“Sovereign Wealth Fund “Samruk-Kazyna” JSC

Consolidated financial statements

For the year ended December 31, 2019
with independent auditor’s report

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Independent Auditor's Report

To the Shareholder and Management of "Sovereign Wealth Fund "Samruk-Kazyna" JSC

Opinion

We have audited the consolidated financial statements of "Sovereign Wealth Fund "Samruk-Kazyna" JSC and its subsidiaries (hereinafter - the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and 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 (ISA). 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 each 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 these matters. 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 matters 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
Impairment of non-current assets	
We considered this matter to be one of most significance in the audit due to the high level of subjectivity in respect of assumptions underlying impairment analysis of non-current assets and significant judgements and estimates made by the management. In addition, increased cost of debt and uncertainty regarding future economic growth affects the Group's business prospects and triggers potential impairment of the Group's assets. Significant assumptions included discount rates, commodities prices, tariffs forecasts, inflation and exchange rate forecasts. Significant estimates included production forecasts, future capital expenditures and commodity reserves available for development and production. Information on non-current assets and the impairment tests performed is disclosed in *Note* 4 to the consolidated financial statements.	We obtained management's impairment analysis, including analysis of impairment indicators and impairment test models. We involved business valuation specialists in the testing of the impairment analysis and calculation of recoverable amounts performed by the management. We analyzed the assumptions underlying management forecast. We compared natural resource and commodity prices used in the calculation of recoverable amounts to available market forecasts. We compared the discount rate and long-term growth rates to general market indicators and other available information. We tested the mathematical accuracy of the impairment models and assessed their sensitivity to changes in assumptions. We analysed the disclosures made in the consolidated financial statements in respect of impairment.
Compliance with loan covenants	
In accordance with the terms of certain financing arrangements, the Group should comply with certain loan covenants. Breaching covenants could result in significant fines and penalties along with funding shortages. In addition, cross default provisions are in place under many of the Group's financing arrangements. Compliance with covenants was one of the matters of most significance in the audit since it can have a major impact on the going concern assumption used in the preparation of the consolidated financial statements, and on classification of interest-bearing liabilities in the consolidated statement of financial position. Information on compliance with covenants is disclosed in *Note* 19 to the consolidated financial statements.	We examined the terms of financing arrangements on covenants including additional clauses on cross default conditions. We compared data used in the calculations with the financial statements. We assessed arithmetic accuracy of financial covenants calculations. We analyzed the forecast made on approved Budgets as of 31 December 2019, if a breach is likely in the next 12 months, we obtained and analyzed management's analysis for the potential impact on going concern. We analyzed communication with creditors in respect of compliance with covenants as at 31 December 2019. We also analyzed the information disclosed in the consolidated financial statements

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. The Group's 2019 Annual Report is expected to be made available to us after the date of this auditor's report.

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 identified above when it becomes available 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.

Responsibilities of management and the Audit Committee 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 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 Audit Committee 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.

- 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 Audit Committee 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 Audit Committee 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 Audit Committee, 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 Paul Cohn.

Ernst & Young LLP

Paul Cohn
Audit Partner

Albert Asmatulayev
Auditor

Auditor Qualification Certificate
No. МФ-0000461 dated 6 February 2017

Gulmira Turmagambetova
General Director
Ernst & Young LLP

State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of finance of the Republic of Kazakhstan on 15 July 2005

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6 April 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

In millions of tenge	Note	2019	2018 (restated)*
Assets			
Non-current assets			
Property, plant and equipment	7	**13,141,006**	12,692,464
Intangible assets	8	**2,000,417**	1,688,235
Exploration and evaluation assets	9	**371,894**	431,848
Investment property		**24,888**	42,388
Investments in joint ventures and associates	10	**4,242,871**	3,701,451
Loans issued and finance lease receivables	11	**370,556**	431,276
Amounts due from credit institutions	12	**169,792**	176,360
Deferred tax assets	34	**91,229**	131,192
Other non-current financial assets	13	**336,245**	291,374
Other non-current assets	14	**768,673**	628,539
		21,517,571	20,215,127
Current assets			
Inventories	15	**654,452**	611,863
VAT receivable		**191,260**	151,750
Income tax prepaid		**81,894**	68,858
Trade accounts receivable	16	**620,388**	747,873
Loans issued and finance lease receivables	11	**150,273**	201,656
Amounts due from credit institutions	12	**593,974**	623,612
Other current financial assets	13	**74,669**	57,257
Other current assets	16	**396,166**	413,097
Cash and cash equivalents	17	**1,993,962**	2,487,553
		4,757,038	5,363,519
Assets classified as held for sale	6	**130,487**	166,279
Total assets		**26,405,096**	25,744,925

The accounting policies and explanatory notes on pages 9 through 102 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In millions of tenge	Note	2019	2018 (restated)*
Equity and liabilities			
Equity attributable to equity holder of the Parent			
Share capital	18.1	**5,229,112**	5,133,766
Additional paid-in capital		**17,303**	17,303
Currency translation reserve	18.9	**1,319,406**	1,349,799
Revaluation reserve of investments at fair value through other comprehensive income		**29,354**	28,806
Hedging reserve	18.10	**(46,726)**	(67,163)
Other capital reserves		**(16,984)**	(16,807)
Retained earnings		**6,171,964**	5,100,419
		12,703,429	11,546,123
Non-controlling interest	18.8	**1,634,047**	1,407,152
Total equity		**14,337,476**	12,953,275
Non-current liabilities			
Borrowings	19	**6,103,443**	6,035,456
Loans from the Government of the Republic of Kazakhstan	20	**622,322**	630,433
Lease liabilities	22	**340,029**	–
Finance lease liabilities	22	**–**	130,640
Provisions	23	**350,863**	269,123
Deferred tax liabilities	34	**1,064,128**	937,119
Employee benefit liabilities	24	**111,840**	94,243
Prepayment on oil supply agreements	21	**357,902**	1,153,761
Other non-current liabilities		**111,659**	120,575
		9,062,186	9,371,350
Current liabilities			
Borrowings	19	**737,950**	817,319
Loans from the Government of the Republic of Kazakhstan	20	**5,238**	22,973
Lease liabilities	22	**84,138**	–
Finance lease liabilities	22	**–**	25,853
Provisions	23	**119,367**	151,793
Employee benefit liabilities	24	**12,983**	7,278
Income taxes payable		**16,124**	18,699
Trade and other payables	25	**1,046,047**	995,322
Prepayment on oil supply agreements	21	**158,162**	527,402
Other current liabilities	25	**739,639**	760,604
		2,919,648	3,327,243
Liabilities associated with assets classified as held for sale	6	**85,786**	93,057
Total liabilities		**12,067,620**	12,791,650
Total equity and liabilities		**26,405,096**	25,744,925

* *Certain numbers shown here do not correspond to the consolidated financial statements for the year ended December 31, 2018 and reflect adjustments made, refer to Note 2.*

Managing Director for Economy and Finance –
Member of the Management Board

Beibit Karymsakov

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 102 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31

In millions of tenge	Note	2019	2018 (restated)*
Continuing operations			
Revenue	26	**10,648,913**	10,116,427
Government grants		**54,788**	31,217
		10,703,701	10,147,644
Cost of sales	27	**(7,988,684)**	(7,798,575)
Gross profit		**2,715,017**	2,349,069
General and administrative expenses	28	**(469,857)**	(488,633)
Transportation and selling expenses	29	**(779,807)**	(721,582)
Impairment loss	30	**(355,693)**	(197,406)
Gain on disposal of subsidiaries		**24,179**	26,432
Gain on business combination	5	**80,143**	347,479
Operating profit		**1,213,982**	1,315,359
Finance costs	31	**(639,363)**	(633,155)
Finance income	32	**280,949**	206,520
Other non-operating loss		**(66,843)**	(110,763)
Other non-operating income		**111,320**	44,176
Share in profit of joint ventures and associates, net	33	**914,757**	754,901
Net foreign exchange (loss)/gain, net		**(16,814)**	123,888
Profit before income tax		**1,797,988**	1,700,926
Income tax expenses	34	**(382,382)**	(403,816)
Net profit for the year from continuing operations		**1,415,606**	1,297,110
Discontinued operations			
Loss from discontinued operations, net of income tax		**–**	(3,542)
Net profit for the year		**1,415,606**	1,293,568
Net profit for the year attributable to:			
Equity holder of the Parent		**1,243,050**	1,185,508
Non-controlling interest		**172,556**	108,060
		1,415,606	1,293,568

The accounting policies and explanatory notes on pages 9 through 102 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In millions of tenge	Note	2019	2018 (restated)*
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations	18.9	**(34,256)**	431,034
Unrealized gain/(loss) from revaluation investments at fair value through other comprehensive income		**102**	(367)
Share of the other comprehensive income of associates and joint ventures		**128**	4,356
Gain/(loss) on transactions with hedge instruments	18.10	**23,249**	(10,279)
Reclassification to profit or loss of foreign currency translation reserve on disposal of foreign subsidiaries		**–**	(476)
Tax effect on transactions with hedge instrument	18.10	**753**	(750)
Net realized gain on investments at fair value through other comprehensive income		**23**	119
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods, net of tax		**(10,001)**	423,637
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Share of the other comprehensive gain/(loss) of associates and joint ventures		**188**	(155)
Net gain from investments in equity Investments at fair value through other comprehensive income		**–**	14,509
Actuarial loss on defined benefit plans	24	**(7,667)**	(7,577)
Tax effect on comprehensive loss components		**–**	404
Other comprehensive (loss)/gain not to be reclassified to profit or loss in subsequent periods		**(7,479)**	7,181
Other comprehensive (loss)/income for the year, net of tax		**(17,480)**	430,818
Total comprehensive income for the year, net of tax		**1,398,126**	1,724,386
Total comprehensive income for the year, attributable to:			
Equity holder of the Parent		**1,227,532**	1,560,810
Non-controlling interest		**170,594**	163,576
		1,398,126	1,724,386

* *Certain amounts shown here do not correspond to 2018 consolidated financial statements and reflect restatement made, details of which are disclosed in Note 2.*

Managing Director for Economy and Finance –
Member of the Management Board

Beibit Karymsakov

Chief accountant

Almaz Abdrakhmanova

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31

In millions of tenge	Note	Attributable to the equity holder of the Parent									
		Share capital	**Additional paid-in capital**	**Revaluation reserve of investments at fair value through other comprehensive income**	**Currency translation reserve**	**Hedging reserve**	**Other capital reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total**
Balance as at December 31, 2017 (restated)*		5,133,476	13,189	26,177	941,704	(54,666)	(16,742)	3,959,512	10,002,650	1,821,720	11,824,370
Effect of adoption of new IFRS 9, 15		–	–	2,835	–	–	–	(51,042)	(48,207)	(4,191)	(52,398)
Balance as at January 1, 2018		5,133,476	13,189	29,012	941,704	(54,666)	(16,742)	3,908,470	9,954,443	1,817,529	11,771,972
Total comprehensive income for the period		–	–	(55)	398,780	(12,497)	26	1,174,556	1,560,810	163,576	1,724,386
Issue of shares		290	–	–	–	–	–	–	290	–	290
Other contributions of the Shareholder		–	4,114	–	–	–	–	–	4,114	–	4,114
Dividends		–	–	–	–	–	–	(12,732)	(12,732)	(25,276)	(38,008)
Other transactions with the Shareholder		–	–	–	–	–	–	(31,340)	(31,340)	–	(31,340)
Other distributions to the Shareholder		–	–	–	–	–	–	(111,267)	(111,267)	(643)	(111,910)
Discount on loans from the Government		–	–	–	–	–	–	(10,477)	(10,477)	–	(10,477)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	184,409	184,409
Change in ownership interests of subsidiaries – sale of non-controlling interest		–	–	(405)	423	–	–	36,268	36,286	124,137	160,423
Change in ownership interests of subsidiaries – acquisition of non-controlling interest		–	–	–	5,938	–	–	150,212	156,150	(855,371)	(699,221)
Other equity movements		–	–	254	2,954	–	(91)	(3,271)	(154)	(1,209)	(1,363)
Balance as at December 31, 2018 (restated)*		5,133,766	17,303	28,806	1,349,799	(67,163)	(16,807)	5,100,419	11,546,123	1,407,152	12,953,275

* *Certain amounts shown here do not correspond to 2018 consolidated financial statements and reflect restatement made, details of which are disclosed in Note 2.*

The accounting policies and explanatory notes on pages 9 through 102 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

		Attributable to the equity holder of the Parent									
In millions of tenge	Note	Share capital	Additional paid-in capital	Revaluation reserve of investments at fair value through other comprehensive income	Currency translation reserve	Hedging reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total
Balance as at December 31, 2018 (restated)*		5,133,766	17,303	28,806	1,349,799	(67,163)	(16,807)	5,100,419	11,546,123	1,407,152	12,953,275
Effect of adoption of new IFRS 16		–	–	–	–	–	–	(8,932)	(8,932)	(6,227)	(15,159)
Balance as at January 1, 2019		5,133,766	17,303	28,806	1,349,799	(67,163)	(16,807)	5,091,487	11,537,191	1,400,925	12,938,116
Total comprehensive income for the period		–	–	328	(30,736)	20,721	–	1,237,219	1,227,532	170,594	1,398,126
Issue of shares	18.1	95,346	–	–	–	–	–	–	95,346	2,028	97,374
Dividends	18.2	–	–	–	–	–	–	(63,750)	(63,750)	(53,212)	(116,962)
Other transactions with the Shareholder	18.3	–	–	–	–	–	–	(2,501)	(2,501)	–	(2,501)
Other distributions to the Shareholder	18.4	–	–	–	–	–	–	(71,904)	(71,904)	–	(71,904)
Transfer of assets to the Shareholder	18.5	–	–	–	–	–	167	(39,509)	(39,342)	–	(39,342)
Discount on loans from the Government	18.6	–	–	–	–	–	–	5,107	5,107	–	5,107
Acquisition of subsidiaries	5	–	–	–	–	–	–	–	–	85,804	85,804
Change in ownership interests of subsidiaries – sale of non-controlling interest	18.7	–	–	(103)	59	–	–	13,854	13,810	35,078	48,888
Change in ownership interests of subsidiaries – acquisition of non-controlling interest		–	–	–	–	–	(313)	(1,800)	(2,113)	(1,012)	(3,125)
Other equity movements		–	–	323	284	(284)	(31)	3,761	4,053	(6,158)	(2,105)
Balance as at December 31, 2019		**5,229,112**	**17,303**	**29,354**	**1,319,406**	**(46,726)**	**(16,984)**	**6,171,964**	**12,703,429**	**1,634,047**	**14,337,476**

Managing Director for Economy and Finance –
Member of the Management Board

Beibit Karymsakov

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 102 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31

In millions of tenge	Note	2019	2018
Cash flows from operating activities			
Receipts from customers		**10,720,229**	11,139,592
Payments to suppliers		**(6,738,690)**	(6,820,267)
Payments to employees		**(1,033,538)**	(945,284)
Other taxes and payments		**(1,588,817)**	(1,497,177)
Operations with financial instruments (the Fund and Kazpost)		**23,776**	(149,711)
Return of VAT from the budget		**67,180**	84,096
Other payments		**(206,101)**	(114,872)
Income taxes paid		**(270,127)**	(261,221)
Interest paid		**(473,695)**	(534,690)
Interest received		**170,486**	180,128
Net cash flows received from operating activities		**670,703**	1,080,594
Cash flows from investing activities			
Acquisition of property, plant and equipment, and exploration and evaluation assets		**(975,610)**	(854,977)
Dividends received from joint ventures and associates	10	**235,983**	250,499
Acqusition of subsidiaries, net of cash acquired with the subsidiary		**(248,813)**	(161,682)
Redemption/(placement) of bank deposits, net		**10,055**	1,468,343
Loans issued		**(9,167)**	(32,809)
Proceeds from sale of subsidiaries, net of cash of disposed subsidiaries		**63,870**	10,122
Proceeds of receivables from sale of shares of BTA and Forte banks		**57,473**	5,000
Acquisition of intangible assets		**(17,024)**	(15,795)
Acquisition of joint ventures and associates		**(8,131)**	(50,510)
Repayment of loans issued		**59,686**	109,420
Purchase of debt instruments		**(123,589)**	(17,861)
Other receipts		**198,073**	124,274
Net cash flows (used)/received in investing activities		**(757,194)**	834,024

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In millions of tenge	Note	2019	2018
Cash flows from financing activities			
Proceeds from borrowings		**1,406,455**	1,870,800
Repayment of borrowings		**(1,538,093)**	(2,981,551)
Share buyback by subsidiary		**(2,979)**	(642,524)
Repayment of lease liabilities		**(103,644)**	(19,335)
Contributions to the share capital by the Equity holder of the Parent	18.1	**95,196**	–
Contributions by non-controlling interest		**120**	–
Distributions to the Shareholder		**(131,518)**	(57,051)
Dividends paid to non-controlling interest of subsidiaries		**(53,240)**	(24,632)
Sale of non-controlling interest		**49,145**	160,423
Repayment of principal for acquisition of additional interest in the indivisible shares of the North-Caspian project		**–**	(185,570)
Dividends paid to the Shareholder	18.2	**(63,750)**	(12,732)
Acquisition of non-controlling interest		**–**	(56,700)
Other payments		**(48,364)**	(793)
Net cash flows used in financing activities		**(390,672)**	(1,949,665)
Net decrease in cash and cash equivalents		**(477,163)**	(35,047)
Effects of exchange rate changes on cash and cash equivalents		**(23,375)**	244,566
Changes in cash and cash equivalents disclosed as part of assets held for sale		**7,399**	14,962
Change in allowance for expected credit losses		**(452)**	(866)
Cash and cash equivalents at the beginning of the year		**2,487,553**	2,263,938
Cash and cash equivalents at the end of the year	17	**1,993,962**	2,487,553

Managing Director for Economy and Finance –
Member of the Management Board

Beibit Karymsakov

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 102 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. GENERAL INFORMATION

Corporate information

"Sovereign Wealth Fund "Samruk-Kazyna" JSC (the "Fund" or "Samruk-Kazyna") was established on November 3, 2008 in accordance with the Decree of the President of the Republic of Kazakhstan dated October 13, 2008 and the Resolution of the Government of the Republic of Kazakhstan dated October 17, 2008. The formation was enacted by the merger of "Sustainable Development Fund "Kazyna" JSC ("Kazyna") and "Kazakhstan Holding Company for State Assets Management "Samruk" JSC ("Samruk") and the additional transfer to the Fund of interests in certain entities owned by the Government of the Republic of Kazakhstan (the "State" or the "Government"). The Government, represented by the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan, is the sole shareholder of the Fund (the "Shareholder" or the "Parent").

