchased bonds of "Special Financial Company DSFK" LLP (hereinafter – "DSFK bonds") using the funds placed with RBK Bank JSC. The nominal amount of the bonds was 5,019,520 thousand Tenge, the number of bonds is 5,019,520 thousand units. DSFK bonds carry coupon interest of 0.01% per annum and mature in 15 years. The above mentioned bonds are secured by a financial guarantee of "Kazakhmys Corporation" LLP of 1,379,913 thousand Tenge. The guarantee is exercisable upon request of the Group not earlier than the fifth anniversary after the inception of the bonds. The Group revised the fair value of bonds based on the market interest rate of 12.4% and, as a result, recognized income from revision of bond's fair value in the amount of 165,251 thousand Tenge (Note 34). Thus, the book value of the investments in bonds as at 31 December 2019 amounted to 919,511 thousand Tenge (as at 31 December 2018: 828,437 thousand Tenge).

During the 2019 и 2018 years the issuer repurchased 74,177 thousand units of bonds and 43,457 thousand units of bonds at a price of 1 Tenge per 1 bond, respectively. In 2018, as a result of the revision of the fair value of bonds based on the market interest rate of 12.7%, income from revision of fair value in the amount of 122,932 thousand Tenge was recognized (Note 34).

**20. EQUITY****Share capital**

As at 31 December 2019 and 2018 the Company's share capital comprised of 384,635,600 common shares authorized, issued and fully paid in the amount of 62,503,284 thousand Tenge, except for 1 share, which was authorized but not issued and not paid.

As at 31 December 2019 and 2018 the share capital was equal to 61,937,567 thousand Tenge, net of consulting costs related to the issuance of shares in the amount of 565,717 thousand Tenge.

**Treasury shares repurchased from shareholders**

In 2016 based on request of a minority shareholder and the subsequent decision of the Board of Directors, the Company repurchased the announced common shares in the amount of 7,500 units for 9,549 thousand Tenge.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****20. EQUITY (continued)****Asset revaluation reserve**

Revaluation reserve was formed based on revaluation and devaluation of property, plant and equipment of the Group and share in the asset revaluation reserve of the joint ventures.

<i>In thousands of Tenge</i>	<b>31 December 2019</b>	31 December 2018
Revaluation reserve for property, plant and equipment of the Group	<b>266,033,531</b>	215,013,525
Share in the asset revaluation reserve of the joint ventures	<b>33,551,968</b>	28,575,452
<b>Total</b>	<b>299,585,499</b>	243,588,977

**Foreign currency translation reserve**

As at 31 December 2019 foreign currency translation reserve was equal to 37,737,309 thousand Tenge (as at 31 December 2018: 39,572,764 thousand Tenge). Change in foreign currency translation reserve is due to the translation of the operations of the foreign subsidiaries as a result of changes in exchange rates (*Note 4.2*).

**Other capital reserves**

As at 31 December 2019 other capital reserves represent a loss amounted to 1,893,432 thousand Tenge (as at 31 December 2018: 72,146 thousand Tenge). Change in this reserve is due to recognition of actuarial losses from revaluation of the Group's and joint ventures's employee benefits obligations under defined benefit plans.

Actuarial losses from revaluation of the Group's employee benefits obligations under defined benefit plans amounted to 1,872,560 thousand Tenge (*Note 21*), income tax effect of which amounted to 51,467 thousand Tenge (*Note 36*). For the same period of 2018 actuarial gain from revaluation of the Group's employee benefits obligations under defined benefit plans amounted to 688,653 thousand Tenge (*Note 21*), income tax effect of which amounted to 137,731 thousand Tenge (*Note 36*).

**Dividends**

During 2019, the Company accrued and paid dividends as the result of 2018 year to the shareholders based on the decision of the general meeting of shareholders dated 28 May 2019 in the amount of 40,001,322 thousand Tenge (calculated as 104 Tenge per 1 share), with the use of net income received in 2018, in the amount 38,484,983 thousand Tenge and retained earnings of previous years in the amount 1,516,339 thousand Tenge, including 36,001,892 thousand Tenge related to KMG (*Note 38*) and 3,999,430 thousand Tenge related to minority shareholders.

During 2018 the Company accrued and paid dividends as the result of 2017 year to the shareholders based on the decision of the general meeting of shareholders dated 24 May 2018 in the amount of 61,540,496 thousand Tenge (calculated as 160 Tenge per 1 share), with the use of net income received in 2017, in the amount 50,117,856 thousand Tenge and retained earnings of previous years in the amount 11,422,640 thousand Tenge, including 55,387,527 thousand Tenge related to KMG (*Note 38*) and 6,152,969 thousand Tenge related to minority shareholders.

**Earnings per share**

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period.

Since the Company, as the Parent of the Group, does not issue convertible financial instruments, basic earnings per share of the Group are equal to diluted earnings per share.

The following reflects the net profit and share data used in the basic earnings per share computations:

<i>In thousands of Tenge</i>	<b>2019</b>	2018
Net profit for the period attributable to ordinary equity holders of the Parent of the Group	<b>45,121,438</b>	38,484,983
Weighted average number of ordinary shares for the year for basic earnings per share	<b>384,628,099</b>	384,628,099
<b>Basic earnings per share, in relation to profit for the year attributable to ordinary equity holders of the Company, as a Parent company of the Group (In Tenge)</b>	<b>117</b>	100

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****20. EQUITY (continued)****Book value per ordinary share**

Book value per ordinary share is calculated in accordance with requirements of KASE of the Parent of the Group is as follows:

<i>In thousands of Tenge</i>	<b>31 December 2019</b>	31 December 2018
<b>Total assets</b>	<b>912,813,470</b>	803,440,601
Less: intangible assets (Note 8)	(7,728,097)	(6,891,299)
Less: total liabilities	<b>(209,834,504)</b>	(178,024,402)
<b>Net assets for calculation of book value per ordinary share</b>	<b>695,250,869</b>	618,524,900
Number of ordinary shares	<b>384,628,099</b>	384,628,099
<b>Book value per ordinary share (in Tenge)</b>	<b>1,808</b>	1,608

**21. EMPLOYEE BENEFIT OBLIGATIONS**

The Group has employee benefit obligations, mainly consisting of additional payments for pensions and jubilee obligations, applicable to all employees. These payments are unfunded.

Employee benefit obligations as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	<b>31 December 2019</b>	31 December 2018
Current portion of employee benefit obligations	<b>658,941</b>	663,463
Non-current portion of employee benefit obligations	<b>15,756,306</b>	12,940,911
<b>Total</b>	<b>16,415,247</b>	13,604,374

Changes in the present value of employee benefit obligations for the years ended 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	<b>2019</b>	2018
<b>Employee benefit obligations as at 1 January</b>	<b>13,604,374</b>	13,340,926
Interest cost (Note 35)	<b>1,182,087</b>	1,163,566
Current services cost (Notes 30, 31)	<b>721,869</b>	568,282
Past services cost (Notes 5, 30, 31)	<b>(369,482)</b>	-
Actuarial loss/(gain) through profit and loss (Notes 32, 33)	<b>77,964</b>	(70,352)
Actuarial loss/(gain) through other comprehensive income (Note 20)	<b>1,872,560</b>	(688,653)
Benefits paid	<b>(674,125)</b>	(709,395)
<b>Employee benefit obligations as at 31 December</b>	<b>16,415,247</b>	13,604,374

**22. DEFERRED INCOME**

As at 31 December 2019 deferred income mainly represents a guarantee of the Group in the amount of 8,141,994 thousand Tenge (as at 31 December 2018: 8,423,897 thousand Tenge), ensuring the provision of individual BSP assets for long-term lease to a counterparty.

The change in the amount of these liabilities as at 31 December 2019 is due to changes in the exchange rates at the reporting date as well as amortization of liabilities for the period.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****23. TRADE AND OTHER ACCOUNTS PAYABLE**

Trade and other accounts payable as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	<b>31 December 2019</b>	31 December 2018
Accounts payable to third parties for goods and services	<b>10,318,431</b>	10,209,574
Accounts payable to related parties for goods and services (Note 38)	<b>3,743,715</b>	2,062,160
Other accounts payable to third parties	<b>1,116,797</b>	682,590
Other accounts payable to related parties (Note 38)	<b>4,181</b>	3,190
<b>Total</b>	<b>15,183,124</b>	12,957,514

Trade and other accounts payable included payables to related and third parties, related to property, plant and equipment and construction in progress in the amount of 7,730,268 thousand Tenge (as at 31 December 2018: 4,655,943 thousand Tenge). The increase in trade payables as at 31 December 2019 is associated with capital works on replacement of the sections of the "Prorva-Kulsary" oil pipeline, "Astrakhan-Mangyshlak" water pipeline and modernization of the fiber-optic communication lines.

Trade and other accounts payable as at 31 December 2019 and 2018 are in the following currencies:

<i>In thousands of Tenge</i>	<b>31 December 2019</b>	31 December 2018
Tenge	<b>14,576,983</b>	12,207,766
US Dollars	<b>179,750</b>	244,584
Euro	<b>23,667</b>	34,206
Russian Rubles	<b>4,830</b>	3,770
Other currency	<b>397,894</b>	467,188
<b>Total</b>	<b>15,183,124</b>	12,957,514

**24. LEASE LIABILITIES**

Lease liabilities as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	<b>31 December 2019</b>	31 December 2018
Non-current portion of obligations	<b>2,891,445</b>	-
Current portion of obligations	<b>1,912,220</b>	-
<b>Total</b>	<b>4,803,665</b>	-

Changes in the present value of obligations for the twelve months ended 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	<b>2019</b>
<b>As at 1 January</b>	-
Changes in accounting policy (Note 4)	<b>5,513,329</b>
Additions for the period (Note 7)	<b>341,652</b>
Unwinding of discount on obligations (Note 35)	<b>638,724</b>
Transfer from trade and other payables	<b>161,526</b>
Payments for the period	<b>(1,851,566)</b>
<b>As at 31 December</b>	<b>4,803,665</b>

The information below describes the cost of expenses reflected in the consolidated statement of comprehensive income:

<i>In thousands of Tenge</i>	<b>For the year ended 31 December</b>
Right-of-use assets amortization (Note 7)	<b>1,422,892</b>
Unwinding of discount on obligations (Note 35)	<b>638,724</b>
Low value assets lease expenses (Notes 30 and 31)	<b>35,000</b>
<b>Total</b>	<b>2,096,616</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****25. ADVANCES RECEIVED**

Advances received as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Advances received from related parties (Note 38)	11,220,896	13,198,088
Advances received from third parties	7,258,086	7,462,122
<b>Total</b>	<b>18,478,982</b>	<b>20,660,210</b>

**26. OTHER TAXES PAYABLE**

Other taxes payable as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Personal income tax	3,382,103	3,773,442
Withholding tax at the source of payment to non-residents	1,071,635	1,146,069
Social tax	708,284	671,697
Property tax	126,139	118,004
VAT payable	19,067	12,092
Other taxes	390,338	335,570
<b>Total</b>	<b>5,697,566</b>	<b>6,056,874</b>

**27. PROVISIONS**

Movements in provisions for the years ended 31 December 2019 and 2018 are as follows:

**Short-term provisions**

<i>In thousands of Tenge</i>	Tax provisions (BOT)	Provision on compen- sating tariff (Company)	Sponsorship (Company)*	Other provisions	Total
<b>As at 31 December 2018</b>	192,484	1,046,994	-	396,126	1,635,604
Charge for the year, net (Notes 31, 33)	-	18,100	1,200,000	206,298	1,424,398
Provisions used	-	(1,062,122)	(1,200,000)	(476,604)	(2,738,726)
Foreign currency translation	(13,432)	-	-	(1,291)	(14,723)
<b>As at 31 December 2019</b>	<b>179,052</b>	<b>2,972</b>	<b>-</b>	<b>124,529</b>	<b>306,553</b>
<b>As at 31 December 2017</b>	182,117	-	-	41,125	223,242
Charge for the year (Notes 31, 33)	-	1,046,994	-	246,703	1,293,697
Transfers and reclassifications	-	-	-	72,114	72,114
Foreign currency translation	10,367	-	-	36,184	46,551
<b>As at 31 December 2018</b>	<b>192,484</b>	<b>1,046,994</b>	<b>-</b>	<b>396,126</b>	<b>1,635,604</b>

\* Pursuant to the instructions of the Head of State from 29 September 2018 and the decision of the Management Board of KMG from 11 February 2019, as well as the decision of the Board of Directors of the Company from 29 January 2019, the Company in the reporting period provided sponsorship for the construction of the facility in Turkestan in the amount of 2,200,000 thousand Tenge of which 1,200,000 thousand Tenge was paid from the reserve accrued in March 2019.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****27. PROVISIONS (continued)****Long-term provisions***Asset retirement and land reclamation obligation*

As at 31 December 2019 and 2018, the Company revised the long-term provisions considering current best estimate. Assumptions used and the sensitivity to changes in the discount and inflation rates are reflected in *Note 5*.

<i>In thousands of Tenge</i>	2019	2018
<b>As at 1 January</b>	<b>21,109,397</b>	15,347,322
Charge for the year through asset ( <i>Note 6</i> )	-	106,229
Revision of estimates through other comprehensive loss	<b>3,334,156</b>	3,102,220
Reversal and revision of estimates through profit and loss, net ( <i>Note 33</i> )	<b>1,445,338</b>	1,162,914
Unwinding of discount on asset retirement and land reclamation obligation ( <i>Note 35</i> )	<b>1,891,996</b>	1,390,712
<b>As at 31 December</b>	<b>27,780,887</b>	21,109,397

**28. OTHER CURRENT LIABILITIES**

Other current liabilities as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Salaries and other compensations	<b>11,099,128</b>	10,279,349
Accounts payable for oil transportation coordination services to related parties ( <i>Note 38</i> )	<b>8,193,956</b>	8,437,279
Accounts payable for oil transportation coordination services to third parties	<b>5,192,306</b>	4,319,474
Accounts payable to pension fund	<b>870,184</b>	817,336
Current portion of deferred income from third parties	<b>576,806</b>	579,231
Other accruals	<b>341,844</b>	400,595
<b>Total</b>	<b>26,274,224</b>	24,833,264

Salaries and other compensations comprise of current salary payable, remunerations based on the year results and vacation payments payable.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**
**29. REVENUE**