During this process the Government's overall objective was to increase management efficiency and to optimise organisational structures for them to successfully achieve their strategic objectives as set in the respective Government programs.

The Fund is a holding company combining state-owned enterprises listed in *Note 35* (the "Group"). Prior to February 1, 2012, the Fund's activities were governed by the Law of the Republic of Kazakhstan *On National Welfare Fund* No. 134-4 dated February 13, 2009 and were aimed to assist in provision of stable development of the state economy, modernization and diversification of economy, and improvement of the Group companies' efficiency. According to the Law of the Republic of Kazakhstan enacted on February 1, 2012 *On Sovereign Wealth Fund* No. 550-4, the Fund's activity is focused on improving sovereign wealth of the Republic of Kazakhstan by increasing the long-term value of the Group companies and by effective management of the Group assets.

For management purposes, the Group is organized into organizational business units based on their products and services, and has 8 (eight) reportable operating segments as follows *(Note 39)*:

- Oil and gas segment includes operations related to exploration and production of oil and gas, transportation of oil and gas and refining and trading of crude oil, gas and refined products.
- Transportation segment includes operations related to railway and air transportation of cargo and passengers.
- Communication segment includes operation of fixed line communication, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries); and also renting out of lines, data transfer services and wireless communication services.
- Energy segment includes operations related to production and distribution of electricity, the function of oversight over the input of electricity into the energy system and consumption of imported electricity, the function of centralized operation and dispatch of facilities in the Unified Energy System of Kazakhstan.
- Mining segment includes exploration, mining, processing, sales of mineral resources and geological exploration.
- Industrial segment includes industry enterprises and projects of chemical industry.
- Corporate center segment covers Fund's investing and financing activities, including provision of loans to related and third parties.
- Other segment includes operations related to assisting the Government in increasing housing availability by investing into residential development and other operations.

The address of the Fund's registered office is 17/10 E10 str., Nur-Sultan, the Republic of Kazakhstan.

These consolidated financial statements were authorised for issue by the Managing Director for Economy and Finance – Member of the Management Board and Chief accountant of the Fund on April 6, 2020 and preliminary approved by the Audit Committee of the Board of Directors of the Fund. These consolidated financial statements should be further approved by the Board of Directors and the Sole Shareholder.

Privatization plan

On April 30, 2014 the Government approved the initial Privatization Plan for 2014-2016. On December 30, 2015 the Government approved the new 2016-2020 Complex Privatization Plan (replacing previous 2014-2016 Privatization Plan) ("Privatization Plan") and the list of all state owned assets to be privatized, including certain Fund subsidiaries.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements.

These consolidated financial statements are presented in Kazakhstan tenge ("tenge") and all monetary amounts are rounded to the nearest million tenge except where otherwise indicated.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standard Board ("IASB").

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in *Note 4.*

Restatement affecting comparative information

National Atomic Company "Kazatomprom" JSC ("NAC KAP")

Acquisition of Baiken-U LLP

In December 2018 the Group obtained control over Baiken-U LLP. As at December 31, 2018, the Group applied provisional amounts for the acquired assets and liabilities as the assessment of fair value for the business combination was not complete at the end of the reporting period. As at December 31, 2019 an independent professional appraiser finalised fair value assessment of acquired assets and liabilities and, as a result, comparative information as at December 31, 2018, was restated.

Investments in Sekerbank TAS

During the year ended December 31, 2019 the Group reclassified investments in Sekerbank TAS from assets classified as held for sale to the investments in associates. In accordance with IFRS 5, the relevant amendments were made retrospectively.

Samruk-Energy JSC ("Samruk-Energy")

Reclassification of Tegis Munay LLP

In accordance with the Privatization plan Tegis Munay LLP, subsidiary of the Group, including its subsidiary Mangyshlak Munay ("Tegis Munay"), was classified as asset held for sale in the consolidated financial statements of the Group for the year ended December 31, 2018.

On October 14, 2019 the State Commission on the Issues of Modernization of the Economy of the Republic of Kazakhstan approved the proposal of the Group on the re-inclusion of Tegis Munay companies in the single list of assets of the Group.

In accordance with IFRS 5, if non-current assets and disposal groups previously classified as held for sale no longer meet the necessary classification criteria, the Group ceases to account for them as held for sale.

Consequently, the assets and liabilities of Tegis Munay were reclassified from assets held for sale. The relevant amendments were made retrospectively.

Kazakhtelecom JSC ("KTC")

Acquisition of Kcell JSC

On December 21, 2018 the Group acquired 75% of voting shares in Kcell JSC. As at December 31, 2018 the Group applied provisional amounts for the acquired assets and liabilities as the assessment of fair value for the business combination was not complete at the end of the reporting period. As at December 31, 2019 an independent professional appraiser finalised fair value assessment of acquired assets and liabilities and, as a result, comparative information as at December 31, 2018, was restated.

2. BASIS OF PREPARATION (continued)

Restatements affecting comparative information (continued)

Effect of restatement on the statement of financial position as at December 31, 2018:

In millions of tenge	December 31, 2018 (audited)	NAC KAP	Investments in Sekerbank TAS	Tegis Munay	Kcell JSC	December 31, 2018 (audited) (restated)
Assets						
Property, plant and equipment	12,669,551	7,811	–	15,481	(379)	12,692,464
Intangible assets	1,611,163	73,851	–	–	3,221	1,688,235
Investments in joint ventures and associates	3,664,897	18,568	17,986	–	–	3,701,451
Other non-current assets	627,917	–		622	–	628,539
Inventories	611,094	765	–	4	–	611,863
Income tax prepaid	68,857	–	–	1	–	68,858
Other current assets	417,362	–	–	3	(4,268)	413,097
Cash and cash equivalents	2,487,533	–	–	20	–	2,487,553
Assets classified as held for sale	200,396	–	(17,986)	(16,131)	–	166,279
Total assets	**25,645,356**	**100,995**	**–**	**–**	**(1,426)**	**25,744,925**
Equity						
Currency translation reserve	1,333,529	–	16,270	–	–	1,349,799
Retained earnings	5,078,098	38,591	(16,270)	–	–	5,100,419
Equity attributable to equity holder of the Parent	11,507,532	38,591	–	–	–	11,546,123
Non-controlling interest	1,364,353	42,859	–	–	(60)	1,407,152
Total equity	**12,871,885**	**81,450**	**–**	**–**	**(60)**	**12,953,275**
Liabilities						
Deferred tax liabilities	915,415	19,545	–	–	2,159	937,119
Other non-current liabilities	118,675	–	–	1,900	–	120,575
Employee benefit liabilities	7,267	–	–	11	–	7,278
Other current liabilities	764,021	–	–	108	(3,525)	760,604
Liabilities associated with assets classified as held for sale	95,076	–	–	(2,019)	–	93,057
Total liabilities	**12,773,471**	**19,545**	**–**	**–**	**(1,366)**	**12,791,650**
Total equity and liabilities	**25,645,356**	**100,995**	**–**	**–**	**(1,426)**	**25,744,925**

Effect of restatement on the statement of total comprehensive income for the year ended December 31, 2018:

In millions of tenge	2018 (audited)	NAC KAP	Investments in Sekerbank TAS	2018 (audited) (restated)
Impairment loss, net	(208,426)	–	11,020	(197,406)
Gain on business combination	313,517	33,962	–	347,479
Operating profit	**1,270,377**	**33,962**	**11,020**	**1,315,359**
Share in profit of joint ventures and associates, net	749,531	10,460	(5,090)	754,901
Profit before income tax	**1,650,574**	**44,422**	**5,930**	**1,700,926**
Net profit for the period	**1,243,216**	**44,422**	**5,930**	**1,293,568**
Net profit for the period attributable to:				
Equity holder of the Parent	1,140,896	38,682	5,930	1,185,508
Non-controlling interest	102,320	5,740	–	108,060

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Restatements affecting comparative information (continued)

In millions of tenge	2018 (audited)	NAC KAP	Investments in Sekerbank TAS	2018 (audited) (restated)
Other comprehensive income, net of tax				
Exchange differences on translation of foreign operations	437,322	–	(6,288)	431,034
Unrealized loss from revaluation investments at fair value through other comprehensive income	(260)	(107)	–	(367)
Share of the OCI items of associates and joint ventures	3,998	–	358	4,356
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax	**429,674**	**(107)**	**(5,930)**	**423,637**
Other comprehensive income/(loss) for the period, net of tax	**436,855**	**(107)**	**(5,930)**	**430,818**
Total comprehensive income for the period, net of tax	**1,680,071**	**44,315**	**–**	**1,724,386**
Total comprehensive income for the period, net of tax, attributable to:				
Equity holder of the Parent	1,522,219	38,591	–	1,560,810
Non-controlling interest	157,852	5,724	–	163,576

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss.

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 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.

Group entities

Gains, losses and financial position of all of the Group's subsidiaries, joint ventures and associates (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at that reporting date;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates; in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognized as a separate component of other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Foreign currency translation (continued)

Exchange rates

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

The following table presents currency exchange rates to tenge:

	December 31, 2019	December 31, 2018	**Weighted average for 2019**	Weighted average for 2018	**April 6, 2020**
United States dollar (“USD”)	**382.59**	384.20	**382.87**	345.04	**439.01**
Euro (“EUR”)	**429**	439.37	**428.61**	406.88	**474.61**
Russian ruble (“RUR”)	**6.16**	5.52	**5.92**	5.50	**5.75**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and amended standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards and interpretations effective as of January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2019, but they do not have an impact on the consolidated financial statements of the Group:

- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*;
- Amendments to IFRS 9: *Prepayment Features with Negative Compensation*;
- Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*;
- Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures*;
- Annual improvements:
  - IFRS 3 *Business Combinations*;
  - IFRS 11 *Joint Arrangements*;
  - IAS 12 *Income Taxes*;
  - IAS 23 *Borrowing Costs*.

All of these amendments had no impact on the consolidated financial statements of the Group.

The Group applies, for the first time, IFRS 16 *Lease* in 2019. The nature and effect of these changes are disclosed below.

IFRS 16 Leases

IFRS 16 supersedes 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*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-statement of financial position model.

Lessor accounting under IFRS 16 is substantially unchanged from 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 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').

The effect of adoption IFRS 16 on consolidated statement of financial position is as follows:

In millions of tenge	**As at January 1, 2019**
Assets	
Property, plant and equipment	222,374
Deferred tax assets	2,345
Other non-current assets	(2,647)
VAT receivable	144
Other current assets	(184)
Assets classified as held for sale	208
Total assets	**222,240**
Equity	
Retained earnings	(8,932)
Non-controlling interest	(6,227)
	(15,159)
Liabilities	
Lease liabilities	237,122
Deferred tax liabilities	(156)
Trade and other payables	(123)
Provisions	348
Liabilities associated with assets classified as held for sale	208
Total liabilities	**237,399**
Total equity and liabilities	**222,240**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of buildings and premises, 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 either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under advances received, trade accounts payable 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

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

- Leases previously classified as finance leases

The Group did not change the carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from January 1, 2019.

- 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 for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related advances received 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 lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

In millions of tenge	
Operating lease commitments as at December 31, 2018	**280,683**
Effect of discounting using incremental borrowing rate as at January 1, 2019	(58,528)
Discounted operating lease commitments as at January 1, 2019	**222,155**
Less commitments relating to short-term leases and low-value assets	(9,414)
Add commitments relating to leases previously classified as finance leases	156,493
Payments in periods provided by an extension option and not recognized as at December 31, 2018	24,381
Lease liabilities as at January 1, 2019	**393,615**

The weighted average incremental borrowing rate applied be the Group to the leased liabilities on January 1, 2019 was 5-14.3%.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

b) Summary of new accounting policies (continued)

- Lease liabilities

At the commencement date of the lease, the Group recognises 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 or 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 recognised as expense in the period in 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.

- Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised 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 extend. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension. 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).

c) Impact of IFRS 16 adoption on consolidated statement of cash flows

While in accordance with IAS 17, operating lease payments were presented as part of cash flows from operating activities, in accordance with IFRS 16, lease payments were split into interest payments and principal repayment. In accordance with the requirements of IFRS 16, the Group classified repayment of principal in cash flows from financial activities. In accordance with the Group’s accounting policy, interest paid is classified as part of the cash flows from operating activities. Payments on short-term leases, leases of low value assets and variable rental payments not included in the valuation of the lease liability are presented as part of operating activities.

Standards that have been issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards that have been issued but not yet effective (continued)

These amendments and interpretations did not have an impact on the consolidated financial statements of the Group:

- IFRS 17 *Insurance Contracts*;
- Amendments to IFRS 3: *Definition of a Business*;
- Amendments to IAS 1 and IAS 8: *Definition of Material*;
- IFRS 7 *Financial Instruments: Disclosures and IFRS 9 Financial Instruments – Interest Rates*;
- IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current.*

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

Basis of consolidation

These consolidated financial statements comprise the financial statements of the Fund and its controlled subsidiaries *(Note 35)*.

Subsidiaries

Subsidiaries are the entities controlled by the Group. 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.

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 over the subsidiary.

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

Except for acquisition in transactions between entities under common control, subsidiaries are consolidated from the date when control is obtained by the Group and are de-consolidated from the date when control ceases. At the acquisition of the subsidiary, acquisition cost is distributed between assets and liabilities based on their fair value as at the date of acquisition. Financial statements of the subsidiaries are prepared for the same reporting period as those of the Fund, using consistent accounting policies.

All intra-group balances and transactions, including unrealized gains resulting from intra-group transactions are eliminated in full. Unrealized losses are eliminated in the same manner as unrealized gains, except that they are eliminated to the extent that there is no evidence of impairment.

Non-controlling interest represents a portion of equity in subsidiaries, which is not owned by the Group, and is recorded separately in equity in the consolidated statement of financial position separately from the equity attributable to the Parent. Losses within a subsidiary are attributed to the non-controlling interest even if that results in its deficit balance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Subsidiaries (continued)

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 assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the Parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as an aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes an analysis of the need of separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, equity interest previously held by the Group in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. If the contingent consideration is not within the scope of IFRS 9, it is measured at fair value through profit and loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, the goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date of an entity by the Group, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operations disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured on the basis of the relative values of the operation disposed off and the portion of the cash-generating unit retained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Business combinations achieved in stages

The acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

In a business combination achieved in stages the acquirer recognises goodwill as of the acquisition date measured as the excess of (a) over (b) below:

(a) The aggregate of:

  (i) The consideration transferred measured in accordance with this IFRS 3 *Business Combinations*, which generally requires acquisition-date fair value;

  (ii) The amount of any non-controlling interest in the acquiree measured in accordance with IFRS 3; and

  (iii) The acquisition-date fair value of the acquirer’s previously held equity interest in the acquire;

(b) The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Acquisition of subsidiaries from parties under common control

Acquisition of subsidiaries from parties under common control (entities under the Government’s control) is accounted for using the pooling of interest method.

Assets and liabilities of the subsidiary transferred under common control are recorded in these consolidated financial statements at the carrying amounts of the transferring entity (the “Predecessor”) at the date of the transfer. Related goodwill, if any, inherent in the Predecessor’s original acquisition is also recorded in these consolidated financial statements. Any difference between the total book value of net assets, including the Predecessor’s goodwill, and the consideration paid is accounted for in these consolidated financial statements as an adjustment to equity.