Revenue for the years ended 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	2019				Total segments
	Oil transportation and related services	Oil transshipment	Water transportation	Others	
Crude oil transportation	199,874,262	-	-	-	199,874,262
Pipeline operation and maintenance services	16,077,069	-	-	-	16,077,069
Water transportation	-	-	7,576,717	-	7,576,717
Fees for undelivered oil volumes	5,248,781	-	-	-	5,248,781
Seaport services	-	-	-	4,960,464	4,960,464
Oil transshipment and railway shipment	-	4,437,846	-	-	4,437,846
Oil transportation coordination services	677,031	-	-	-	677,031
Oil storage services	52,861	-	-	-	52,861
Other	101,665	-	6,661	612,593	720,919
<b>Total</b>	<b>222,031,669</b>	<b>4,437,846</b>	<b>7,583,378</b>	<b>5,573,057</b>	<b>239,625,950</b>
<b>Geographic regions</b>					
Kazakhstan	197,920,245	2,105,402	7,583,378	-	207,609,025
Russia	24,111,424	-	-	-	24,111,424
Georgia	-	1,601,162	-	5,561,954	7,163,116
Other states	-	731,282	-	11,103	742,385
<b>Total revenue under contracts with customers</b>	<b>222,031,669</b>	<b>4,437,846</b>	<b>7,583,378</b>	<b>5,573,057</b>	<b>239,625,950</b>
<b>Timing of revenue recognition</b>					
At a point in time	205,954,600	4,437,846	7,583,378	5,573,057	223,548,881
Over time	16,077,069	-	-	-	16,077,069
<b>Total</b>	<b>222,031,669</b>	<b>4,437,846</b>	<b>7,583,378</b>	<b>5,573,057</b>	<b>239,625,950</b>

For the year ended 31 December 2019 revenue from the five major customers amounted to 53,294,711 thousand Tenge, 32,177,845 thousand Tenge, 13,868,640 thousand Tenge, 11,417,470 thousand Tenge and 9,525,424 thousand Tenge. For the year ended 31 December 2018, revenue from these customers amounted to 50,677,435 thousand Tenge, 29,489,655 thousand Tenge, 13,563,399 thousand Tenge, 10,956,630 thousand Tenge and 9,450,461 thousand Tenge, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 29. REVENUE (continued)

<i>In thousands of Tenge</i>	2018				
	Oil transportation and related services	Oil transshipment	Water transportation	Others	Total segments
Crude oil transportation	189,600,250	-	-	-	189,600,250
Pipeline operation and maintenance services	13,233,048	-	-	-	13,233,048
Water transportation	-	-	7,536,197	-	7,536,197
Fees for undelivered oil volumes	-	-	-	5,453,702	5,453,702
Seaport services	4,852,920	-	-	-	4,852,920
Oil transshipment and railway shipment	-	3,001,848	-	-	3,001,848
Oil transportation coordination services	691,347	-	-	-	691,347
Oil storage services	77,375	-	-	-	77,375
Other	110,286	-	354	842,243	952,883
<b>Total</b>	<b>208,565,226</b>	<b>3,001,848</b>	<b>7,536,551</b>	<b>6,295,945</b>	<b>225,399,570</b>
<b>Geographic regions*</b>					
Kazakhstan	191,160,711	246,630	7,536,551	-	198,943,892
Russia	17,404,515	-	-	-	17,404,515
Georgia	-	1,561,306	-	6,295,945	7,857,251
Other states	-	1,193,912	-	-	1,193,912
<b>Total revenue under contracts with customers</b>	<b>208,565,226</b>	<b>3,001,848</b>	<b>7,536,551</b>	<b>6,295,945</b>	<b>225,399,570</b>
<b>Timing of revenue recognition</b>					
At a point in time	195,332,178	3,001,848	7,536,551	6,295,945	212,166,522
Over time	13,233,048	-	-	-	13,233,048
<b>Total</b>	<b>208,565,226</b>	<b>3,001,848</b>	<b>7,536,551</b>	<b>6,295,945</b>	<b>225,399,570</b>

\* In 2019 the Group disclosed information by geographical regions of the countries of incorporation of customers: accordingly, the Group made reclassifications for the comparative period.

For the year ended 31 December 2018 revenue from the five major customers amounted to 50,677,435 thousand Tenge, 29,489,655 thousand Tenge, 13,563,399 thousand Tenge, 10,956,630 thousand Tenge and 9,450,461 thousand Tenge. For the year ended 31 December 2017, revenue from these customers amounted to 49,159,783 thousand Tenge, 26,582,952 thousand Tenge, 13,132,025 thousand Tenge, 10,663,597 thousand Tenge and 12,106,463 thousand Tenge, respectively.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****30. COST OF SALES**

Cost of sales for the years ended 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	2019	2018
Personnel costs	54,667,892	51,328,346
Depreciation and amortization	52,498,771	50,759,001
Materials and fuel	8,839,641	8,177,241
Taxes other than income tax	8,595,272	8,387,637
Repair and maintenance	8,274,395	6,862,945
Electric energy	6,888,443	7,349,797
Security services	5,266,613	4,972,112
Gas expense	2,662,309	2,950,498
Environmental protection	2,097,765	1,039,222
Food and accomodation	2,022,624	1,786,131
Railway services	1,629,495	312,951
Business trip expenses	971,107	982,420
Insurance	665,263	653,375
Outstaffing services	426,839	443,259
Communication services	382,931	258,195
Diagnostics of production assets	337,544	368,319
Post-employment benefits (Note 21)	318,435	530,504
Air services	239,144	1,057,842
Transportation services	184,944	1,548,268
Rent expenses (Note 24)	8,965	333,818
Other	2,893,459	2,291,805
<b>Total</b>	<b>159,871,851</b>	<b>152,393,686</b>

The increase in depreciation and amortization expenses is primarily associated with significant commissioning of objects of construction in progress at the end of 2018, revaluation of property, plant and equipment, also recognition of the right-of-use assets in the reporting period (Note 7).

The increase in personnel costs is associated with the indexation of wages of production personnel.

The reduction in the cost of railway services is mainly due to decrease in the volume of gas in Georgia (Note 29).

The increase in the cost of environmental protection associated with the implementation of measures to restore disturbed lands (historical pollution) along the main oil pipeline.

The decrease in 2019 of both transportation services and rent expenses is associated with the introduction of IFRS 16 *Leases* starting from 1 January 2019, according to which these costs are treated as leases with recognition of the right-of-use assets.