These consolidated financial statements are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Change in ownership interests in subsidiaries

In transactions where part of the interest in existing subsidiary is either sold or acquired, but control is retained, the differences between the carrying amounts of net assets attributable to interests in subsidiaries acquired or disposed and the consideration given or received for such increases or decreases are charged or credited to retained earnings.

Investment in joint ventures and associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but which does not comprise control or joint control over those policies.

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.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group has interests in joint ventures which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. Also, the Group has interests in associates, in which it exercises significant influence over the economic activities of the entities. The Group’s investment in its joint ventures and associates are accounted for using the equity method.

Under the equity method, investment in joint venture / associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group’s share of net assets of the joint venture / associate. Goodwill relating to a joint venture / associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Investment in joint ventures and associates (continued)

The consolidated statement of comprehensive income reflects the share of the results of operations of the joint venture / associate. Where there has been a change in net assets recognized directly in the equity of the joint venture / associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and joint venture / associate are eliminated to the extent of the Group's interest in the joint venture / associate.

The share in profit of joint ventures / associates is shown on the face of the consolidated statement of comprehensive income. This is the profit attributable to equity holders of the joint venture / associate and therefore is profit after tax and non-controlling interest in the subsidiaries of the joint ventures / associates.

Financial statements of the joint venture / associate are prepared for the same reporting period as those of the Parent. Where necessary, adjustments are made to bring their 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 the Group's investment in its joint ventures / associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture / associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of investment in the joint venture / associate and its carrying amount and recognises impairment loss in the consolidated statement of comprehensive income.

Upon loss of joint control over the joint venture and significant influence over associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the investment in the joint venture / associate upon loss of joint control / significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Current versus non-current classification

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

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 (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 12 (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 12 (twelve) months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are always classified as non-current assets and liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets classified as held for sale and discontinued operations

Assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through the continuing use. This condition 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. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 (one) year from the date of classification.

In the consolidated statement of comprehensive income for the reporting period, and for the prior year comparable period, incomes and expenses from discontinued operations are reported separately from normal income and expenses, even when the Group retains a non-controlling interest in the subsidiary after sale. The resulting profit or loss (net of tax) is reported separately in the consolidated statement of comprehensive income.

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

Oil and natural gas exploration, evaluation and development expenditure

Costs incurred before obtaining subsoil use rights (licenses)

Costs incurred before obtaining full subsoil use rights (licenses) are expensed in the period in which they are incurred, except when costs are incurred after signing preliminary agreements with the Government of the Republic of Kazakhstan, in such cases costs incurred after this date are capitalized.

Expenditures for acquisition of subsurface use rights

Expenditures for acquisition of subsurface use rights (exploration and production) comprise signature bonuses, historical costs, obligatory expenditures for ecological and social programs and are capitalized within intangible assets as subsurface use rights at exploration and evaluation phase.

Expenditures for acquisition of subsurface use rights are accounted for on a field-by-field basis. Each field is tested for impairment on an annual basis. If no future activity is planned, the remaining balance of the acquisition costs is written off. Starting from the commercial production on fields subsurface use rights (remaining costs) shall be transferred to the property, plant and equipment and shall be amortized using unit-of-production method on actual production based on total proved reserves.

Exploration and evaluation expenditures (construction in progress)

Exploration and evaluation expenditures include geological and geophysical costs; costs directly related to exploration drilling; stripping activities; overhead and other expenses on exploration and evaluation, which could be related to a certain field. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. Except for geological and geophysical costs, exploration and evaluation expenditures are capitalized within exploration and evaluation assets, accounted for by subsurface use contracts and are not amortized. If mineral or hydrocarbon resources are not found, this could be an indication of impairment. All capitalized costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. If mineral or hydrocarbon resources are determined and development is sanctioned, relevant costs are then transferred to oil and gas or mining assets subclasses.

Development and production expenditures (oil and gas and mining assets)

Development and production expenditures comprise previously capitalized (and reclassified in commencement of production) expenditures for acquisition of subsurface use rights and exploration and evaluation costs; drilling of producing wells regardless of the drilling results; construction of landfills; development of surface technological facilities required for production, collection and preparation of hydrocarbons and mineral resources at fields; other costs incurred in the process of organization of commercial production at fields; capitalized discounted costs for wells and mines abandonment and site restoration. Development and production expenditures are capitalized within property, plant and equipment (oil and gas and mining assets), and are accounted for on a field-by-field basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Oil and natural gas exploration, evaluation and development expenditure (continued)

Depreciation of oil and gas and mining assets (within property, plant and equipment and intangible assets)

Oil and gas and mining assets are depreciated using a unit-of-production method based on actual production from commencement of commercial production at fields. Certain oil and gas and mining assets (surface facilities and equipment) with useful lives significantly differing from those of the fields are depreciated on a straight-line basis over their useful lives. The cost of acquisition of subsurface use rights including discounted decommissioning costs are depreciated over total proved reserves. The other field development costs are amortized over proved developed reserves.

Property, plant and equipment (other than oil and gas and mining assets)

On initial recognition, property, plant and equipment is measured at cost. Subsequently, property, plant and equipment are stated at cost less accumulated depreciation, depletion and impairment. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Property, plant and equipment, other than oil and gas and mining assets, principally comprise the following classes of assets, which are depreciated on a straight-line basis over the expected useful lives:

UPS Power transmission lines	50 years
Refinery assets	4-100 years
Pipelines	2-30 years
Buildings and premises	2-100 years
Railway tracks and infrastructure	10-80 years
Machinery, equipment and vehicles	2-50 years
Other	2-20 years

In cases when items of property, plant and equipment are subject to major inspection, the cost is recognized in the carrying amount of property, plant and equipment as a replacement of component if the recognition criteria set out in IAS 16 are satisfied.

An item of property, plant and equipment 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 an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the reporting period the asset is derecognised.

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment loss. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

The amortisation expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with the finite useful life principally comprise the following classes of assets which are amortised on a straight-line basis over the expected useful lives:

Licenses	3-20 years
Software	1-14 years
Other	2-15 years

Indefinite lives intangible assets are not amortized, but tested for impairment annually or whenever there are indications of impairment and, if necessary, written down to the recoverable amount.

Investment properties

Investment property is initially measured at cost, including transaction costs.

Since the Group adopted cost model, after initial recognition, investment property is accounted for in accordance with the cost model as set out in IAS 16 *Property, Plant and Equipment*, that is, at cost less accumulated depreciation and less accumulated impairment losses.

The depreciation is calculated based on straight line method basis over the expected remaining useful average life of 2-100 years.

Investment property is derecognised (eliminated from the consolidated statement of financial position) on its disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected in the future. The difference between the net inflows arisen from the disposal and carrying amount of the asset is recognised in the consolidated statement of comprehensive income for the period in which it was derecognized.

Impairment of non-financial assets

The Group assesses non-financial assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the Group makes an estimate of its recoverable amount.

An asset’s or cash generating unit’s (CGU’s) recoverable amount is higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and an allowance is made to reduce the asset to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset or CGU and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment provision may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment allowance was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profits and losses.

After such a reversal, the depreciation/amortisation charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following process is applied in assessing impairment of goodwill:

- Goodwill is tested for impairment annually as at December 31, and when circumstances indicate that its carrying amount may be impaired;
- Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when reclassified to oil and gas development tangible or intangible assets or whenever facts and circumstances indicate impairment. One or more of the following facts and circumstances indicate that the Group should test exploration and evaluation assets for impairment (the list is not exhaustive):

- The period for which the Group entity has the right to explore and appraise in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on the further exploration for and evaluation of hydrocarbon resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of hydrocarbon resources in the specific area have not led to the discovery of commercial viable quantities of hydrocarbon resources and the Group entity has decided to discontinue such activities in the specific area;
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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 (FVOCI), and fair value through profit or loss (FVPL).

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.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, 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.

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.

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through other comprehensive income;
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at amortised cost (debt instruments) (continued)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) 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 include trade and other receivables, loans due from third and related parties and bank deposits.

Financial assets at fair value through other comprehensive income

The Group measures financial assets at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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. Interest consists of consideration for the time value of money, and for the credit risk associated with the principal amount outstanding during a particular period of time.

The Group's financial assets at FVOCI include mainly debt securities of third and related parties.

Financial assets at fair value through profit or loss

Financial assets at FVPL include certain loans due from related parties, which contain embedded derivative financial instruments, and coupon bonds included in other financial assets mandatorily required to be measured at fair value. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of comprehensive income.

The Group's financial assets at FVPL include mainly note receivable, loans issued, debt and equity securities of third and related parties.

Derecognition

A financial asset is primarily derecognised (removed from the consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- 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 Group continues to recognise the transferred asset to the extent of its continuing involvement. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments 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, discounted at an approximation of the original effective interest rate.

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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 and other receivables 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 matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments 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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Hedge accounting

The Group designates certain hedging instruments in respect of foreign currency risk, as either hedges of net investments in foreign operations or cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values of foreign operations or cash flows of the hedged item attributable to the hedged risk.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item.

Hedge accounting is discontinued:

a) When the Group revokes the hedging relationship;

b) When the hedging instrument expires or is sold, terminated, or exercised; or

c) When it no longer qualifies for hedge accounting.

Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Investments in foreign operations hedge

Foreign currency gain or loss arising on items that are designated as part of the hedge of the Group's net investment in foreign operations are recognized in consolidated statement of comprehensive income within currency translation reserve.

Cash flow hedges

Foreign currency gain or loss arising from financial instruments that are designated and qualify as cash flow hedges is recognized in consolidated statement of comprehensive income within hedge reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are valued at cost or net realisable value, whichever is lower. Costs comprise charges incurred in bringing inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to sell. The same cost formula is used for all inventories having a similar nature and use. Inventories of oil and gas and energy operating segments are valued on a first-in first-out ("FIFO") basis. All other inventories are valued on the weighted-average cost basis.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits, short-term and highly liquid investments with original maturity of not more than 3 (three) months readily convertible to known amounts of cash and subject to insignificant risk of change in value.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans borrowings and payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

The Group has not designated any financial liabilities upon initial recognition as at FVPL.

Trade and other payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate (EIR).

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 (twelve) months after the reporting date. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense when incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the financial guarantee contracts after initial recognition at the higher of the amount initially recognized less, when appropriate, the cumulative amount of income/amortization in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers* and the amount of the estimated allowance for expected credit losses.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

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 recognized in profit or loss.

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.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm’s length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in *Note 37*.

Leases (accounting under IAS 17 *Leases* for comparative reporting period)

Determining whether the agreement is a lease or whether it contains evidence of a lease is based on an analysis of the content of the agreement at the date of the commencement of the lease. The agreement is a lease or contains signs of a lease if the implementation of the agreement depends on the use of a particular asset (or assets), and the right to use the asset or assets as a result of this agreement is transferred from one party to the other, even if this asset (or these assets) is not indicated (not specified) in the agreement explicitly.

The Group as lessee

Leases are classified at the commencement date of the rental relationship as financial or operating leases. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Financing costs are recognized directly in the statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (accounting under IAS 17 *Leases* for comparative reporting period) (continued)

The Group as lessee (continued)

The leased asset is depreciated over the useful life of the asset. However, if there is no reasonable assurance that the Group will transfer ownership of the asset at the end of the lease term, the asset is depreciated over the shorter of the following periods: the estimated useful life of the asset and the lease term.

An operating lease is defined as a lease other than a financial lease. Operating lease payments are recognized as operating expenses in the statement of comprehensive income on a straight-line basis over the term of the lease.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment outstanding in respect of the leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Provisions

Asset retirement obligation (decommissioning)

Provision for decommissioning is recognized in full, on a discounted cash flow basis, when the Group has an obligation to dismantle and remove a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reasonable estimate of that provision can be made.

The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding addition to the carrying amount of the related item of property, plant and equipment in the amount equivalent to the provision is also recognized. This amount is subsequently depreciated as part of the capital costs of the production and transportation facilities in accordance with respective depreciation method.

Changes in the measurement of an existing decommissioning provision that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or change in the discount rate, is accounted for so that:

a) Changes in the provision are added to, or deducted from, the carrying amount of the related asset in the current period;

b) The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognized immediately in the consolidated statement of comprehensive income; and

c) If the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss, in accordance with IAS 36.

Other provisions

Provisions are recognized in the consolidated financial statements 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. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Contributions to pension funds

The Group withholds 10% from the salary of its employees limited to certain annual amounts as the employees' contribution to their designated pension funds. Under the legislation, employees are responsible for their retirement benefits payable by that pension funds and the Group has no present or future obligation to further compensate its employees upon their retirement in relation to these arrangements.

Social tax

The Group pays social tax on salaries payable to employees according to the current statutory requirements of the Republic of Kazakhstan. Social tax is expensed as incurred.

Defined benefit plan

In accordance with the Collective Agreements signed with trade unions and other benefit regulations, some subsidiaries of the Group provide certain benefits to its employees upon their retirement ("Defined Benefit Plan").

The Group recognises actuarial gains and losses arising from the reassessment of the employee benefit liability in the period they are identified in OCI and profits and losses, and recognises benefit costs and obligations based on estimates determined in accordance with IAS 19 *Employee Benefits*.

The obligation and cost of benefits under the defined benefit plan are determined using the projected unit credit method. This method considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The cost of providing benefits is charged to profit and loss, so as to attribute the total benefit cost over the service lives of employees in accordance with the benefit formula of the defined benefit plan. This obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest on government bonds where the currency and terms of these bonds are consistent with the currency and estimated terms of the defined benefit plan obligation.

The defined benefit plans of Group's subsidiaries are unfunded.

Equity

Share capital

Common shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess or deficiency of the fair value of consideration received over the par value of shares issued is recognized as an increase or decrease in the retained earnings.

Non-controlling interests

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity holders of the Parent. Losses of subsidiaries are attributed to the non-controlling interest even if this results in a deficit balance.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed in the consolidated financial statements when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

Other distributions to the Shareholder

Other distributions to the Shareholder recognized as deductions from retained earnings are represented by expenses incurred or asset distribution made at the discretion of the Shareholder, including property, plant and equipment, interest in another entities, other disposal groups, cash and other assets in accordance with accounting policy of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured.

Sale of goods

Revenues are recognized when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset, which usually occurs when the title is passed, provided that the contract price is fixed or determinable and collectability of the receivable is reasonably assured. For export sales, title generally passes at the border of the Republic of Kazakhstan. Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts, volume rebates and reimbursable taxes.

Sales of support services are recognized as services are performed provided that the service price can be determined and no significant uncertainties regarding the receipt of revenues exist.

Rendering of services

Revenue from rendering of services is recognized when the services have been performed.

In respect of services related to transportation, revenue is recognized with reference to the stage of completion of the transportation at the reporting date provided that the stage of completion of transportation and the amount of revenue can be measured reliably. Prepayments received from customers relating to transportation services that have not been started yet are recognized upon receipt as “advances received from customers”. Deferred income is credited to current revenue, as the service is provided.

Sale and lease back transactions

The Group accounts for a transfer of an asset in a sale and leaseback transaction as a sale only if the transfer meets the requirements of IFRS 15 *Revenue* from contracts with customers.

If, under IFRS 15, a sale is to be recognised by the seller-lessee, then the right-of-use asset leased back is measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. The seller-lessee recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

If the transfer of an asset by the seller-lessee does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the seller-lessee continues to recognize the transferred asset and recognizes a financial liability equal to proceeds for the transfer by applying IFRS 9 *Financial Instruments*.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as investments held at FVOCI, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Trade receivables

Accounts receivable represent the Group’s right to the consideration amount, which is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities from contracts with customers

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Costs to obtain a contract

The Group pays commission to sales agents for new connected subscribers in the business-to-customer (B2C) segment. The commission to sales agents is capitalized as costs to obtain a contract in the consolidated statements of financial position. Costs to obtain a contract are amortized over the period the service is provided to the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Establishment of tariffs

A number of subsidiaries of the Group are subject to regulation by the Committee for regulation of natural monopolies of the Republic of Kazakhstan (“CRNM”). This Committee is responsible for approval of the methodology for tariff calculation and tariff rates, under which the subsidiaries derive a significant portion of their revenues.

Government grants

Due to the fact that the Government of the Republic of Kazakhstan is the sole shareholder of the Fund, the Group analyses all transactions with the Government to assess its role: where the Government acts primarily in its capacity of the Shareholder or where it acts as a regulator. If it is determined that in a specific transaction the Government acts in capacity of the Shareholder any gains or losses incurred by the Group as a result of such transaction are reflected directly in equity as either a contribution or withdrawal of equity by the Shareholder.