The reduction in the costs of air services is associated with a temporary cessation of flights starting from second quarter 2019.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****31. GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses for the years ended 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	<b>2019</b>	<b>2018</b>
Personnel costs	<b>9,592,215</b>	9,006,465
Charity expenses	<b>2,235,607</b>	33,814
Depreciation and amortization	<b>1,391,617</b>	1,650,549
Office maintenance	<b>511,978</b>	581,342
Taxes other than income tax	<b>385,317</b>	287,536
Consulting services	<b>358,096</b>	355,333
Business trip expenses	<b>338,041</b>	325,718
Charge of provision ( <i>Note 27</i> )	<b>315,138</b>	1,046,994
Social sphere expenses	<b>298,176</b>	333,814
Repair and maintenance	<b>289,248</b>	417,832
Outstaffing services	<b>244,602</b>	216,548
Charge of allowance for expected credit losses, net ( <i>Note 12</i> )	<b>206,260</b>	774,844
Charge of provision for obsolete inventories, net	<b>201,231</b>	11,562
Communication services	<b>163,929</b>	139,128
Information services	<b>126,764</b>	140,445
Advertising expenses	<b>106,911</b>	82,425
Write-off of VAT recoverable	<b>99,133</b>	346,556
Bank costs	<b>67,839</b>	77,741
Insurance and security	<b>56,421</b>	75,547
Materials and fuel	<b>53,201</b>	101,783
Post-employment benefits ( <i>Note 21</i> )	<b>33,952</b>	37,778
Rent expenses ( <i>Note 24</i> )	<b>26,035</b>	61,233
Transportation services	<b>15,190</b>	162,313
Other	<b>761,495</b>	603,721
<b>Total</b>	<b>17,878,396</b>	16,871,021

**32. OTHER OPERATING INCOME**

Other operating income for the years ended 31 December 2019 and 2018 is as follows:

<i>In thousands of Tenge</i>	<b>2019</b>	<b>2018</b>
Income from fines and penalties	<b>867,020</b>	266,145
Amortization of deferred revenue	<b>246,812</b>	-
Income from reimbursement of insurance payment	<b>127,013</b>	87,852
Income from recognition of inventories	<b>74,338</b>	3,454
Income from sale of inventories, net	<b>39,580</b>	304,331
Income from sale of non-current assets held for sale, net ( <i>Note 18</i> )	<b>34,624</b>	254,756
Actuarial gain ( <i>Note 21</i> )	-	70,352
Other income	<b>169,064</b>	125,950
<b>Total</b>	<b>1,558,451</b>	1,112,840

**33. OTHER OPERATING EXPENSES**

Other operating expenses for the years ended 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	<b>2019</b>	<b>2018</b>
Reversal of provision and revision of estimates on provision on asset retirement and land reclamation obligation, net ( <i>Note 27</i> )	<b>1,445,338</b>	1,162,914
Impairment of non-current assets held for sale ( <i>Note 18</i> )	<b>960,743</b>	283,956
Loss on write-off of VAT on property, plant and equipment	<b>865,265</b>	-
Expenses for liquidation of idle production facilities	<b>134,212</b>	106,084
Actuarial loss ( <i>Note 21</i> )	<b>77,964</b>	-
Loss on disposal of property, plant and equipment and intangible assets, net	<b>73,809</b>	1,228,319
(Reversal)/charge of current provisions, net ( <i>Note 27</i> )	<b>(90,740)</b>	246,703
Other expenses	<b>240,362</b>	122,587
<b>Total</b>	<b>3,706,953</b>	3,150,563

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****34. FINANCE INCOME**

Finance income for the years ended 31 December 2019 and 2018 is as follows:

<i>In thousands of Tenge</i>	2019	2018
Interest income on bank deposits and current accounts	2,356,914	2,671,783
Income from revision the fair value of bonds (Note 19)	165,251	122,932
Unwinding of discount on long-term receivables	136,479	-
Other finance income	16,833	25,309
<b>Total</b>	<b>2,675,477</b>	<b>2,820,024</b>

**35. FINANCE COSTS**

Finance costs for the years ended 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	2019	2018
Unwinding of discount on asset retirement and land recultivation obligation (Note 27)	1,891,996	1,390,712
Interest cost on employee benefit obligations (Note 21)	1,182,087	1,163,566
Unwinding of discount on lease liabilities (Note 24)	638,724	-
Accrual of discount on long-term accounts receivables	136,100	-
Charge of allowance for expected credit losses of cash and cash equivalents, bank deposits, net (Notes 16 and 17)	35,283	35,983
<b>Total</b>	<b>3,884,190</b>	<b>2,590,261</b>

**36. INCOME TAX EXPENSE**

Income tax expense for the years ended 31 December 2019 and 2018 is as follows:

<i>In thousands of Tenge</i>	2019	2018
Current income tax expense	18,274,732	19,417,881
Changes in estimates of current income tax of the prior periods	(83,663)	1,034,264
Deferred income tax benefits	(4,236,858)	(6,740,724)
<b>Income tax expense</b>	<b>13,954,211</b>	<b>13,711,421</b>

A reconciliation of income tax expense on accounting profit, multiplied by income tax rate and current income tax expense for the years ended 31 December 2019 and 2018 is as follows:

<i>In thousands of Tenge</i>	2019	2018
<b>Profit before income tax</b>	<b>59,075,649</b>	<b>52,196,404</b>
Statutory rate	20%	20%
<b>Income tax expense on accounting profit</b>	<b>11,815,130</b>	<b>10,439,281</b>
Changes in estimates of current income tax of the prior periods	(83,663)	1,034,264
Non-deductible losses of foreign operations, net	2,808,506	988,954
Gain on surplus of technological oil	789,688	788,242
Non-deductible expense on long-term employee benefit obligations	276,396	44,213
Non-deductible loss on write of VAT recoverable	191,400	78,505
Representative expenses and holiday events	76,146	70,479
Non-deductible fines	63,304	209,399
Revision of estimates on taxable temporary differences related to property, plant and equipment	281,813	(1,065,393)
Other non-deductible expenses	463,171	558,954
<b>Tax effect of other adjustments</b>		
(Profit)/loss of joint ventures recognized based on equity method	(2,727,680)	564,523
<b>Income tax expense reported in the consolidated statement of comprehensive income</b>	<b>13,954,211</b>	<b>13,711,421</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****36. INCOME TAX EXPENSE (continued)**

Deferred income tax balances, calculated by applying the statutory income tax rates in effect at the respective statement of financial position dates to the temporary differences between the basis of assets and liabilities and the amounts reported in the consolidated financial statements, comprised the following at 31 December:

<i>In thousands of Tenge</i>	31 December 2019	Charged to profit and loss	Charged to other comp- rehensive income	Other	Charged to retained earnings	31 December 2018	Charged to profit and loss	Charged to other comp- rehensive income	1 January 2018
<b>Deferred tax assets</b>									
Employee benefits and other employee compensation and related costs (Note 20)	2,175,980	170,964	51,467	(13)	-	1,953,562	154,354	(137,731)	1,936,939
Reserve for impairment of advances to suppliers	10,781	-	-	-	-	10,781	(124)	-	10,905
Provision for obsolete and slow-moving inventories	44,241	40,888	-	-	-	3,353	(170)	-	3,523
Provision for assets retirement and land reclamation obligation	5,556,177	667,465	666,831	-	-	4,221,881	531,971	620,445	3,069,465
Provision for environmental protection and other provisions	8,819	594	-	-	-	8,225	-	-	8,225
Lease liabilities (Note 4)	923,469	(179,197)	-	-	1,102,666	-	-	-	-
Taxes payable	119,165	(6,751)	-	-	-	125,916	(21,437)	-	147,353
Revaluation of investments in bonds	77,245	(24,359)	-	-	-	101,604	(24,586)	-	126,190
Transfer of losses for subsequent periods	1,551,664	856,708	-	-	-	694,956	694,956	-	-
Unrealized income from intragroup transactions	265,860	(135,961)	-	-	-	401,821	401,821	-	-
Expected credit losses	216,688	36,110	-	-	-	180,578	60,572	-	120,006
Discount on long-term accounts receivables	226,757	226,757	-	-	-	-	-	-	-
<b>Total</b>	<b>11,176,846</b>	<b>1,653,218</b>	<b>718,298</b>	<b>(13)</b>	<b>1,102,666</b>	<b>7,702,677</b>	<b>1,797,357</b>	<b>482,714</b>	<b>5,422,606</b>
<b>Deferred tax liabilities</b>									
Property, plant and equipment	(90,961,140)	2,367,392	(18,231,513)	-	-	(75,097,019)	4,943,367	(11,494,525)	(68,545,861)
Right-of-use assets (Notes 4, 7)	(780,409)	216,248	-	-	(996,657)	-	-	-	-
<b>Total</b>	<b>(91,741,549)</b>	<b>2,583,640</b>	<b>(18,231,513)</b>	<b>-</b>	<b>(996,657)</b>	<b>(75,097,019)</b>	<b>4,943,367</b>	<b>(11,494,525)</b>	<b>(68,545,861)</b>
<b>Net deferred income tax liabilities</b>	<b>(80,564,703)</b>	<b>4,236,858</b>	<b>(17,513,215)</b>	<b>(13)</b>	<b>106,009</b>	<b>(67,394,342)</b>	<b>6,740,724</b>	<b>(11,011,811)</b>	<b>(63,123,255)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**36. INCOME TAX EXPENSE (continued)**