If it is determined that in a specific transaction the Government does not act in capacity of the Shareholder such transactions are accounted for using provisions of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. In such circumstances, government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments. Grants related to income are presented separately in the consolidated statement of comprehensive income within revenues from operating activities.

Expense recognition

Expenses are recognized as incurred and are reported in the consolidated statement of comprehensive income in the period to which they relate on the accrual basis.

Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognized in the profits and losses, except to the extent that it relates to items charged or credited to other comprehensive income or equity, in which case it is recognized in other comprehensive income. Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Excess profit tax (“EPT”) is treated as an income tax and forms part of income tax expense. In accordance with the subsurface use contracts, the Group accrues and pays EPT, at specified rates of after tax profit which has been adjusted for specific deductions in accordance with the applicable subsurface use contracts, when certain internal rates of return are exceeded.

Deferred tax is calculated with respect to both corporate income tax (“CIT”) and EPT. Deferred EPT is calculated on temporary differences for assets allocated to subsurface use contracts at the expected rate of EPT to be paid under the contract.

Deferred tax is provided using the statement of financial position method, in relation to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The temporary differences arising due to the following are not provided for:

- 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 accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when 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 and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

Value added tax ("VAT")

Tax authorities permit the settlement of sales and purchases VAT on a net basis. VAT receivable represents VAT on domestic purchases net of VAT on domestic sales. Export sales are zero rated.

Related parties

Related parties include the Group's Shareholder, key management personnel, associates, joint ventures and entities in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's shareholders or key management personnel.

Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements *(Note 38)* unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements. Where an inflow of economic benefits is probable, they are disclosed in the notes.

Subsequent events

Post-year-end events that provide evidence of conditions that existed at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent assets and liabilities at the reporting date and reported amounts of assets, liabilities, revenues, expenses and contingent assets and liabilities during the reporting period. Actual outcomes could differ from these estimates.

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 discussed below:

Oil and gas reserves

Oil and gas reserves are a material factor in the computation of depreciation, depletion and amortization expenses in oil segment. The Group estimates its oil and gas reserves in accordance with the methodology of the Society of Petroleum Engineers ("SPE"). In estimating its reserves under SPE methodology, the Group uses long-term planning prices. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year-end spot prices. Management believes that long-term planning price assumptions, which are also used by management for their business planning and investment decisions are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves.

All reserve estimates involve some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Oil and gas reserves (continued)

Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data, availability of new data, or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for Depreciation Depletion & Amortization ("DD&A") in relation to oil and gas production assets. The Group has included in proved reserves only those quantities that are expected to be produced during the initial subsoil use contract period. This is due to the uncertainties surrounding the outcome of such renewal procedures, since the renewal is ultimately at the discretion of the Government. An increase in the Group's subsoil use contract periods and corresponding increase in reported reserves would generally lead to lower DD&A expense and could materially affect earnings. A reduction in proved developed reserves will increase DD&A expense (assuming constant production), reduce income and could also result in an immediate write-down of the property's book value. Given the relatively small number of producing fields, it is possible that any changes in reserve estimates year on year could significantly affect prospective charges for DD&A.

Mining reserves

Mining reserves are a critical component of the projected cash flow estimates that are used to assess the recoverable values of assets and to determine depreciation and amortisation expense in mining segment. Group entities usually estimate reserves based on results of detailed mine exploration, which is evaluated and approved by State Reserves Commission (SRC) of Kazakhstan Geology Committee. Normally upon stripping during production actual reserves of each area are greater or lesser than geological reserves approved by SRC.

Reserves JORC

In 2019 and 2018 the Group engaged SRK Consulting (UK) Limited (hereinafter SRK) to assess the Group's reserves and resources in accordance with the Australasian Code for reporting on geological exploration works, mineral resources and ore reserves (2012) (hereinafter JORC Code). Reserves and resources valuation was carried out as of December 31, 2019 and December 31, 2018, respectively. SRK has reviewed all of the key information upon which the most recent reported mineral resource and ore reserve statements for the mining assets of NAC KAP are based.

Recoverability of long-term assets

The Group assesses assets or cash generating unit ("CGU") for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term oil prices, discount rates, future capital requirements, operating performance (including production and sales volumes) that are subject to risk and uncertainty. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered to be impaired and is written down to its recoverable amount.

In assessing recoverable amount the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

Under IAS 36, one of the possible impairment indicators is the presence of significant changes that had negative consequences for the Group that occurred during the year or are expected in the near future in the technological, market, economic or legal environment in which the Group operates or in the market for which the asset is used.

Goodwill

Pavlodar oil chemistry refinery LLP ("PNHZ")

As of December 31, 2019 and 2018 the Group has material goodwill related to acquisitions of PNHZ of 88,553 million tenge.

The Group performed annual impairment test of the goodwill related to acquisition of PNHZ in December 2019 and 2018. The Group considers the forecast for oil tolling volumes, oil tolling tariffs, capital expenditures, among other factors, when reviewing for indicators of impairment.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Goodwill (continued)

Pavlodar oil chemistry refinery LLP (“PNHZ”) (continued)

PNHZ calculates recoverable amount using a discounted cash flow model. The discount rate of 9.7% for 2019 (2018: 9.7%) was calculated on the weighted average cost of capital before taxes. The weighted average cost of capital takes into account both borrowed funds and own equity. The cost of equity is derived from the expected return on investment. The cost of debt capital is based on interest-bearing loans. The inherent risk was included by applying an individual beta factor. The beta factor was estimated based on the publicly available market data. Forecasted cash flows till 2028 were based on five-years business plan of PNHZ 2020-2024, which assumes current management estimates on potential changes in operating and capital costs. The significant part of those cash flows after 2024 was forecasted by applying expected inflation rate of 5.49% for 2019 (2018: 3.53%), excluding capital costs, which are based on the best estimate of management as of valuation date.

As at December 31, 2019 and 2018 the recoverable amount of goodwill, which was determined based on value in use, exceeded its book value, as such no impairment of PNHZ goodwill was recognised.

Results of the assessment of recoverable amount of goodwill from acquisition of PNHZ are sensitive to changes in key assumptions, in particular, assumptions related to changes in discount rate and target EBITDA in terminal period. Increase in discount rates by 1.0% from 9.7% to 10.7% and decrease of target EBITDA in terminal period by 1% from 35% to 36% would not result in decrease of the recoverable amount of PNHZ.

DP Ortalyk LLP, JV Akbastau JSC and Karatau LLP

As of December 31, 2019 the Group has material goodwill related to three generating units: 5,166 million tenge related to subsurface use operations of DP Ortalyk LLP at the Central Mynkuduk mine, 24,808 million tenge related to Karatau LLP and 18,520 million tenge related to Akbastau JSC, which independently perform subsurface use operations at the Budenovskoye mine.

The recoverable amount was determined on a value in use basis from forecast cash flows over the term of subsurface use contracts. Forecast cash flows are based on the approved volume of proven reserves, estimated volumes of production and sales over a life of mine plan approved by management, using a discount rate of 11.97% for 2019 (2018: 12.33%). Production volumes are consistent with those agreed with the competent authority and SRK report and are based on the production capacity of the cash-generating units.

Key assumptions used in calculations include forecast prices, period direct costs and capital expenditures. Sales prices used in developing forecast cash flows were determined using an independent official source Ux Consulting LLC published in the fourth quarter of 2019. Direct costs are based on approved budgets for 2020-2024 and growth of 3-4% which approximates long-term average growth rates. The estimated values in use significantly exceed the carrying amounts of the cash-generating units and therefore even reasonably possible changes in key assumptions would not lead to impairment losses being recognised.

Khan Tengri Holding B.V., Kcell JSC and IP TV

As of December 31, 2019 the Group has material goodwill related to three generating units: 100,398 million tenge related to Khan Tengri Holding B.V., 55,580 million tenge related to Kcell JSC (2018: 55,580 million tenge) and 2,706 million tenge related to IP TV (2018: 2,706 million tenge).

The Group performed its annual impairment test in December 2019 and 2018.

The recoverable amount of the Khan Tengri Holding B.V. and Kcell JSC CGUs has been determined based on the calculation of fair value less costs of disposal as it was deemed to produce a more reliable result. The pre-tax discount rate applied to projected cash flows of Khan Tengri Holding B.V. was 16.96% (2018: 12%), and cash flows beyond the five-year period were extrapolated taking into account a growth rate of 1.5% (2018: 1.5%). The pre-tax discount rate applied to projected cash flows of Kcell JSC was 16.71%, and cash flows beyond the five-year period were extrapolated taking into account a growth rate of 1.5%.

The recoverable amount of IP TV CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to the cash flow projections is 15.14% (2018: 13.10%), and cash flows beyond the five-year period are extrapolated using a 1.5% growth rate (2018: 0%).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Goodwill (continued)

Khan Tengri Holding B.V., Kcell JSC and IP TV (continued)

Key assumptions used in calculations include the customer base over the forecast period and average revenue per customer with direct impact on revenue growth rates, the level of capital investments included in the financial plan, EBITDA margin included in the financial plan, growth rate for cash flow extrapolation beyond the forecast period and discount rate.

As a result of this analysis, the Group has not identified an impairment of goodwill related to these CGUs as at December 31, 2019.

Sensitivity to changes in assumptions – Khan Tengri Holding B.V.:

Although the management expects that the market share owned by the Group would not grow over the forecast period, according to the financial plan, slowing growth of customer base or decrease in the average revenue per customer, leading to a decrease in revenue from current business plan by more than 9.54%, would result in a loss from impairment in Khan Tengri Holding B.V. CGU for 4,531 million tenge.

Increase in capital investments by more than 72.39% would result in loss from impairment in Khan Tengri Holding B.V. CGU for 4,514 million tenge.

Decrease in EBITDA margin by more than 12.23% would result in loss from impairment in Khan Tengri Holding B.V. CGU for 4,467 million tenge.

Management recognises that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. A reduction to more than 21.39% per annum in the long-term growth rate in Khan Tengri Holding B.V CGU would result in impairment loss for 4,503 million tenge.

An increase in pre-tax discount rate to 28.59% would result in impairment loss in Khan Tengri Holding B.V. CGU for 4,538 million tenge.

Sensitivity to changes in assumptions – Kcell JSC and IP TV:

The estimated values in use exceed the carrying amounts of the cash-generating units and therefore even reasonably possible changes in key assumptions would not lead to material impairment losses being recognised.

Recoverability of oil and gas assets, downstream, refining and other assets

As at December 31, 2019 and 2018 the Group performed its annual impairment tests of downstream, refining and other assets due to existence of impairment indicators. The Group considered forecasted refinery margins and production volumes, among other factors, when reviewing for indicators of impairment. As a result of the impairment analysis of the recoverable amount of downstream, refining and other assets an impairment charges were recognized in the consolidated financial statements for the year ended December 31, 2019 and 2018 *(Note 30).*

Energy generating assets

Based on the analysis as at the end of 2019, management identified impairment indicators of property, plant and equipment of its subsidiaries: Ekibastuz GRES-1 named after Bulat Nurzhanov LLP (“EGRES-1”) and Stantsiya Ekibastuzskaya GRES-2 JSC (“EGRES-2”).

The Group engaged independent experts to conduct the impairment test of EGRES-1 and EGRES-2, in accordance with IAS 36 *Impairment of Assets*.

The recoverable amount of property, plant and equipment and intangible assets was determined using the estimate of expected future cash inflows and outflows from use of the assets, discount rate and other factors.

The Group’s management considers all property, plant and equipment and intangible assets of each subsidiary as a single cash generating unit since it is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows of other assets and it is the lowest level at which the Group monitors recovery of the assets’ cost. Management estimated the recoverable amount of property, plant and equipment based on value in use determined as estimated discounted future cash flows that the Group expects to obtain from their use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Energy generating assets (continued)

Impairment test of property, plant and equipment and intangible assets of EGRES-1

In 2018-2019, the Ministry of Energy of the Republic of Kazakhstan issued several orders aimed at amending the approved cap tariffs for electricity and maintenance of electric power, as well as rules for approving cap tariffs for electricity, cap tariffs for balancing electricity and cap tariffs for the service on maintaining of electric power. In this regard, the Group revised its assumptions and tested its property, plant and equipment, and intangible assets for impairment taking into account the amendments introduced.

The impairment test was conducted using the relevant evaluation techniques, based on the following key assumptions for calculating the discounted cash flows for 2020-2025:

- Forecasted tariffs;
- Forecasted volumes;
- Forecast of capital and induced expenditures;
- Forecast of macroeconomic indicators;
- Discount rate (weighted average cost of capital (WACC) method.

The forecast period for economic impairment test is six years since the Group plans to complete works on restoration of Power Unit 1 at the end of 2023. Power Unit 1 will reach the scheduled level in 2024-2025. The Group believes that the performance of Power Unit 1 is essential for the calculation of discounted cash flows. As of December 31, 2019 the restoration of Power Unit 1 was partially completed.

In accordance with the Law of the Republic of Kazakhstan *On Electric Power Industry*, energy producers may independently establish a selling price for electric power not exceeding the cap tariff for electricity of the relevant group of power producers which sell electric power, and tariffs are adjusted where necessary. The cap tariff is approved by the Ministry of Energy of the Republic of Kazakhstan for a particular group of energy-producing entities, which is determined based on the type of power plants, established capacity, type of fuel, and distance from fuel location.

According to Order of the Minister of Energy of the Republic of Kazakhstan No. 475 *On Approval of the Group of Energy Producing Entities Selling Electric Power* dated December 5, 2018, the Company is attributed to the group 1 of energy producing entities. Based on Order of the Minister of Energy of the Republic of Kazakhstan No.514 dated December 14, 2018, as amended on September 23, 2019 No. 313, the cap tariff of tenge 5.76 per kWh was established for group 1, effective from October 1, 2019 valid for the period of seven years with a breakdown by years.

If the effective cap tariff for electricity does not cover related production costs, in accordance with the Rules for approval of cap on electricity tariff and tariff for maintenance of electric power as approved by Order of the Ministry of Energy of the Republic of Kazakhstan No. 147 dated February 27, 2015 (as amended at October 18, 2019), power producers may report to the competent authority until September 1 on the forecasted increase in main costs of energy production and attach supporting documents, financial statements for the prior year, and calculations based on the anticipated inflation rate provided for in the medium-term plans for economic and social development of the Republic of Kazakhstan.

Due to the anticipated growth of production costs at the CPI level, dead load growth, as well as the planned increase in the costs for purchase of power from renewable sources, in accordance with the Law On Support of the Use of Renewable Energy Sources, the estimated cap tariff for electricity from 2021 is forecasted to be higher than the approved tariffs for 2020-2025.

Accordingly, the cap electricity tariff of tenge 5.76 per 1 kWh in 2020 was forecasted based on the tariff approved by Order of the Minister of Energy of the Republic of Kazakhstan No. 313 dated September 23, 2019.

Beginning from 2021 the forecast tariff was calculated using the rules for approval of the cap electricity tariff and calculation method of fixed profit approved by Order of the Ministry of Energy of the Republic of Kazakhstan No. 413 dated November 28, 2017, as amended on December 14, 2019, based on the forecast expenses according to the Development Plan for 2020-2024 and correction factor for calculation of fixed profit at 6% for 2021, 10% for 2022, and 12% for 2023-2025. Initially, the Methodology for determining fixed profit assumed the possibility of applying profitability of up to 12%. However, subsequently a zero rate of return was determined. In 2019, Pavlodarenergo JSC won the case on recognition of establishing of zero fixed profit as illegal. In this regard, the Kazakhstan Electric Energy Association has begun to develop a methodological justification for the presence and amount of fixed profit (profitability) in the cap tariffs for electric energy of energy producing organizations. For this purpose, two international consulting firms were involved to develop 2 alternative options for the above methodological justification.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Energy generating assets (continued)

Impairment test of property, plant and equipment and intangible assets of EGRES-1 (continued)

The Group expects to receive an individual tariff for services to maintain of electric power capacity from 2024 due to the scheduled completion of the investment project "Restoration of Power Unit 1 with the installation of new electrostatic precipitators" using borrowed funds. In accordance with the Rules of the Ministry of Energy "Admission for consideration, consideration and selection of investment programs of modernization, expansion, reconstruction and (or) renewal, the conclusion of investment agreements for modernization, expansion, reconstruction and (or) renewal, the corresponding conclusion of contracts on the purchase of service on maintaining the readiness of electric capacity and establishment of individual tariffs for these contracts for the service on maintaining the readiness of electric capacity, volumes and terms of purchase of service on maintaining the availability of electric capacity", on January 30, 2020 an application for the Market Council was submitted.

Also, in connection with the conclusion of a preliminary agreement between the Company and KEGOC JSC regarding the connection of EGRES-1 to the automatic regulation of the frequency and capacity of the Unified Electric Power Network of Kazakhstan, a tariff increase is expected from mid-2021 up to the level of tenge 800/kWh. Forecasted volumes and tariffs for the sale of electricity and services for maintaining the availability of electric capacity.

Tariffs	Unit	2020	2021	2022	2023	2024	2025
Cap electricity tariff – Kazakhstan	Tenge/kWh	5.76	6.51	6.78	7.06	7.62	7.79
Export tariff – Uzbekistan	Tenge/kWh	9.93	10.22	10.47	–	–	–
Tariff for maintenance of electric power capacity	Mln tenge / (MW*month)	0.59	0.62	0.65	0.67	0.70	0.72
Tariff for maintenance of electric power capacity – individual	Mln tenge / (MW*month)	–	–	–	–	0.939	0.939
Tariff for regulation of electric power capacity	Thous. tenge / kWh	0.69	0.72	0.76	0.79	0.82	0.84
Tariff for regulation of electric power capacity (KEGOC)	Thous. tenge / kWh	0.69	0.80	0.84	0.87	0.90	0.93

A forecast of the sales volume was calculated based on information from previous years and management expectations in accordance with the Company's Development Plan for 2020-2024. It was assumed that in 2020-2022 the electricity sales volume of EGRES-1 will grow by an average of 5-7%, and there will be a further growth by 0-3% in 2023-2025.

The capacity sales volume in 2020 was adopted based on the results of centralized tenders held in December 2019. Starting from 2021, EGRES-1 expects a uniform distribution of capacity sales at tenders between the main market participants at an average market tariff. The management believes that EGRES-1 will be able to sell forecast capacity volumes starting from 2021, since the capacity is in demand, and the current load of the station and the sales volume indicate this.

Volume of sales	Unit	2020	2021	2022	2023	2024	2025
Sale of electricity – Kazakhstan	Mln kWh	17,527	18,935	20,261	21,404	22,117	22,616
Sale of electricity – Uzbekistan	Mln kWh	1,500	1,500	1,174	–	–	–
Sale of electric power capacity	MW/month	1,562	2,150	2,187	2,256	2,338	2,397
including the scope of services to maintain the availability of electric power capacity at an individual tariff		–	–	–	–	500	500
Regulation of electric power capacity	MW/year	1,654	2,154	2,754	2,754	2,754	2,754

Based on the impairment test, the recoverable amount of assets at November 30, 2019 is 482,568 million tenge, which is 30,459 million tenge higher than their carrying amount. Accordingly, the Group did not recognise impairment losses in 2019.

The management of the Group believes that the fair value of property, plant and equipment and intangible assets as at December 31, 2019 and December 31, 2018 is close to their carrying amount.

If the cap electricity tariff remains 5.76 tenge/kWh for 2019-2025, the recoverable amount of the company's assets will be 263,045 million tenge less than their carrying amount.

If the cap electricity tariff remains at a level at which the Company will not incur losses and profit (breakeven), the recoverable amount will be 109,241 million tenge less than their carrying amount.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Energy generating assets (continued)

Impairment test of property, plant and equipment and intangible assets of EGRES-1 (continued)

If the cap electricity tariff decreases by 10%, the recoverable amount of the company's assets will be 112,714 million tenge less than their carrying amount.

In the case of 1% increase in the discount rate, the recoverable amount of the company's assets will be 15,573 million tenge less than their carrying amount.

The long-term inflation rate used to calculate the terminal value is 2.31% per annum. The discount rate was calculated taking into account the current market assessment of risks specific to the industry and was measured on the basis of the weighted average cost of capital of each company in the amount of 10.62%.

Impairment test of property, plant and equipment and intangible assets of EGRES-2

Management of EGRES-2 reviewed the indicators of impairment, including dynamics of electricity tariffs and market demand. Uncertainties associated with both completion of power unit No. 3 and sale of electricity generated by power unit No. 3 indicates a potential impairment of EGRES-2 property, plant and equipment.

As result, management tested property, plant and equipment of EGRES-2 for impairment as at November 30, 2019 within a single cash-generating unit.

Management of the Group considers all property, plant and equipment and intangible assets as a single cash-generating unit, as it is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows generated by other assets, and it is the lowest level at which EGRES-2 monitors the recovery of the assets' cost.

Recoverable amount was calculated on the basis of value in use. These calculations were made taking into account cash flow forecasts, based on the updated financial budgets approved by management for a 5-year period from 2020 to 2024. So, calculated recoverable amount of property, plant and equipment exceeded their carrying amount, based on the impairment test as at November 30, 2019. Key assumptions on recoverable amount of non-financial assets used are presented below:

Tariffs

For the purpose of calculating the recoverable amount of assets, the Group's management used the following electricity tariffs:

- Weighted average tariff for 2019 was tenge 7.42 per 1 kWh, which represents the actual tariff applicable to electricity sale by EGRES-2 in 2019 and does not exceed the cap tariff of tenge 7.73 per 1 kWh established and approved by the Ministry of Energy for 2019-2025.
- Projected weighted average tariffs for subsequent periods are as follows:

EGRES-2		2020	2021	2022	2023	2024	2025	2026	2027	2028
Electricity tariff	Tenge/kWh	7.73	7.73	7.73	7.73	7.73	7.73	7.96	8.18	8.39
Tariff for power capacity	Mln. tenge per 1 MW month	0.59	0.62	0.65	0.67	0.70	7.30	7.30	6.73	6.29

The forecast of tariff was based on management's expectations for resumption of the project on construction of power unit No. 3 in 2020. A significant increase in the tariff for power capacity in 2025 is due to the expected commissioning of power unit No. 3 and changes in the tariff structure, which is related to introduction of power capacity market in the Republic of Kazakhstan. According to the Law of the Republic of Kazakhstan *On Electric Power Industry,* the Group is able to obtain an individual tariff for the power capacity. Establishing an individual tariff is possible provided the completion of power unit No. 3 with the capacity of 630 MW and conclusion of an investment agreement with the competent authority. Calculation of individual tariffs, in addition to operating expenses of the Group, takes into account the necessary amount to cover the costs which are associated with the investment component and incurred for the completion of Power Unit 3.

The Company projects an individual tariff for the power of Power Unit 3 from 2025-2034 inclusive, which corresponds to the planned period of repayment of borrowed funds raised to complete the project. A decrease in the tariffs for electricity and power capacity within the acceptable range by 10% will result in additional loss on impairment of not more than 33,105 million tenge and 36,947 million tenge, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Energy generating assets (continued)

Impairment test of property, plant and equipment and intangible assets of EGRES-2 (continued)

Forecasted volumes of production and sales

For calculation of the recoverable amount of assets, management considered forecasted volumes of production/sales of electricity by power unit No. 3 and relevant investments needed to complete construction. Management used the following estimated volumes of electricity sales for calculation of the recoverable amount of assets:

		2020	2021	2022	2023	2024	2025	2026	2027	2028
Sales of electricity	Mln. kWh	4,252	5,248	5,462	5,686	5,924	5,924	5,924	5,924	5,924
Sales of electrical power capacity per month	MW	761	731	744	767	795	1,408	1,433	1,459	1,486

Management expects that volumes of production and sales during the forecast period prior to commissioning of Power Unit 3 will be stable. After the launch of power unit No. 3, EGRES-2 does not predict any significant increase in electricity volumes, however the electricity production volume will be distributed among the three power units of the company. While management expects the electricity sales or tariff to grow during the forecast period, a decrease in the sales of electricity and electrical power capacity within the reasonable range of 10% will result in an impairment loss of not more than 33,105 million tenge and 36,947 million tenge, respectively.

Discount rate

The discount rate of 12.67%, was estimated taking into consideration the current market assessment of EGRES-2 inherent risks and evaluated on the basis of the weighted average cost of capital for the industry. In the future, to reflect changing risks inherent in the industry and changes in the weighted average cost of capital, it may require further changes in the discount rate. 1% increase in the discount rate would result in an impairment loss of 23,480 million tenge.

Railway assets

The assessment of whether there is an indication of assets impairment is based on a number of factors, such as a change in growth expectations in the railway industry, future cash flow estimates, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances.

If any such indication exists, the recoverable amount of the asset is estimated and compared to its carrying amount. If the carrying amount exceeds the recoverable amount, impairment is recorded. The recoverable amount is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate (adjusted WACC) that management believes reflects the current market assessment of the time value of money and the risks specific to the assets. The change in the estimated recoverable amount may result in an additional impairment or a reversal of the impairment and thus an impairment reversal being recognised in future periods.

Due to existing impairment indicators, the Group performed an impairment test for property, plant and equipment and intangible assets as at December 31, 2019.

A number of subjective factors, both operational and financial, using the best evidence available, had been used to estimate cash flows.

The operational assumptions used in the test reflect expected volumes of transportation services, including transit volumes, based on projected demand and historical growth dynamic of transit freight transportations volumes.

Financial assumptions include significant estimates associated with tariff forecasts and growth rates, discounts, and projected tenge to Swiss Franc exchange rates. The discount rate (WACC) used in calculating the value in use of property, plant and equipment and intangible assets of the Group amounted to 10.5%.

As at December 31, 2019, no impairment has been identified based on the estimated value in use of the Group's property, plant and equipment and intangible assets.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Railway assets (continued)

However, the value in use estimate is sensitive particularly to the following assumptions:

- Transit freight transportation volumes;
- Revenue rate, including the tariffs growth, types of freight, distance of freight transportation; and
- The discount rate (WACC).

The Group performed a sensitivity analysis and concluded that when using the following justifiably possible changes in the key assumptions on an individual basis, while keeping other parameters constant, no impairment will occur:

- Transit freight transportation volumes – a decrease of the volumes by 10% compared to budget;
- Domestic, export and import freight transportation tariffs – a decrease of the annual budgeted freight transportation tariffs growth to the historic average tariffs growth level for the past years of 6.3%;
- Discount rate (WACC) – an increase of the discount rate from 10.5% to 11.5%.

However, with more significant changes in each of the above key assumptions or simultaneous adverse impact of several factors, the carrying value of the Group's non-current assets may become higher than their recoverable amount, which may result in the need to recognise impairment in the future.

Assets related to uranium production

Assets related to uranium mines include property, plant and equipment, mine development assets, mineral rights, exploration and evaluation assets, investments in associates, investments in joint ventures, and other investments.

For the purpose of impairment testing assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (termed as 'cash-generating units'). The Group has identified each mine (contract territory) as a separate cash-generating unit unless several mines are technologically connected with single processing plant in which case the Group considers such mines as one cash-generating unit.

As at December 31, 2019, management conducted an analysis and did not find any impairment indicators of assets (generating units) associated with the production of uranium products.

Assets retirement obligations

Oil and gas production facilities

Under the terms of certain subsoil use contracts, legislation and regulations the Group has legal obligations to dismantle and remove tangible assets and restore the land at each production site. Specifically, the Group's obligation relates to the ongoing closure of all non-producing wells and final closure activities such as removal of pipes, buildings and recultivation of the contract territories, and also obligations to dismantle and remove tangible assets and restore territory at each production site. Since the subsoil use contract terms cannot be extended at the discretion of the Group, the settlement date of the final closure obligations has been assumed to be the end of each subsoil use contract period. If the asset retirement obligations were to be settled at the end of the economic life of oil and gas field, the recorded obligation would increase significantly due to the inclusion of all abandonment and closure costs. The extent of the Group's obligations to finance the abandonment of wells and for final closure costs depends on the terms of the respective subsoil use contracts and current legislation.

Where neither subsoil use contracts nor legislation include an unambiguous obligation to undertake or finance such final abandonment and closure costs at the end of the subsoil use contract term, no liability has been recognized. There is some uncertainty and significant judgment involved in making such a determination. Management's assessment of the presence or absence of such obligations could change with shifts in policies and practices of the Government or in the local industry practice.

The Group calculates asset retirement obligations separately for each contract. The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted using average long-term risk-free interest rates for emerging market sovereign debt adjusted for risks specific to the Kazakhstan market.

At each reporting date the Group reviews site restoration provisions, and adjusts them to reflect the current best estimate in accordance with IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Assets retirement obligations (continued)

Oil and gas production facilities (continued)

Estimating the future closure costs involves significant estimates and judgments by management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Group’s estimate can be affected by changes in asset removal technologies, costs and industry practice. Uncertainties related to the final closure costs are mitigated by the effects of discounting the expected cash flows. The Group estimates future well abandonment cost using current year prices and the average long-term inflation rate.

The long-term inflation and discount rates used to determine the obligation in the consolidated statement of financial position across the Group entities at December 31, 2019 were in the range from 2.01% to 5.49% and from 4.43% to 8.95%, respectively, (2018: from 2.02% to 5.96% and from 5.5% to 10.00%, respectively). As at December 31, 2019 the carrying amounts of the Group’s asset retirement obligations relating to decommissioning of oil and gas facilities were 114,205 million tenge (December 31, 2018: 67,485 million tenge) *(Note 23)*.

Major oil and gas pipelines

According to the Law of the Republic of Kazakhstan *On Major Pipelines* which was made effective on July 4, 2012 mainly the Group’s two subsidiaries, JSC KazTransOil and Intergas Central Asia JSC, the subsidiary of KazTransGaz JSC, have legal obligation to decommission its major oil pipelines at the end of their operating life and to restore the land to its original condition. Asset retirement obligation is calculated based on estimate of the work to decommission and rehabilitate. As at December 31, 2019, the carrying values of the Group’s asset retirement obligations relating to decommissioning of pipelines and land were 100,229 million tenge (December 31, 2018: 79,948 million tenge) *(Note 23)*.

Assets related to uranium production

In accordance with environmental legislation and the subsurface use contracts, the Group has a legal obligation to remediate damage caused to the environment from its operations and to decommission its mining assets and waste polygons and restore landfill sites after closure of mining activities. Provision is made based upon the net present values of estimated site restoration and retirement costs as soon as the obligation arises from past mining activities.

The provision for asset retirement obligations is estimated based upon the Group’s interpretation of current environmental legislation in the Republic of Kazakhstan and the Group’s related programme for liquidation of subsurface use consequences on the contracted territory and other operations supported by the feasibility study and engineering research in accordance with the applicable restoration and retirement standards and techniques.

Provisions for asset retirement obligations are subject to potential changes in environmental regulatory requirements and the interpretation of the legislation. Provisions for mining assets and waste polygons retirement obligations are recognised when there is a certainty of incurring of such liabilities and when it is possible to measure the amounts reliably.

Significant judgments used in such estimations include the estimate of discount rate and the amount and timing of future cash flows. The discount rate is applied to the nominal costs that management expects to spend on mining site restoration in the future. Management’s estimates based on current prices are inflated using the expected long-term inflation rate of 5.30% in 2019 (2018: 5.30%), and subsequently discounted using rate that reflects the current market estimates of the time value of money and those risks specific to the liability not reflected in the best estimate of the costs.

The discount rate is based on a risk-free rate determined as interest rates on government bonds with the same maturity as the subsoil use contracts of the Group. The discount rate used by the Group’s companies for calculation of the provision as at 31 December 2019 is 7.13% (2018: 7.45%).

At December 31, 2019 the carrying value of the site restoration provision was 36,505 million tenge (2018: 29,607 million tenge) *(Note 23)*. Management estimates that reasonably possible changes in key assumptions would not lead to significant changes in the recorded site restoration provision.

Provision for environmental remediation

The Group management also makes judgments and estimates in establishing provisions for environmental remediation obligations. Environmental expenditures are capitalized or expensed depending upon their future economic benefit. Expenditures that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Provision for environmental remediation (continued)

Liabilities are determined based on current information about costs and expected plans for remediation and are recorded on an undiscounted basis if the timing of the procedures has not been agreed with the relevant authorities. The Group's environmental remediation provision represents management best estimate based on an independent assessment of the anticipated expenditure necessary for the Group to remain in compliance with the current regulatory regime in Kazakhstan and Europe. For environmental remediation provisions, actual costs can differ from estimates because of changes in laws and regulations, public expectations, discovery and analysis of site conditions and changes in clean-up technology. Further uncertainties related to environmental remediation obligations are detailed in *Note 38*. Movements in the provision for environmental remediation obligations are disclosed in *Note 23*.

Provision for taxes

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 wide range of the Group's international business relationships and the long-term nature and 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 taxable profits and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates.

The amount of such provisions is based on various factors, such as experience of previous tax audits 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 respective Group company's domicile.

In assessing tax risks, management considers to be probable obligations the known areas of non-compliance with tax legislation, which the Group would not appeal or does not believe it could successfully appeal, if additional taxes are charged. Such determinations inherently involve significant judgment and are subject to change as a result of changes in tax laws and regulations, amendments to the taxation terms of the Group's subsurface use contracts, the determination of expected outcomes from pending tax proceedings and current outcome of ongoing compliance audits by tax authorities. The provision for taxes disclosed in *Note 23* relates mainly to the Group's application of Kazakhstan transfer pricing legislation. Further uncertainties related to taxation are disclosed in *Note 38*.