The deferred taxes on property, plant and equipment represent differences between tax and book base of property, plant and equipment due to different depreciation rates in tax and accounting books and impairment of property, plant and equipment.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**37. SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on its services and has four reportable segments, as follows:

- Oil transportation and related services;
- Oil transshipment;
- Water transportation;
- Other segments.

In relation to the formation at the end of 2017 of the subsidiary of "Main Waterline" LLP, the Group as at 31 December 2018 has allocated a separate segment "Water transportation". Earlier this segment was aggregated in the segment "Oil transportation and related services".

Segments that are identified, but do not separately exceed quantitative limits (amount of separate segment revenue comprises less than 10% of combined revenue) are combined in "Other segments". Such services include transshipment of dry cargo (sugar-airbrick, ammonium nitrate, cement, grain, sunflower and oil cake) in BSP with operation of dry-cargo, ferry and container terminals, and also passenger terminal services.

Oil transportation and related services provided by the Company, which do not exceed quantitative limits and are intimately connected with the Group's main operating activities, or with main asset of the Group – pipelines, such as: oil storage, expedition services, services on support and maintenance of pipelines, are included into service related to oil transportation. Separate management report is not provided to the Management of the Group on some types of these services and accordingly they cannot be identified as separate segments.

Services on transshipment of oil and oil-products through BSP with operation of BOT are included in "Oil transshipment" segment. Revenue from oil terminal is generated through storage, transshipment of oil and oil-products and expedition. Expedition services rendered by PTL, represent transshipment of oil and oil-products services through railway from Azerbaijanian-Georgian border to oil terminal in Batumi. This type of activity is directly related to oil transshipment, and therefore is not shown as a separate segment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 37. SEGMENT INFORMATION (continued)

<i>In thousands of Tenge</i>	For the year ended 31 December 2019					For the year ended 31 December 2018				
	Oil transportation and related services (Kazakhstan)	Oil transportation (Georgia)	Water transportation (Kazakhstan)	Other	Total segments	Oil transportation and related services (Kazakhstan)	Oil transportation (Georgia)	Water transportation (Kazakhstan)	Other	Total segments
<b>Revenue</b>										
External customers	222,031,669	4,437,846	7,583,378	5,573,057	239,625,950	208,565,226	3,001,848	7,536,551	6,295,945	225,399,570
<b>Total revenue</b>	<b>222,031,669</b>	<b>4,437,846</b>	<b>7,583,378</b>	<b>5,573,057</b>	<b>239,625,950</b>	<b>208,565,226</b>	<b>3,001,848</b>	<b>7,536,551</b>	<b>6,295,945</b>	<b>225,399,570</b>
<b>Financial results</b>										
Reversal/(charge) of impairment of property, plant and equipment and intangible assets through profit and loss	2,248,788	(11,696,677)	(2,245,133)	(1,492,045)	(13,185,067)	(292,293)	(2,239,655)	-	(117,313)	(2,649,261)
Depreciation and amortization	(48,371,061)	(1,511,187)	(3,090,401)	(917,739)	(53,890,388)	(46,235,224)	(1,873,222)	(3,219,403)	(1,081,701)	(52,409,550)
Interest income	2,080,787	21,441	155,140	99,546	2,356,914	2,468,573	4,831	136,962	61,417	2,671,783
Share in income/(loss) of joint ventures	13,638,401	-	-	-	13,638,401	(2,075,937)	-	-	-	(2,075,937)
Income tax (expense)/benefits	(15,274,641)	-	1,394,707	(74,277)	(13,954,211)	(13,680,920)	-	129,974	(160,475)	(13,711,421)
<b>Segment profit/(loss) for the period</b>	<b>62,974,277</b>	<b>(13,671,522)</b>	<b>(4,114,315)</b>	<b>(67,002)</b>	<b>45,121,438</b>	<b>45,662,399</b>	<b>(6,234,183)</b>	<b>(2,648,387)</b>	<b>1,705,154</b>	<b>38,484,983</b>
<b>Other disclosures</b>										
Total assets	822,992,325	34,273,177	37,714,300	17,833,668	912,813,470	706,250,834	51,206,176	28,932,026	17,051,565	803,440,601
Total liabilities	191,124,015	5,450,760	1,219,239	12,040,490	209,834,504	159,223,487	6,973,998	749,277	11,077,640	178,024,402
Investments in joint ventures (Note 9)	55,015,339	-	-	-	55,015,339	30,001,323	-	-	-	30,001,323
Capital expenditures	40,848,867	392,059	687,081	528,743	42,456,750	50,380,291	75,563	182,410	395,416	51,033,680

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****38. RELATED PARTY TRANSACTIONS**

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following tables provide the total amount of transactions, which have been entered into with related parties during 2019 and 2018 and the related balances as at 31 December 2019 and 2018.

Non-current advances given to related parties for property, plant and equipment are as follows:

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Non-current advances given to related parties for property, plant and equipment and construction services</b>			
Non-current advances to entities under common control of KMG		-	16,118
<b>Total non-current advances given to related parties for property, plant and equipment and construction services</b>	<b>10</b>	<b>-</b>	<b>16,118</b>

Trade and other accounts receivables from related parties are as follows:

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Trade and other accounts receivable from related parties</b>			
Trade accounts receivable from joint ventures		931,715	994,993
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		875,953	817,719
Trade accounts receivable from entities under common control of KMG		639,045	607,582
<b>Total trade accounts receivable from related parties</b>	<b>12</b>	<b>2,446,713</b>	<b>2,420,294</b>
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group		509	19,761
<b>Total other accounts receivable from related parties</b>	<b>12</b>	<b>509</b>	<b>19,761</b>
Less: allowance for expected credit losses		(4,586)	(7,295)
<b>Total</b>		<b>2,442,636</b>	<b>2,432,760</b>

Advances provided to related parties are as follows:

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Advances paid to related parties</b>			
Advances paid to entities under common control of KMG		548,107	210,957
Advances paid to entities under common control of Samruk-Kazyna Group		1,105	14,842
<b>Total advances paid to related parties</b>	<b>13</b>	<b>549,212</b>	<b>225,799</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****38. RELATED PARTY TRANSACTIONS (continued)**

Trade and other accounts payable to related parties are as follows:

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Trade accounts payable to related parties for goods and services</b>			
Trade accounts payable to entities under common control of Samruk-Kazyna Group		2,919,074	1,334,743
Trade accounts payable to entities under common control of KMG		815,957	720,259
Trade accounts payable to joint ventures		8,684	7,158
<b>Total trade accounts payable to related parties for goods and services</b>	23	<b>3,743,715</b>	<b>2,062,160</b>
<b>Other payables to related parties for goods and services</b>			
Other payables to entities under common control of Samruk Kazyna Group		2,344	2,493
Other payables to joint ventures		1,837	-
Other payables to entities under common control of KMG		-	697
<b>Total other payables to related parties for goods and services</b>	23	<b>4,181</b>	<b>3,190</b>
<b>Total trade and other accounts payable to related parties for goods and services</b>		<b>3,747,896</b>	<b>2,065,350</b>

Advances received from related parties are as follows:

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Advances received from related parties</b>			
Advances from entities under common control of KMG		10,979,288	12,869,915
Advances from entities under common control of Samruk-Kazyna Group		241,608	328,173
<b>Total advances received from related parties</b>	25	<b>11,220,896</b>	<b>13,198,088</b>

Other current liabilities to related parties are as follows:

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Accounts payable for oil transportation coordination services to related parties</b>			
Accounts payable for oil transportation coordination services to entities under common control of KMG		8,193,956	8,437,279
<b>Total of accounts payable for oil transportation coordination services to related parties</b>	28	<b>8,193,956</b>	<b>8,437,279</b>
<b>Employee benefits obligation of key management personnel</b>			
Employee benefits obligation of key management personnel		52,873	55,559
<b>Total employee benefits obligation of key management personnel</b>		<b>52,873</b>	<b>55,559</b>
<b>Total other current liabilities to related parties</b>		<b>8,246,829</b>	<b>8,492,838</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****38. RELATED PARTY TRANSACTIONS (continued)**

During the years ended 31 December the Group had the following transactions with the related parties:

<i>In thousands of Tenge</i>	<b>For the year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Sales to related parties</b>		
Revenue from main activities with entities under common control of KMG	<b>127,191,643</b>	120,997,267
Revenue from main activities with joint ventures	<b>9,473,092</b>	9,284,834
Revenue from main activities with entities under common control of Samruk-Kazyna Group	<b>7,824,032</b>	5,739,205
Income from other activities with entities under common control of KMG	<b>534,291</b>	39,576
Income from other activities with entities under common control of Samruk-Kazyna Group	<b>31,880</b>	57,756
Income from other activities with joint ventures	<b>950</b>	1,238
Income from sale of non-current assets held for sale to KMG	<b>-</b>	372,976
<b>Total</b>	<b>145,055,888</b>	136,492,852

Revenue from main activities with entities under common control of KMG is related to the services of oil and water transportation.

Purchase of services and assets from related parties is as follows:

<i>In thousands of Tenge</i>	<b>For the year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Purchases from related parties</b>		
Purchases of property, plant and equipment from entities under common control of Samruk-Kazyna Group	<b>16,608,319</b>	17,627,906
Purchases of services from entities under common control of KMG	<b>5,892,343</b>	5,744,501
Purchases of services from entities under common control of Samruk-Kazyna Group	<b>2,675,196</b>	2,934,371
Purchases of inventory from entities under common control of KMG	<b>572,619</b>	1,429,260
Purchases of property, plant and equipment and intangible assets from entities under common control of KMG	<b>204,201</b>	199,669
Purchases of services from joint ventures	<b>84,103</b>	34,645
Purchases of inventory from entities under common control of Samruk-Kazyna Group	<b>-</b>	165
<b>Total</b>	<b>26,036,781</b>	27,970,517

In 2019 the Company acquired property, plant and equipment from related party in the amount of 16,608,319 thousand Tenge, as part of the projects under overhaul with replacement of the main oil pipeline.

Cash flows to related to the payment of dividends are as follows:

<i>In thousands of Tenge</i>	<b>For the year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows to related parties</b>		
Dividends paid to the KMG (Note 20)	<b>36,001,892</b>	55,387,527
<b>Total</b>	<b>36,001,892</b>	55,387,527

Total accrued compensation to key management personnel for the year ended 31 December 2019 amounts to 887,705 thousand Tenge (for the year ended 31 December 2018: 834,325 thousand Tenge). Payments to key personnel consist primarily of payroll costs and remuneration established by contracts and Company's internal regulations.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**39. CONTINGENT LIABILITIES AND COMMITMENTS****Operating environment**

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Kazakhstan economy continued to be negatively impacted by a significant drop in crude oil prices and a significant devaluation of Kazakhstani Tenge that took place in 2015. The combination of the above along with other factors resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

**Taxation**

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not usual, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe.

Penalties are generally 80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years proceeding the year of review. Under certain circumstances reviews may cover longer periods.

Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued as at 31 December 2019.

As at 31 December 2019 the Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

*Transfer pricing control*

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market price determined in accordance with the arm's length principle.

The transfer pricing law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance. As a result, application of transfer pricing control to various types of transactions is not clearly regulated.

Because of the uncertainties associated with the Kazakhstan transfer pricing legislation, there is a risk that the tax authorities may take a position that differs from the Group's position, which could result in additional taxes, fines and interest as at 31 December 2019.

As at 31 December 2019 the Management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained.

*Tax commitments of Georgian entities*

According to the Tax Code of Georgia ("TCG"), tax administration is authorized to make motivated written decision on use of market prices for taxation purposes if transaction takes place between related parties. Although TCG contains certain guidance on the determination of market prices of goods and services, the mechanism is not sophisticated and there is no separate transfer pricing legislation in Georgia. Existence of such ambiguity creates uncertainties as related to the position that tax authorities might take when considering taxation of transactions between related parties.

BOT has significant transactions with off-shore subsidiary of the Company (PTL). These transactions fall within the definition of transactions between related parties and may be challenged by tax authorities of Georgia. Management believes that it has sufficient arguments to assert that pricing of transactions between entities of the Group is at arm's length, however due to absent legislative basis for determination of market prices tax authorities might take position different from that of the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**39. CONTINGENT LIABILITIES AND COMMITMENTS (continued)****Taxation (continued)***Tax inspection of BSP*

In 2015 Georgian Tax Authorities ('GTA'), additionally accrued taxes and fines in the amount of 2,541 thousand US Dollars (equivalent to 972,161 thousand Tenge) as a result of tax inspections of BSP for the period of 2010-2014. BSP did not agree with the decision of GTA and filed an appeal.

As a result in 2017 by the decision of the audit department of the Georgian Revenue Service, the accrued taxes were reduced to 1,667 thousand US Dollars (equivalent to 637,777 thousand Tenge), including penalties in the amount of 570 thousand US Dollars (equivalent to 218,076 thousand Tenge). BSP filed another appeal to the Council of Dispute Resolution of the Georgia Revenue Service ('Council')

On 30 September 2019 the Council partially satisfied BSP's complaint regarding fines. At the reporting date fines have not been recounted. In 21 October 2019 BSP filed a complaint with the Kutaisi City Court.