Provision for construction of social objects

The Government assigns various sponsorship and financing obligations to the Group. Management of the Group believes that such Government's assignments represent constructive obligations of the Group and require recognition on the basis of respective resolution of the Government of the Republic of Kazakhstan. Furthermore, as the Government is the ultimate controlling party of the Group, the expenditures on these assignments are recognized as "other distributions to the Shareholder" directly in the equity.

Useful lives of items of property, plant and equipment

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

Deferred tax assets

Deferred tax assets are recognized for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of recognized deferred tax assets as at December 31, 2019 was equal to 91,229 million tenge (December 31, 2018: 131,192 million tenge). Further details are contained in *Note 34*.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Fair value of financial instruments (continued)

The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value of financial instruments reported in the consolidated financial statements. Further details are disclosed in *Note 37*.

Employee benefit liability

The Group uses actuarial valuation method for measurement of the present value of defined employee benefit liability and related current service cost *(Note 24)*. This involves use of demographic assumptions about the future characteristics of current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, etc.) as well as financial assumptions (discount rate, future annual financial assistance, future annual minimum salary and future average railway ticket price). Further details on judgements are disclosed in *Note 24*.

Estimation of expected credit losses

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group’s ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group’s credit grading model, which assigns PDs to the individual grades;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as oil price with one year lag, and the effect on PDs, EADs and LGDs.

Swap transactions

The Group sells part of its uranium products under swap transactions with separate agreements with the same counterparty simultaneously, being for delivery and purchase of the same volume of uranium for the same price at different delivery points. Effectively, this results in the exchange of own uranium (produced or purchased from the Group’s entities) with purchased uranium. Normally, under a swap transaction, the Group delivers physical uranium to one destination point, and purchases the same volume of uranium at a third party converter for sale to end customers. Swap transactions are entered into primarily to reduce transportation costs for uranium delivery from Kazakhstan to end customers.

Despite the fact that swap agreements are not formally related to each other, management concluded that these transactions are in substance linked and would not have occurred on an isolated basis, driven by the existing market demand and supply forces. In management’s view, supply of the same volume of homogeneous product (uranium) for the same price represents an exchange of products, which should be presented on a net basis in the consolidated financial statements, reflecting the economic substance of the transaction. Interpretation of terms and approach to the accounting for swap transactions requires judgement.

In 2019, the Group did not recognise sales revenue from swap transactions of 41,741 million tenge and cost of sales of 43,091 million tenge. In 2018, the Group did not recognise sales revenue from swap transactions of 65,052 million tenge, cost of sales of 68,112 million tenge and adjusted inventory balance by 1,585 million tenge.

5. BUSINESS COMBINATIONS

Khan Tengri Holding B.V.

On February 29, 2016 the Group acquired 51% share capital and 49.48% of voting shares in Khan Tengri Holding B.V., the company rendering GSM and LTE mobile telecommunication services in the Republic of Kazakhstan. Khan Tengri Holding B.V. is a private entity and not listed on the stock exchange. Khan Tengri Holding B.V. was an equity accounted associate for the Group till June 28, 2019.

According to the agreement between the Group and Tele2, the Group had an unconditional right to require Tele2 to sell its 49% of the interest in Khan Tengri Holding B.V. at any time, after three years after the closing date of the transaction on February 29, 2016 (call option). Tele2 had a similar unconditional right to require the Group to acquire a 49% interest in Khan Tengri Holding B.V. (put option).

In connection with the closure of the transaction on the acqisition by the Group of 75% of shares in Kcell JSC in the end of December 2018, on December 28, 2018 the Group received notice on exercising of put option from Tele2 A.B.

On March 1, 2019 the Group’s call option in relation to right to require Tele2 to sell its 49% of the interest in Khan Tengri Holding B.V. became exercisable. As of March 1, 2019 neither call or put option provided the Group ability to direct relevant activities of Khan Tengri Holding B.V. as the Group is obliged to transfer shares of Khan Tengri Holding B.V. to a trust management company within 12 months after closing of transaction for acquiring 49% from Tele2 which is also subject to the approval of the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan. As at March 1, 2019 the Group did not obtain control over Khan Tengri Holding B.V.

On May 23, 2019 the Group concluded an agreement with Tele2 for the purchase of remaining 49% share of Khan Tengri Holding B.V. and 50.52% of the voting rights of all outstanding shares, and completed the acquisition on June 28, 2019. The consideration transferred for 49% interest acquired by the Group was 181,535 million tenge, including cash paid in the amount of 101,119 million tenge and loan provided to Mobile Telecom Service LLP in the amount of 80,416 million tenge for the purpose of consideration payment to the seller, Tele2.

In June 2019 the Group received approval from the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan of the terms of the trust management agreement that indicate that the Group has control over Khan Tengri Holding B.V.

On February 25, 2016 the Group provided a guarantee to associate organization Khan Tengri Holding B.V. under the credit facility from Development Bank of Kazakhstan JSC with a credit limit of up to 10,009 million tenge for the period until December 19, 2024. Guarantee issued in the amount of 937 million tenge was included into the consideration of business combination due to the acquisition of residual shares in associate of Khan Tengri Holding B.V.

The Group’s interest in Khan Tengri Holding B.V. was recorded in the consolidated financial statements using the equity method till the date of control acquisition.

5. BUSINESS COMBINATIONS (continued)

Khan Tengri Holding B.V. (continued)

Provisional fair value of the identified assets and liabilities of Khan Tengri Holding B.V. as at the date of acquisition were:

In millions of tenge	At acquisition date
Assets	
Non-current assets	
Property, plant and equipment	126,230
Intangible assets	112,272
Other non-current financial assets	78
Other non-current assets	2,060
Current assets	
Inventories	909
VAT receivable	1,160
Income tax prepaid	614
Trade accounts receivable	15,801
Other current assets	3,312
Cash and cash equivalents	5,392
Total assets	**267,828**
Liabilities	
Non-current liabilities	
Borrowings	7,551
Lease liabilities	21,530
Provisions	4,527
Deferred tax liabilities	9,058
Current liabilities	
Borrowings	2,705
Lease liabilities	5,383
Provisions	299
Trade and other payables	26,747
Other current liabilities	10,617
Total liabilities	**88,417**
Net assets	**179,411**
Consideration transferred for 49% interest	181,535
Acquisition-date fair value of initial 51% interest	99,211
	280,746
Acquisition-date fair values of identifiable net assets acquired	(179,411)
Guarantee issued to Mobile Telecom Service LLP	(937)
Goodwill	**100,398**
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary	5,392
Consideration transferred	(181,535)
Net cash outflow	**(176,143)**

5. BUSINESS COMBINATIONS (continued)

Khan Tengri Holding B.V. (continued)

Net assets recognized in the consolidated financial statements as at December 31, 2019 are based on a preliminary assessment of their fair value, while the Group makes an independent assessment of assets owned by Khan Tengri Holding B.V. This estimate has not been completed at the time of issuing the consolidated financial statements for the year ended December 31, 2019.

The main components of intangible assets are licenses, trademarks, software and subscriber base.

At the date of the acquisition it is expected that the full contractual amounts of trade receivables can be collected.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

The deferred tax liability is mainly due to the tax effect of accelerated depreciation of fixed assets and intangible assets for tax purposes.

The amount of goodwill equal to 100,398 million tenge includes the cost of the expected synergetic effect from the acquisition. The entire amount of goodwill is allocated to the mobile telecommunications segment. It is expected that recognized goodwill will not be deductible for the purposes of the taxation either in full or in part.

During 2019, the Group recognized income from re-measurement of previously held interest in the equity-accounted associate in the amount of 17,310 million tenge as a result of remeasuring its existing interest in the equity-accounted associate amount of 81,902 million tenge at the date of obtaining control to its acquisition-date fair value of 99,212 million tenge.

From the date of acquisition, the contribution of Khan Tengri Holding B.V. to the Group's revenue amounted to 75,553 million tenge, and to the Group's net profit before tax in the amount of 13,212 million tenge. If the combination had taken place at the beginning of 2019, the Group's revenues would have been 468,651 million tenge, and the profit before tax would have been 80,653 million tenge.

JV Khorasan-U LLP

The Group has gained control over JV Khorasan-U LLP on February 20, 2019. The Group assessed the fair value of the identifiable assets acquired and the liabilities and contingent liabilities assumed in the acquisition of the entity under IFRS 3 *Business Combinations*. The valuation was performed by an independent appraiser.

The Group assessed the fair value:

In millions of tenge	
Cash consideration paid	–
Net liabilities from pre-existing relationship	(1,948)
Total consideration transferred	**(1,948)**
Fair value of investment associate prior to the acquisition	85,804
Total purchase consideration and value of previously held interest in the acquiree	**83,856**

Liabilities from pre-existing relationship represent receivables of JV Khorasan-U LLP from the Group, mainly for delivery of uranium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. BUSINESS COMBINATIONS (continued)

JV Khorasan-U LLP (continued)

The following table is the fair value of the assets acquired and liabilities as at the acquisition date:

In millions of tenge	**At acquisition date**
Assets	
Non-current assets	
Property, plant and equipment	22,808
Intangible assets	178,856
Other non-current financial assets	3,409
Other non-current assets	882
Current assets	
Inventories	8,873
VAT receivable	1,736
Trade accounts receivable	10,038
Other current assets	62
Cash and cash equivalents	5,563
Total assets	**232,227**
Liabilities	
Non-current liabilities	
Provisions	712
Deferred tax liabilities	36,873
Other non-current liabilities	528
Current liabilities	
Borrowings	17,441
Trade and other payables	4,526
Other current liabilities	539
Total liabilities	**60,619**
Carrying value of of identifiable net assets (before elimination of intra-group balances)	171,608
Less: elimination of intra-group balances	(1,948)
Carrying value of identifiable net assets acquired	**169,660**
Less:	
Non-controlling interest	(85,804)
Total purchase consideration and value of previously held interest in the acquiree	**83,856**

Net result of business combinations recognised during the year 2019 comprises bargain purchase gain of 2,150 million tenge and excess of fair value of investment in the associate over its carrying value of 52,500 million tenge at the acquisition date:

In millions of tenge	
Fair value of the investment in associate at date of acquisition	85,804
Less: carrying value of the investments at date of acquisition	(31,154)
Net gain from business combination – JV Khorasan-U LLP	**54,650**

5. BUSINESS COMBINATIONS (continued)

EGRES-2

On December 13, 2019 the Group acquired 50% share in EGRES-2 JSC from Inter RAO P JSC in accordance with purchase sale agreement dated December 27, 2018. The sale price equaled 25,000 thousand US dollars (equivalent to 9,616 million tenge as at the acquisition date).

The Group's interest of 50% in EGRES-2 was recorded in the consolidated financial statements using the equity method till the date of control acquisition.

Provisional fair value of the identified assets and liabilities of EGRES-2 as at the date of acquisition were:

In millions of tenge	**At acquisition date**
Assets	
Non-current assets	
Property, plant and equipment	85,632
Intangible assets	23
Other non-current assets	41,300
Current assets	
Inventories	2,650
Income tax prepaid	1,744
Trade accounts receivable	2,602
Other current assets	1,007
Cash and cash equivalents	1,579
Total assets	**136,537**
Liabilities	
Non-current liabilities	
Borrowings	93,224
Employee benefit liabilities	452
Provisions	478
Deferred tax liabilities	1,362
Current liabilities	
Borrowings	864
Provisions	584
Trade and other payables	1,567
Other current liabilities	2,420
Total liabilities	**100,951**
Net assets	**35,586**
Less:	
Consideration transferred for 50% interest	(9,616)
Acquisition-date fair value of initial 50% interest	(17,787)
Gain on business combination	**8,183**

Net assets recognized in the consolidated financial statements as at December 31, 2019 are based on a preliminary assessment of their fair value, while the Group makes an independent assessment of assets owned by EGRES-2. This estimate has not been completed at the time of issuing the consolidated financial statements for the year ended December 31, 2019.

6. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE

Disposals

KMG Retail LLP

On February 8, 2019 the Company completed the sale of 100% interest in KMG Retail LLP, which was classified as a disposal group held for sale, for 60,512 million tenge.

At the date of loss of control net assets of KMG Retail LLP were as follows:

In millions of tenge	**Net assets at the date of disposal**
Property, plant and equipment	34,266
Intangible assets	42
Other non-current assets	6,556
Other current assets	138
Cash and cash equivalents	2,288
Total assets	**43,290**
Trade and other payables	203
Other current liabilities	56
Total liabilities	**259**
Net assets	**43,031**

The resulting gain on disposal of KMG Retail LLP amounted to 17,481 million tenge.

Kazakhstan-British University JSC (KBTU)

In January 2019, a sale agreement on 100% shares in KBTU between the National Company "KazMunayGas" JSC ("NC KMG"), a subsidiary of the Fund, and the Public Foundation "Nursultan Nazarbayev Education Fund" came into force. According to the terms of the agreement, the transfer of shares and payment of 11,370 million tenge for them are made in three tranches within two years. On February 6, 2019 KMG lost control over KBTU.

At the date of loss of control net assets of KBTU were as follows:

In millions of tenge	**Net assets at the date of disposal**
Property, plant and equipment	6,367
Intangible assets	1,964
Amounts due from credit institutions	2,091
Deferred tax assets	98
Other non-current assets	37
Inventories	120
VAT receivable	77
Income tax prepaid	103
Trade accounts receivable	504
Other current assets	158
Cash and cash equivalents	4,732
Total assets	**16,251**
Trade and other payables	267
Other current and non-current liabilities	5,082
Total liabilities	**5,349**
Net assets	**10,902**

The resulting gain on disposal of KBTU net of loss of 143 million tenge incurred by KBTU for the period from January 1, 2019 till the date of sale amounted to 6 million tenge.

6. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Disposals (continued)

Management Company of Special Economic Zone Taraz assets of Chemical Park ("Chemical Park")

In April 2019 in accordance with the Resolution of the Government of Republic of Kazakhstan dated March 26, 2019 the Fund transferred 90% shares of Chemical Park with the net assets of 7,906 million tenge to the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan.

At the date of loss of control net assets of Chemical Park were as follows:

In millions of tenge	**Net assets at the date of disposal**
Property, plant and equipment	4,283
Intangible assets	5
Other non-current assets	1,878
Inventories	25
VAT receivable	265
Trade accounts receivable	19
Other current assets	12
Cash and cash equivalents	1,980
Total assets	**8,467**
Trade and other payables	132
Other current liabilities	429
Total liabilities	**561**
Net assets	**7,906**

MAEK-Kazatomprom LLP

On December 4, 2019 in accordance with the Resolution of the Government of the Republic of Kazakhstan dated November 14, 2019 the Group transferred controlling shares of MAEK-Kazatomprom LLP to the State property and privatization committee of the Ministry of Finance of the Republic of Kazakhstan with net assets of 21,626 million tenge.

At the date of loss of control net assets of MAEK-Kazatomprom LLP were as follows:

In millions of tenge	**Net assets at the date of disposal**
Property, plant and equipment	25,048
Intangible assets	26
Other non-current assets	543
Inventories	2,630
Income tax prepaid	386
Trade accounts receivable	8,255
Other current assets	257
Cash and cash equivalents	1,218
Total assets	**38,363**
Borrowings	5,209
Lease liabilities	110
Deffered tax liabilities	1,247
Employee benefit liabilities	337
Provisions	20
Other non-current liabilities	27
Trade and other payables	6,117
Other current liabilities	3,670
Total liabilities	**16,737**
Net assets	**21,626**

6. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Disposals (continued)

International Airport Aktobe JSC, Airport Pavlodar JSC and International Airport Atyrau JSC

On September 10, 2019 in accordance with a decree of the Government of the Republic of Kazakhstan dated July 31, 2019, the Fund transferred controlling stakes of three airports, International Airport Aktobe JSC, Airport Pavlodar JSC and International Airport Atyrau JSC to the Akimat of Aktobe, Pavlodar and Atyrau regions. The net assets of the airports amounted to 9,810 million tenge.

At the date of loss of control net assets of airports were as follows:

In millions of tenge	Net assets at the date of disposal International Airport Aktobe JSC	Airport Pavlodar JSC	International Airport Atyrau JSC
Property, plant and equipment	4,895	1,091	3,550
Intangible assets	18	–	4
Inventories	301	26	221
VAT receivable	–	3	4
Income tax prepaid	–	3	2
Trade accounts receivable	90	15	26
Other non-current and current assets	36	6	19
Cash and cash equivalents	271	42	225
Total assets	**5,611**	**1,186**	**4,051**
Borrowings	–	–	81
Deferred tax liabilities	–	30	557
Trade and other payables	18	22	30
Other current and non-current liabilities	81	39	180
Total liabilities	**99**	**91**	**848**
Net assets	**5,512**	**1,095**	**3,203**

Assets classified as held for sale

Assets classified as held for sale comprised the following:

In millions of tenge	Segment	December 31, 2019	December 31, 2018 (restated)
Transtelecom JSC	Transportation	**106,247**	96,283
KMG Retail	Oil and gas	**–**	43,632
Kazakh-British Technical University JSC	Oil and gas	**–**	15,704
Uranium Enrichment Center (TsOU) JSC	Mining	**18,671**	–
Other		**5,569**	10,660
		130,487	166,279

Liabilities associated with assets classified as held for sale comprised the following:

In millions of tenge	Segment	December 31, 2019	December 31, 2018 (restated)
Transtelecom JSC	Transportation	**85,656**	81,992
KMG Retail	Oil and gas	**–**	375
Kazakh-British Technical University JSC	Oil and gas	**–**	4,659
Uranium Enrichment Center (TsOU) JSC	Mining	**–**	–
Other		**130**	6,031
		85,786	93,057

The Group has entered a conditional contract to sell its 50% interest minus 1 (one) share in Uranium Enrichment Center JSC (TsOU) to its partner in this joint venture – TVEL JSC (TVEL). The Group plans to reserve 1 share of TsOU, which will retain the Group's right to access uranium enrichment services in accordance with the conditions previously agreed with TVEL. As a result, in these consolidated financial statements, the Group has classified the investment in the joint venture TsOU as an asset held for sale.