The management of the BOT, based on an analysis of local tax laws and current practice for similar tax proceedings, at the end of 2016 recognised the provision for the obligation to pay taxes in the amount of 801 thousand US Dollars (equivalent to 306,455 thousand Tenge). The remaining amount of unrecognized BSP's obligation for the period of inspection of 2010-2014 and taking into account the decision of the GTA dated 12 February 2020, the amount of taxes, penalties and fines equaled to 2,063 thousand US Dollars (equivalent to 789,283 thousand Tenge). BSP continues litigation and assess the probability of outflow of financial resources in excess of the accrued reserve in the amount of 801 thousand US Dollars is remote.

*Tax inspection of BOT*

In 2018 the GTA carried out a tax audit of BOT for the period from 2015 to the first half of 2018, the results of which accrued taxes and fines in the amount of 1,732 thousand US Dollars (equivalent to 662,645 thousand Tenge), including penalties in the amount of 651 thousand US Dollars (equivalent to 249,066 thousand Tenge). BOT did not agree with the decision of GTA and sent a complaint to the Ministry of Finance of Georgia.

On 30 September 2019 the Council sent a decision to BOT with partial satisfaction of BOT's complaint. In accordance with the decision of the Council, the Ministry of Finance of Georgia should recount the amounts of disputable issues. In October 2019 BOT appealed the decision of the Council related to the remaining amounts of tax disputes in Tbilisi City Court.

On 9 December 2019, the GTA decided to reduce additional taxes and penalties to 123 thousand US Dollars (equivalent to 47,058 thousand Tenge), which were recognized in December 2019 in the consolidated financial statements.

**Environmental obligations**

The enforcement of environmental regulation in Kazakhstan is evolving and subject to ongoing changes. Potential liabilities which may arise as a result of changes in legislation cannot be reasonably estimated. Under existing legislation management believes that there are no probable or possible liabilities which could have a material adverse effect on the Group's financial position or results of operations except for those described in the present consolidated financial statements (*Notes 5, 27*).

**Insurance matters**

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available.

The Group has insurance coverage over property, third party liability in respect of property and environmental damage arising from accidents on Group's property or relating to Group's operations.

**Contractual commitments to acquire property, plant and equipment**

As at 31 December 2019 the Group had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 22,828,704 thousand Tenge (31 December 2018: 38,927,686 thousand Tenge). Share of the Company as at 31 December 2019 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services amounted to 8,193,937 thousand Tenge (as at 31 December 2018: 3,707,759 thousand Tenge).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**39. CONTINGENT LIABILITIES AND COMMITMENTS (continued)****Contractual commitments to acquire property, plant and equipment (continued)***Investment program commitments*

In accordance with the Law of the Republic of Kazakhstan *On Natural Monopolies*, the Company, as a subject of natural monopolies, within the approved maximum tariffs for 2015-2019, has an obligation to execute an investment program aimed at capital construction/reconstruction/overhaul/diagnostics of production facilities for 2015-2019 (approved by the joint order of the Ministry of Energy of the Republic of Kazakhstan and the CRNMPCandCR), in the total amount of 191 billion Tenge.

As at 31 December 2019, Company's commitments for the execution of the investment program is 26.6 billion Tenge (As at 31 December 2018: 51.8 billion Tenge).

In relation to production needs, in order to maintain the current level of production, in the second half of 2018, the Company sent to the Ministry of Energy of the Republic of Kazakhstan and CRNMPCandCR proposals for adjusting the above investment program for 2018-2019. In response to the Company's appeal, CRNMPCandCR refused to adjust the investment program in connection with the existing remarks, which accordingly entails the risk of applying a temporary compensating tariff for non-compliance with the certain measures of the investment program and returning to consumers unreasonably received income in relation to the water supply service. A temporary compensating tariff can be applied to the Company's services of oil pumping to the domestic market and supplying water during twelve months, starting from 1 July 2020.

A temporary compensating tariff can be applied to the Company's services for pumping oil to the domestic market for twelve months, starting from 1 July 2020. In relation to the water transportation service, the Company assesses the risk of returning unreasonably received income as remote, since starting from 2 July 2018, this activity has been transferred to the subsidiary Main Waterline LLP.

In turn, the Company disagreeing with remarks of CRNMPCandCR will appeal its refusal to adjust the above-mentioned investment program in the court.

**Oil contamination in Druzhba pipeline**

In connection with cases of oil contamination detected in April of this year in the Druzhba pipeline owned by "Transneft" PJSC, the Group determined that it would not incur any costs associated with cases of contamination of Kazakhstani oil in this pipeline, because under the agreement on provision of transportation services for Kazakhstani oil in transit through the territory of the Russian Federation for 2019 between the Company and "Transneft" PJSC the last one should compensate to the Kazakhstani oil companies with documented expenses.

As at 28 February 2020 Transneft PJSC reimbursed to all Kazakhstani oil companies costs associated with cases of oil contamination in the Druzhba pipeline.

**Legal proceedings***Legal proceedings BOT with business counterparties*

On 19 December 2016 the proposal from the law enforcement agencies of Georgia on the implementation of the court ruling was received, which contains the order that BOT should not use its dominant position in the market, as well as the requirements on conclusion of the agreement on services. According to this definition, the court decided to arrest the property owned by BOT – the land plot (c. Batumi) and buildings and constructions located on it. This arrest restricts the alienation of the arrested property, but does not affect the operational and economic activities of BOT. On 23 December 2016, BOT appealed the above decision in the Tbilisi City Court.

On 15 February 2017, BOT received a statement of claim according to which the plaintiff requires the court to oblige BOT to enter into a service contract on the terms specified at the claimant's claim, and also compensate the plaintiff for damages in amount of 2,038 thousand US Dollars (equivalent to 779,718 thousand Tenge) and additionally from 1 December 2016 until the execution of the court decision, a monthly amount of 280 thousand US Dollars (equivalent to 107,125 thousand Tenge). On 24 February 2017 the plaintiff and the court sent a response to the statement of claim with the position of the BOT in this case.

On 11 September 2017, the Tbilisi Court of Appeal refused to satisfy the BOT's claim to appeal against the ruling of the court, received on 19 December 2016, but BOT continues legal proceedings.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****39. CONTINGENT LIABILITIES AND COMMITMENTS (continued)****Legal proceedings (continued)***Legal proceedings BOT with business counterparties (continued)*

The total book value of all arrested property as at 31 December 2019 was 4.9 million US Dollars (equivalent to 1,875 million Tenge).

On 12 February 2019, the Tbilisi City Court decided in favor of the plaintiff, BOT intends to appeal the court decision in the next instance. On 27 February 2020 the Tbilisi Appeals Court announced operative part of the decision. The court partially upheld the appeal of BOT, cancelled the decision of the Tbilisi City Court dated 12 February 2019 and sent the legal case for a new trial to the court of first instance. As at 31 December 2019, the Group did not recognize any additional obligations due to the BOT management assessment, the plaintiff's claims against BOT are not supported.

*Legal proceedings of BOT against the Georgian Railway*

In 2005, "Georgian Railway" JSC (hereinafter – "GR") filed a claim to the Tbilisi City Court against BOT for the recovery of the 14 million lari (equivalent to 1,883 million Tenge) for using tank wagons and storing cargo related to idle tank wagons in dead ends of BOT in the period related to 2003. The statement of claim and the appeal of the GR were not satisfied by the courts of first and appeal instances. However, in 2014, the Supreme Court of Georgia satisfied the cassation appeal of the GR and the case was returned to the lower courts for reconsideration. On 16 April 2019 the Tbilisi City Court partially satisfied the claim of the GR in the amount of 8.4 million lari (equivalent to 1,130 million Tenge). The court decision has not entered into force, the Group did not recognize the provision. BOT does not agree with the decision of the court and on 28 May 2019 filed an appeal. On February 5, 2020 Tbilisi Court of Appeal made a decision and refused to satisfy the BOT's appeals against GR. The decision of the Court of appeal dated 16 April 2019 remains unchanged. BOT does not agree with the decision of the Court of Appeal and in the prescribed manner plans to appeal in cassation.

**Termination of the BSP management agreement**

In accordance with BSP Management Right agreement between BOT and the Georgia Government, the last one has the right for termination of this agreement, in case the BSP in the course of 2 years does not meet its obligations on minimum volume of transshipment, which is 4 million tons per year. In addition, if the transshipment volume is less than 6 million tons per year, BOT shall pay the following penalties for:

- Non-fulfillment of up to 1 million tons in the amount of 0.1 US Dollars (ten US cents) per ton;
- Non-fulfillment of 1 to 2 million tons in the amount of 0.2 US Dollars (twenty US cents) per ton;
- Non-fulfillment of over 2 million tons in the amount of 1 US Dollars per ton.

Management of the Group believes that, as at 31 December 2019, BSP was not vulnerable to the risk of termination of this agreement by the Georgia Government, since the actual transshipment through the BSP for the nine months of 2019 amounted to 5.9 million tons (as at 31 December 2018: 5.6 million tons). In accordance with the above-mentioned agreement, based on actual volumes for the 2019 year, the Group accrued a reserve in the amount of 10 thousand US Dollars (equivalent to 3,829 thousand Tenge).

**40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has trade receivables and cash and cash equivalents that arise directly from its operations.

The Group is exposed to market risk that comprises: credit risk, currency risk and liquidity risk. The management of the Group reviews and agrees policies for managing each of these risks which are summarized below.

**Credit risk**

The Group's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has trade receivables and cash and cash equivalents that arise directly from its operations.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Maximum exposure is the carrying amount. There are no significant concentrations of credit risk within the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Credit risk (continued)**

The Group places deposits with Kazakhstani and foreign banks (*Notes 16 and 17*). Management of the Group reviews credit ratings of these banks periodically to eliminate extraordinary credit risk exposure. In accordance with IFRS 9, the Group accruals allowances for expected credit losses in respect of funds with credit institutions.

The table below shows the balances of bank deposits and cash and cash equivalents at the 31 December 2019 and 2018 using the “Moody’s”, “Fitch” and “Standard & Poor’s” credit ratings.

Bank	Location	Rating		31 December 2019	31 December 2018
		31 December 2019	31 December 2018		
“Halyk Bank of Kazakhstan” JSC	Kazakhstan	BB+/Positive	Ba1/Stable	70,920,702	60,758,933
“ForteBank” JSC	Kazakhstan	B+/Stable	B/Stable	2,994,955	384
Halyk Bank of Georgia	Georgia	BB/Positive	BB-	1,726,629	380,742
TBC Bank	Georgia	Ba2	Ba3/Ba2	495,837	38,036
Emirates NBD Bank PJSC	UAE	A+/Stable	-	299,950	-
Hellenic Bank	Cyprus	B+/Caa1	Caa1	248,301	249,730
Bank of Georgia	Georgia	Ba3/Ba2	Ba3/Ba2	55,093	42,646
“Sberbank” JSC	Russia	Baa3	Ba2	7,511	9,338
“Sberbank Russia” SB JSC	Kazakhstan	BBB-/Stable	BB+/Positive	-	167
<b>Total</b>				<b>76,748,978</b>	<b>61,479,976</b>

**Liquidity risk**

The Group monitors its risk to a shortage of funds using a current liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., accounts receivables, other financial assets) and projected cash flows from operations.

The table below summarizes the maturity profile of the Group’s financial liabilities at 31 December 2019 and 2018 based on contractual undiscounted payments.

<i>In thousands of Tenge</i>	On demand	More than 1 year	1 to 2 years	2 to 5 years	Less than 5 years	Total
<b>As at 31 December 2019</b>						
Trade and other accounts payable	-	15,183,124	-	-	-	15,183,124
Other payables	5,000,000	-	-	-	-	5,000,000
<b>Total</b>	<b>5,000,000</b>	<b>15,183,124</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,183,124</b>
<b>As at 31 December 2018</b>						
Trade and other accounts payable	-	12,884,530	67,552	820	4,612	12,957,514
<b>Total</b>	<b>-</b>	<b>12,884,530</b>	<b>67,552</b>	<b>820</b>	<b>4,612</b>	<b>12,957,514</b>

**Currency risk**

The table below shows the total amount of foreign currency denominated assets and liabilities that give rise to foreign exchange exposure.

<i>In thousands of Tenge</i>	US Dollar	Russian Ruble	Euro	Other currencies	Total
<b>At 31 December 2019</b>					
Assets	51,086,579	34,485	22,573	2,100,802	53,244,439
Liabilities	787,685	77,358	45,475	747,198	1,657,716
<b>At 31 December 2018</b>					
Assets	28,582,197	37,829	8,452	517,518	29,145,996
Liabilities	931,277	65,608	35,359	647,378	1,679,622

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Currency risk (continued)**

The Group does not have formal arrangements to mitigate foreign exchange risks of the Group's operations. The Group also has transactional currency exposures. Such exposure arises from revenues in US Dollars.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar, Euro and Russian Ruble exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no significant impact on the Group's equity.

<i>In thousands of Tenge</i>	<b>Increase/ decrease in US Dollar exchange rate</b>	<b>Effect on profit before tax</b>
<b>2019</b>		
US Dollar	+12.00%	6,035,867
	-9.00%	(4,526,900)
Russian Ruble	+12.00%	(5,145)
	-12.00%	5,145
Euro	+12.00%	(2,748)
	-9.00%	2,061
<b>2018</b>		
US Dollar	+14.00%	3,871,129
	-10.00%	(2,765,092)
Russian Ruble	+14.00%	(3,889)
	-9.00%	2,500
Euro	+14.00%	(3,767)
	-10.00%	2,691

**Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

As at 31 December 2019 and 2018 the Group does not have significant debts. The Group has sufficient cash, exceeding its debt as at the reporting date.

**Fair value of financial instruments**

The carrying amount of cash, bank deposits, trade and other accounts receivable, loans, trade and other accounts payable and other current liabilities approximates their fair value due to the short-term maturity of these financial instruments.

**41. SUBSEQUENT EVENTS**

Starting from 1 January 2020, a temporary tariff for the service of oil pumping to the domestic market in the amount of 4,109.50 Tenge per 1 ton per 1,000 km was set, valid until the approval of new tariffs.

On 29 January 2020, the Company approved a tariff for the service of oil pumping for export outside the Republic of Kazakhstan in the amount of 7,358.76 Tenge per 1 ton per 1,000 km, which will be applied starting from 1 March 2020.

The outbreak of novel coronavirus continues to spread throughout the world. The Group will closely monitor the evolving coronavirus situation, yet an estimate of its financial effect cannot be made at this stage.

As at 16 March 2020 the exchange rate of US dollar at the end of KASE session amounted to 434.9 Tenge per 1 Dollar.