7. PROPERTY, PLANT AND EQUIPMENT

In millions of tenge	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infra-structure	Machinery, equipment and vehicles	Mining assets	Other	Construc-tion in progress	Total
Net book value at January 1, 2018 (restated)	3,860,494	1,770,380	1,020,028	992,446	2,639,909	55,470	78,116	1,086,570	11,503,413
Foreign currency translation	528,808	82,403	11,986	(34)	22,961	–	2,009	3,445	651,578
Changes in estimates	(13,144)	7,678	(107)	–	(107)	4,847	–	(519)	(1,352)
Additions	58,489	27,434	36,172	56	105,036	25,936	10,161	839,359	1,102,643
Acquisition through business combinations	–	–	32,828	319	121,375	63,324	4,271	22,283	244,400
Disposals	(17,128)	(5,351)	(16,897)	(976)	(30,061)	(146)	(7,710)	(3,650)	(81,919)
Depreciation charge	(219,379)	(127,089)	(48,406)	(34,662)	(231,948)	(19,252)	(13,342)	–	(694,078)
Depreciation and impairment on disposals	12,603	4,914	4,859	666	26,062	–	4,766	1,455	55,325
Impairment, net of reversal of impairment	(3,650)	(3)	(13,169)	14	(17,647)	3,768	(899)	(3,586)	(35,172)
Utilization of reserve	–	–	–	–	–	–	–	(1,251)	(1,251)
Discontinued operations/transfer from/(to) assets classified as held for sale	(9,847)	(356)	(29,659)	–	(6,970)	193	(2,517)	(1,691)	(50,847)
Transfers from/(to) intangible assets, net	254	–	–	–	(20)	–	1	(5,947)	(5,712)
Transfers from/(to) exploration and evaluation assets, investment property, net	9,487	–	(23,928)	–	–	–	–	7,278	(7,163)
Transfer from/(to) inventories, net	45	4,044	320	(3,580)	2,571	4,742	388	4,069	12,599
Other transfers and reclassifications	92,355	574,963	19,254	144,671	245,161	212	8,154	(1,084,770)	–
Net book value at December 31, 2018 (restated)	4,299,387	2,339,017	993,281	1,098,920	2,876,322	139,094	83,398	863,045	12,692,464

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

In millions of tenge	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infra-structure	Machinery, equipment and vehicles	Mining assets	Other	Construc-tion in progress	Total
Net book value at January 1, 2019 (restated)	4,299,387	2,339,017	993,281	1,098,920	2,876,322	139,094	83,398	863,045	12,692,464
Effect of adoption of IFRS 16 *(Note 3)*	**47,124**	**5,559**	**45,024**	**–**	**112,983**	**–**	**11,684**	**–**	**222,374**
Foreign currency translation	**(16,199)**	**(1,306)**	**(433)**	**85**	**(595)**	**–**	**205**	**(4)**	**(18,247)**
Changes in estimates	**40,047**	**12,156**	**184**	**–**	**(643)**	**2,059**	**2,079**	**–**	**55,882**
Additions	**89,852**	**7,164**	**38,947**	**172**	**108,378**	**27,343**	**11,729**	**667,310**	**950,895**
Additions through lease agreements	**3,468**	**90**	**4,245**	**–**	**114,763**	**–**	**2,771**	**–**	**125,337**
Acquisition through business combinations *(Note 5)*	**–**	**–**	**32,040**	**–**	**92,204**	**22,627**	**24,259**	**61,290**	**232,420**
Disposals	**(24,598)**	**(6,261)**	**(23,331)**	**(804)**	**(68,729)**	**(1,529)**	**(8,857)**	**(40,607)**	**(174,716)**
Depreciation charge	**(224,885)**	**(150,601)**	**(59,724)**	**(35,828)**	**(299,658)**	**(30,875)**	**(20,109)**	**–**	**(821,680)**
Depreciation and impairment on disposals	**14,198**	**5,833**	**13,821**	**335**	**39,757**	**–**	**7,940**	**25,194**	**107,078**
Impairment, net of reversal of impairment	**(4,910)**	**(86,719)**	**(29,081)**	**(189)**	**(83,043)**	**(2,099)**	**(1,181)**	**27,002**	**(180,220)**
Discontinued operations/transfer from/(to) assets classified as held for sale	**17**	**(81)**	**(24,002)**	**–**	**(37,927)**	**1,619**	**(1,452)**	**(7,657)**	**(69,483)**
Transfers from/(to) intangible assets	**(342)**	**(64)**	**–**	**–**	**(15)**	**–**	**89**	**(9,944)**	**(10,276)**
Transfers from/(to) exploration and evaluation assets, investment property	**1,958**	**–**	**14,678**	**–**	**144**	**2,458**	**2,356**	**985**	**22,579**
Transfer from/(to) inventories, net	**36**	**4,400**	**7**	**(3,911)**	**769**	**3,869**	**(1,078)**	**2,507**	**6,599**
Other transfers and reclassifications	**7,827**	**57,119**	**101,077**	**75,846**	**367,931**	**271**	**78,259**	**(688,330)**	**–**
Net book value at December 31, 2019	**4,232,980**	**2,186,306**	**1,106,733**	**1,134,626**	**3,222,641**	**164,837**	**192,092**	**900,791**	**13,141,006**
Historical cost	**5,615,863**	**3,437,819**	**1,620,347**	**1,390,130**	**5,413,649**	**320,677**	**346,537**	**995,098**	**19,140,120**
Accumulated depreciation and impairment	**(1,382,883)**	**(1,251,513)**	**(513,614)**	**(255,504)**	**(2,191,008)**	**(155,840)**	**(154,445)**	**(94,307)**	**(5,999,114)**
Net book value at December 31, 2019	**4,232,980**	**2,186,306**	**1,106,733**	**1,134,626**	**3,222,641**	**164,837**	**192,092**	**900,791**	**13,141,006**
Historical cost	5,633,741	3,367,096	1,442,640	1,321,816	4,685,438	203,821	192,088	1,016,339	17,862,979
Accumulated depreciation and impairment	(1,334,354)	(1,028,079)	(449,359)	(222,896)	(1,809,116)	(64,727)	(108,690)	(153,294)	(5,170,515)
Net book value at December 31, 2018 (restated)	4,299,387	2,339,017	993,281	1,098,920	2,876,322	139,094	83,398	863,045	12,692,464

7. PROPERTY, PLANT AND EQUIPMENT (continued)

In millions of tenge	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infra-structure	Machinery, equipment and vehicles	Mining assets	Other	Construc-tion in progress	Total
Including right-of-use assets under lease agreements:									
Net book value at January 1, 2019	–	–	–	–	128,242	–	194	–	128,436
Effect of adoption of IFRS 16 *(Note 3)*	**47,124**	**5,559**	**45,024**	**–**	**112,983**	**–**	**11,684**	**–**	**222,374**
Foreign currency translation	**(230)**	**(19)**	**(105)**	**–**	**(547)**	**–**	**10**	**–**	**(891)**
Changes in estimates	**–**	**524**	**–**	**–**	**(819)**	**–**	**2,060**	**–**	**1,765**
Additions through lease agreements	**3,468**	**90**	**4,245**	**–**	**114,763**	**–**	**2,771**	**–**	**125,337**
Acquisition through business combinations *(Note 5)*	**–**	**–**	**2,926**	**–**	**–**	**–**	**20,740**	**–**	**23,666**
Disposals	**–**	**–**	**(99)**	**–**	**(29,541)**	**–**	**–**	**–**	**(29,640)**
Depreciation charge	**(6,251)**	**(436)**	**(9,835)**	**–**	**(41,971)**	**–**	**(4,038)**	**–**	**(62,531)**
Depreciation and impairment on disposals	**–**	**–**	**–**	**–**	**6,444**	**–**	**–**	**–**	**6,444**
Other transfers and reclassifications	**(297)**	**(4,790)**	**(11,462)**	**–**	**4,803**	**–**	**11,746**	**–**	**–**
Net book value at December 31, 2019	**43,814**	**928**	**30,694**	**–**	**294,357**	**–**	**45,167**	**–**	**414,960**
Historical cost of right-of-use assets under lease agreements	**50,061**	**1,364**	**40,979**	**–**	**420,362**	**–**	**49,384**	**–**	**562,150**
Accumulated depreciation and impairment of right-of-use assets under lease agreements	**(6,247)**	**(436)**	**(10,285)**	**–**	**(126,005)**	**–**	**(4,217)**	**–**	**(147,190)**
Net book value at December 31, 2019	**43,814**	**928**	**30,694**	**–**	**294,357**	**–**	**45,167**	**–**	**414,960**

As at December 31, 2019 property, plant and equipment with net book value of 1,101,686 million tenge was pledged as collateral for some of the Group's borrowings (December 31, 2018: 1,260,296 million tenge).

As at December 31, 2019 the cost of fully amortised property, plant and equipment of the Group was equal to 1,088,767 million tenge (December 31, 2018: 826,144 million tenge).

In 2019 the Group capitalized borrowing costs at an average interest rate of 7.1% in the amount of 24,913 million tenge (2018: at an average interest rate of 5.8% in the amount of 42,007 million tenge).

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8. INTANGIBLE ASSETS

In millions of tenge	Licenses	Subsur-face use rights	Goodwill	Marketing related intangible assets	Software	Other	Total
Net book value at January 1, 2018	480,010	233,883	106,570	48,714	55,595	68,813	993,585
Foreign currency translation	70,602	27,308	1,356	5,509	669	2,092	107,536
Additions	3,374	–	–	–	5,372	3,209	11,955
Acquisition through business combinations	100,182	463,047	98,968	–	2,881	7,609	672,687
Disposals	(4,143)	–	–	–	(3,822)	(1,655)	(9,620)
Discontinued operations/transfer from/(to) assets classified as held for sale	(96)	6	–	350	(152)	(536)	(428)
Amortization charge	(28,294)	(20,731)	–	1,659	(13,468)	(5,716)	(66,550)
Accumulated amortization on disposals	4,128	–	–	–	3,774	1,593	9,495
(Impairment)/reversal of impairment, net	(1,174)	–	(58)	(22,506)	(55)	(70)	(23,863)
Transfers to other non-current assets	–	–	–	–	(12,274)	–	(12,274)
Transfers from/(to) property, plant and equipment, net	316	(352)	–	–	5,922	(174)	5,712
Other transfers	762	–	–	(362)	1,086	(1,486)	–
Net book value at December 31, 2018 (restated)*	625,667	703,161	206,836	33,364	45,528	73,679	1,688,235
Foreign currency translation	**(2,107)**	**(833)**	**(1,493)**	**2,237**	**(60)**	**(491)**	**(2,747)**
Additions	**6,517**	**3,845**	**–**	**–**	**12,359**	**3,244**	**25,965**
Acquisition through business combinations *(Note 5)*	**108,506**	**178,856**	**100,398**	**–**	**1,913**	**1,876**	**391,549**
Disposals	**(2,781)**	**(39)**	**–**	**–**	**(5,746)**	**(1,597)**	**(10,163)**
Amortization charge	**(38,164)**	**(35,507)**	**–**	**–**	**(16,826)**	**(7,259)**	**(97,756)**
Accumulated amortization on disposals	**1,966**	**–**	**–**	**–**	**5,485**	**248**	**7,699**
(Impairment)/reversal of impairment, net	**(52)**	**(5,794)**	**–**	**(6,641)**	**(645)**	**448**	**(12,684)**
Discontinued operations / transfer from/(to) assets classified as held for sale	**(3)**	**4**	**–**	**–**	**(1,788)**	**(18)**	**(1,805)**
Transfers from/(to) property, plant and equipment, net	**(125)**	**197**	**–**	**–**	**9,995**	**209**	**10,276**
Transfers from/(to) exploration and evaluation assets, investment property	**–**	**1,800**	**–**	**–**	**–**	**–**	**1,800**
Transfer from/(to) inventories, net	**–**	**–**	**–**	**–**	**43**	**5**	**48**
Other transfers	**947**	**–**	**–**	**–**	**1,380**	**(2,327)**	**–**
Net book value at December 31, 2019	**700,371**	**845,690**	**305,741**	**28,960**	**51,638**	**68,017**	**2,000,417**
Historical cost	**806,886**	**912,221**	**422,649**	**57,921**	**161,183**	**131,846**	**2,492,706**
Accumulated amortization and impairment	**(106,515)**	**(66,531)**	**(116,908)**	**(28,961)**	**(109,545)**	**(63,829)**	**(492,289)**
Net book value at December 31, 2019	**700,371**	**845,690**	**305,741**	**28,960**	**51,638**	**68,017**	**2,000,417**
Historical cost	695,592	731,414	282,439	58,164	143,393	122,203	2,033,205
Accumulated amortization and impairment	(69,925)	(28,253)	(75,603)	(24,800)	(97,865)	(48,524)	(344,970)
Net book value at December 31, 2018 (restated)	625,667	703,161	206,836	33,364	45,528	73,679	1,688,235

9. EXPLORATION AND EVALUATION ASSETS

In millions of tenge	Tangible	Intangible	Total
Net book value at January 1, 2018	406,329	45,453	451,782
Foreign currency translation	30,415	700	31,115
Change in estimate	25	–	25
Additions	48,767	1,249	50,016
Acquisition through business combinations	13,131	2,357	15,488
Disposals	(1,314)	(1,975)	(3,289)
Impairment	(96,180)	(11,566)	(107,746)
Impairment on disposals	957	5	962
Discontinued operations/transfer to assets classified as held for sale	(143)	(2,296)	(2,439)
Transfers from/(to) property, plant and equipment, net	(3,600)	(200)	(3,800)
Transfer from/(to) inventories, net	(258)	(8)	(266)
Net book value at December 31, 2018	398,129	33,719	431,848
Foreign currency translation	**(870)**	**–**	**(870)**
Change in estimate	**9**	**–**	**9**
Additions	**56,052**	**3,144**	**59,196**
Disposals	**(37,742)**	**(2,004)**	**(39,746)**
Impairment	**(99,267)**	**(5,522)**	**(104,789)**
Impairment on disposals	**33,159**	**507**	**33,666**
Transfers from/(to) property, plant and equipment, net	**(2,767)**	**(2,458)**	**(5,225)**
Transfers from/(to) intangible assets, net	**–**	**(1,800)**	**(1,800)**
Transfer from/(to) inventories, net	**(389)**	**(6)**	**(395)**
Other transfers and reclassifications	**(5,449)**	**5,449**	**–**
Net book value at December 31, 2019	**340,865**	**31,029**	**371,894**
Historical cost	**446,630**	**49,673**	**496,303**
Accumulated impairment	**(105,765)**	**(18,644)**	**(124,409)**
Net book value at December 31, 2019	**340,865**	**31,029**	**371,894**
Historical cost	505,851	56,251	562,102
Accumulated impairment	(107,722)	(22,532)	(130,254)
Net book value at December 31, 2018	398,129	33,719	431,848

As at December 31, 2019 and 2018 the exploration and evaluation assets are represented by the following projects:

In millions of tenge	2019	2018
Kashagan	**169,069**	215,138
Zhambyl	**58,293**	50,178
Embamunaigas	**41,337**	22,022
Urikhtau	**35,265**	30,469
KTG projects	**13,206**	11,840
Pearls	**–**	36,486
Other	**54,724**	65,715
	371,894	431,848

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

As at December 31 investments in joint ventures and associates comprised the following:

			2019		2018 (restated)	
In millions of tenge	**Main activity**	**Place of business**	**Carrying amount**	**Percentage ownership**	Carrying amount	Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	**2,377,207**	**20.00%**	1,970,533	20.00%
Asia Gas Pipeline LLP	Construction and operation of the gas pipeline	Kazakhstan	**168,086**	**50.00%**	–	50.00%
Mangistau Investments B.V.	Oil and gas exploration and production	Kazakhstan	**158,867**	**50.00%**	138,549	50.00%
Beineu-Shymkent Pipeline LLP	Construction and operation of the gas pipeline	Kazakhstan	**101,766**	**50.00%**	34,411	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas	Kazakhstan	**79,849**	**50.00%**	65,116	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	**47,662**	**50.00%**	70,874	50.00%
Forum Muider B.V.	Coal production	Kazakhstan	**33,938**	**50.00%**	37,008	50.00%
AstanaGas KMG JSC	Gas pipeline construction	Kazakhstan	**33,813**	**50.00%**	43,883	50.00%
Other			**171,949**		208,277	
Total joint ventures			**3,173,137**		2,568,651	
Associates						
Kazzinc LLP	Mining and processing of metal ores, production of refined metals	Kazakhstan	**459,091**	**29.82%**	483,723	29.82%
Caspian Pipeline Consortium JSC	Transportation of crude oil	Kazakhstan/ Russia	**359,173**	**20.75%**	289,586	20.75%
PetroKazakhstan Inc. ("PKI")	Exploration, production and processing of oil and gas	Kazakhstan	**95,320**	**33.00%**	116,577	33.00%
JV KATCO LLP	Exploration, production, processing and export of uranium	Kazakhstan	**61,642**	**49.00%**	49,704	49.00%
Khan Tengri Holding B.V.	Telecommunication	Kazakhstan	**–**	**–**	76,071	51.00%
Other			**94,508**		117,139	
Total associates			**1,069,734**		1,132,800	
			4,242,871		3,701,451	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant joint ventures, based on IFRS financial statements of these entities for 2019, reflecting equity method accounting adjustments:

In millions of tenge	Tengizchevroil LLP	Asia Gas Pipeline LLP	Mangistau Investments B.V.	Beineu-Shymkent Pipeline LLP	KazRosGas LLP	Ural Group Limited BVI	Forum Muider B.V.	AstanaGas KMG JSC
Joint ventures								
Non-current assets	**16,276,184**	**1,395,615**	**433,949**	**482,553**	**10,176**	**218,689**	**96,927**	**286,803**
Current assets, including	**975,247**	**578,072**	**114,571**	**171,411**	**195,666**	**729**	**26,631**	**32,398**
Cash and cash equivalents	**45,128**	**136,318**	**16,091**	**11,918**	**83,674**	**714**	**5,241**	**32,394**
Non-current liabilities, including	**4,137,239**	**1,225,064**	**148,898**	**354,711**	**148**	**123,902**	**29,726**	**209,129**
Non-current financial liabilities	**2,563,353**	**1,050,532**	**49,553**	**342,836**	**–**	**94,532**	**26,253**	**202,864**
Current liabilities, including	**1,228,155**	**412,450**	**80,494**	**145,277**	**45,997**	**192**	**25,956**	**30,589**
Current financial liabilities	**44,762**	**379,633**	**400**	**119,557**	**–**	**–**	**3,204**	**–**
Equity	**11,886,037**	**336,173**	**319,128**	**153,976**	**159,697**	**95,324**	**67,876**	**79,483**
Share of ownership	**20.00%**	**50.00%**	**50.00%**	**50.00%**	**50.00%**	**50.00%**	**50.00%**	**50.00%**
Impairment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,474)**
Consolidation adjustments	**–**	**–**	**(697)**	**24,778**	**–**	**–**	**–**	**3,545**
Carrying amount of investment as at December 31, 2019	**2,377,207**	**168,086**	**158,867**	**101,766**	**79,849**	**47,662**	**33,938**	**33,813**
Revenue	**6,231,720**	**785,250**	**836,474**	**172,894**	**306,259**	**–**	**105,278**	**–**
Depreciation, depletion and amortization	**(874,694)**	**(74,734)**	**(70,250)**	**(16,028)**	**(280)**	**(13)**	**(6,885)**	**(10)**
Finance income	**9,428**	**9,674**	**159**	**–**	**2,384**	**–**	**372**	**106**
Finance costs	**(39,896)**	**(90,669)**	**(8,772)**	**(26,563)**	**–**	**(27,471)**	**(404)**	**(508)**
Income tax expenses	**(889,194)**	**(113,177)**	**(51,818)**	**–**	**(8,625)**	**(1,688)**	**(7,769)**	**–**
Profit/(loss) for the year from continuing operations	**2,074,701**	**428,204**	**165,766**	**112,387**	**30,311**	**(37,790)**	**24,620**	**(1,193)**
Profit for the year from discontinued operations, net of income tax	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other comprehensive income/(loss)	**(41,327)**	**–**	**485**	**–**	**(846)**	**(627)**	**(134)**	**–**
Total comprehensive income/(loss)	**2,033,374**	**428,204**	**166,251**	**112,387**	**29,465**	**(38,417)**	**24,486**	**(1,193)**
Change in unrecognized share of losses	**–**	**46,016**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends received	**–**	**–**	**61,872**	**–**	**–**	**–**	**15,312**	**–**

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant joint ventures, based on IFRS financial statements of these entities for 2018, reflecting equity method accounting adjustments:

In millions of tenge	Tengizchevroil LLP	Asia Gas Pipeline LLP	Mangistau Investments B.V.	Beineu-Shymkent Pipeline LLP	KazRosGas LLP	Ural Group Limited BVI	Forum Muider B.V.	AstanaGas KMG JSC
Joint ventures								
Non-current assets	12,922,782	1,460,389	407,889	441,703	11,563	239,907	76,505	119,108
Current assets, including	1,057,016	548,679	72,748	198,892	141,406	216	26,797	48,776
Cash and cash equivalents	203,864	14,907	15,318	139,385	19,910	183	6,393	48,767
Non-current liabilities, including	2,780,571	1,710,805	125,106	496,648	133	98,145	12,978	85,425
Non-current financial liabilities	1,536,800	1,642,324	49,946	487,373	–	73,500	10,782	85,425
Current liabilities, including	1,346,564	390,294	77,576	104,498	22,604	230	16,309	1,783
Current financial liabilities	36,671	363,250	451	93,024	–	–	3,480	1,752
Equity	9,852,663	(92,031)	277,955	39,449	130,232	141,748	74,015	80,676
Share of ownership	20.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Accumulated unrecognized share of losses	–	46,016	–	–	–	–	–	–
Consolidation adjustments	–	–	(428)	14,686	–	–	–	3,545
Carrying amount of investment as at December 31, 2018	1,970,533	–	138,549	34,411	65,116	70,874	37,008	43,883
Revenue	5,941,474	766,661	839,356	150,793	244,346	1	122,984	–
Depreciation, depletion and amortization	(685,434)	(83,523)	(60,373)	(15,540)	(134)	(14)	(3,522)	–
Finance income	19,426	7,480	857	303	1,255	–	563	–
Finance costs	(136,761)	(100,922)	(8,006)	(28,277)	(377)	(9,031)	(717)	–
Income tax expenses	(941,034)	–	(56,904)	–	(13,163)	(1,788)	(7,565)	–
Profit/(loss) for the year from continuing operations	2,195,746	211,332	193,707	33,420	10,509	(37,645)	26,519	223
Profit for the year from discontinued operations, net of income tax	–	–	–	–	–	–	–	–
Other comprehensive income/(loss)	1,270,679	–	(319)	–	17,231	22,023	(194)	–
Total comprehensive income/(loss)	3,466,425	211,332	193,388	33,420	27,740	(15,622)	26,325	223
Change in unrecognized share of losses	–	105,666	–	–	–	–	–	–
Dividends received	64,671	–	–	–	14,181	–	8,086	–

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant associates, based on IFRS financial statements of these entities for 2019, reflecting equity method accounting adjustments:

In millions of tenge	Kazzinc LLP	Caspian Pipeline Consortium JSC	PetroKazakhstan Inc. (“PKI”)	JV KATCO LLP	Khan Tengri Holding B.V.
Associates					
Non-current assets	1,513,171	1,992,522	330,021	63,374	–
Current assets	422,595	99,635	55,086	96,384	–
Non-current liabilities	286,301	38,825	69,474	11,253	–
Current liabilities	110,028	499,392	26,785	7,961	–
Equity	1,539,437	1,553,940	288,848	140,544	–
Share of ownership	29.82%	20.75%	33.00%	49.00%	51.00%
Goodwill	–	36,730	–	68	–
Unrecognized gain on transactions with associates	–	–	–	(7,293)	–
Carrying amount of investment as at December 31, 2019	459,091	359,173	95,320	61,642	–
Revenue	1,099,241	867,450	131,688	78,298	67,183
Profit/(loss) for the year from continuing operations	172,955	341,538	(55,286)	33,638	11,310
Other comprehensive income/(loss)	–	(6,181)	(1,473)	–	–
Total comprehensive income/(loss)	172,955	335,357	(56,759)	33,638	11,310
Other	–	–	–	(4,545)	–
Dividends received	73,669	–	15,004	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant associates, based on IFRS financial statements of these entities for 2018, reflecting equity method accounting adjustments:

In millions of tenge	Kazzinc LLP	Caspian Pipeline Consortium JSC	PetroKazakhstan Inc. ("PKI")	JV KATCO LLP	Khan Tengri Holding B.V.
Associates					
Non-current assets	1,656,829	2,147,362	410,710	62,657	155,087
Current assets	373,229	105,910	91,815	60,478	23,059
Non-current liabilities	310,018	350,304	45,218	9,778	104,124
Current liabilities	98,007	685,130	104,043	6,450	38,289
Equity	1,622,033	1,217,838	353,264	106,907	35,733
Share of ownership	29.82%	20.75%	33.00%	49.00%	51.00%
Goodwill	–	36,885	–	68	57,847
Unrecognized gain on transactions with associates	–	–	–	(2,749)	–
Carrying amount of investment as at December 31, 2018	483,723	289,586	116,577	49,704	76,071
Revenue	1,081,320	757,734	163,263	71,441	120,803
Profit/(loss) for the year from continuing operations	156,385	279,347	44,214	28,092	15,183
Other comprehensive income/(loss)	–	176,034	40,885	–	–
Total comprehensive income/(loss)	156,385	455,381	85,099	28,092	15,183
Other	–	–	–	2,565	–
Dividends received	67,312	–	24,914	–	–

All of the above joint ventures and associates are strategic for the Group's business.

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate aggregate financial information of individually insignificant joint ventures (the Group's proportional interest):

In millions of tenge	2019	2018 (restated)
Carrying amount of investments as at December 31	**171,949**	208,277
Net profit for the year from continuing operations	**121,528**	(171,048)
Profit for the year from discontinued operations, net of income tax	**–**	–
Other comprehensive income/(loss)	**(324)**	4,817
Total comprehensive income	**121,204**	(166,231)

The following tables illustrate aggregate financial information of individually insignificant associates (the Group's proportional interest):

In millions of tenge	2019	2018 (restated)
Carrying amount of investments as at December 31	**94,508**	117,139
Net profit for the year from continuing operations	**(20,041)**	17,296
Other comprehensive income	**–**	(152)
Total comprehensive income	**(20,041)**	17,144

In 2019 dividends received from individually insignificant joint ventures and associates were equal to 70,126 million tenge (2018: 71,335 million tenge).

The following table summarizes the movements in equity investments in joint ventures and associates in 2019 and 2018:

In millions of tenge	2019	2018 (restated)
Balance as at January 1	**3,701,451**	2,856,767
Effect on adoption of IFRS 9	**–**	(3,615)
Share in profit of joint ventures and associates, net *(Note 33)*	**914,757**	754,901
Dividends received	**(235,983)**	(250,499)
Change in dividends receivable	**11,028**	9,732
Adjustment of unrealized income*	**(7,043)**	17,071
Additional contributions without change in ownership	**9,765**	46,716
Refund of contributions without change in ownership	**–**	(93,239)
Acquisitions	**4,305**	20,392
Disposals	**(130,904)**	(80,092)
Transfers to/from assets classified as held for sale	**(18,671)**	23,076
Foreign currency translation	**(12,905)**	385,982
Other comprehensive income, other than foreign currency translation	**316**	3,843
(Impairment)/reversal of impairment *(Note 30)*	**(413)**	6,488
Discount on loans issued	**(4,003)**	653
Fair value of guarantees given	**–**	3,545
Other changes in equity of joint ventures and associates	**11,171**	(270)
Balance as at December 31	**4,242,871**	3,701,451

* *Equity method eliminations and adjustments of unrealized income from sale of inventory from a JV to a subsidiary and capitalized borrowing costs of the loans provided by the Company and subsidiaries to JVs.*

As at December 31, 2019, the Group's share in unrecognized losses of joint ventures and associates was equal to 34,359 million tenge (December 31, 2018: 96,994 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. LOANS ISSUED AND FINANCE LEASE RECEIVABLES

As at December 31, loans issued and finance lease receivables comprised the following:

In millions of tenge	**2019**	2018
Loans issued at amortized cost	**244,802**	324,463
Loans issued at FVPL	**214,396**	287,046
Finance lease receivables	**75,119**	45,244
Total loans and finance lease receivables	**534,317**	656,753
Less: allowance for expected credit losses	**(13,488)**	(23,821)
Loans issued and finance lease receivables, net	**520,829**	632,932
Less: current portion	**(150,273)**	(201,656)
Non-current portion	**370,556**	431,276

Movements in the loan allowance for expected credit losses for the years ended December 31 were as follows:

In millions of tenge	**2019**	2018
Allowance at January 1	**23,821**	16,368
Effect of adoption of IFRS 9	**–**	14,289
Change in estimates	**–**	14
Charged, net *(Note 30)*	**(8,924)**	(7,563)
Disposal of subsidiary	**–**	609
Write-off, net	**(1,402)**	(633)
Foreign exchange difference, net	**(7)**	737
Allowance at December 31	**13,488**	23,821

As at December 31 the components of finance lease receivables are as follows:

In millions of tenge	**2019**	2018
Within one year	**12,662**	7,048
Later than one year, but not later than five years	**47,585**	27,956
After five years	**57,567**	42,523
Lease payments	**117,814**	77,527
Less: unearned finance income	**(42,695)**	(32,283)
Net investment in finance leases	**75,119**	45,244

In millions of tenge	**2019**	2018
Loans issued and finance lease receivables in tenge	**294,237**	326,115
Loans issued in US dollars	**223,168**	304,081
Loans issued in other foreign currencies	**3,424**	2,736
	520,829	632,932

12. AMOUNTS DUE FROM CREDIT INSTITUTIONS

As at December 31 amounts due from credit institutions comprised the following:

In millions of tenge	**2019**	2018
Bank deposits	**643,857**	655,787
Loans to credit institutions	**127,393**	150,785
Less: allowance for expected credit losses	**(7,484)**	(6,600)
Amounts due from credit institutions, net	**763,766**	799,972
Less: current portion	**(593,974)**	(623,612)
Non-current portion	**169,792**	176,360

12. AMOUNTS DUE FROM CREDIT INSTITUTIONS (continued)

In millions of tenge	**2019**	2018
Rating from A+(A1) to A-(A3)	**207,078**	444,431
Rating from BBB-(Baa3) to BB-(Ba3)	**420,760**	211,250
Rating from B+(B1) to B-(B3)	**135,928**	144,291
	763,766	799,972

In millions of tenge	**2019**	**Weighted average interest rate**	2018	Weighted average interest rate
Amounts due from credit institutions, denominated in US dollars	**546,639**	**1.06%**	541,913	2.44%
Amounts due from credit institutions, denominated in tenge	**217,117**	**5.86%**	255,151	4.85%
Amounts due from credit institutions, denominated in other currencies	**10**	**4%**	2,908	0.33%
	763,766		799,972	

As at December 31, 2019 amounts due from credit institutions included funds of 15,062 million tenge pledged as collateral for certain Group's borrowings (December 31, 2018: 13,806 million tenge).

13. OTHER FINANCIAL ASSETS

As at December 31 other financial assets comprised the following:

In millions of tenge	**2019**	2018
Financial assets at FVOCI, including	**52,984**	14,532
Bonds of Kazakhstani financial institutions	**35,268**	1,370
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**11,475**	11,905
Treasury notes of foreign governments	**4,965**	–
Corporate bonds	**1,214**	1,201
Equity securities	**62**	56
Financial assets at amortized cost, including	**310,326**	281,693
Bonds of Kazakhstani financial institutions	**210,161**	197,179
Corporate bonds	**101,885**	93,186
Notes of the National Bank of the Republic of Kazakhstan	**7,460**	–
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	**1,676**	–
Less: allowance for expected credit losses	**(10,856)**	(8,672)
Financial assets at FVPL, including	**47,604**	52,406
Equity securities	**27,754**	23,451
Note receivable from shareholder of joint venture	**13,627**	16,599
Corporate bonds	**4,006**	6,812
Forward and futures contracts	**952**	3,129
Bonds of Kazakhstani financial institutions	**722**	694
Options	**543**	1,721
Total financial assets	**410,914**	348,631
Less: current portion	**(74,669)**	(57,257)
Non-current portion	**336,245**	291,374

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. OTHER FINANCIAL ASSETS (continued)

As at December 31 other financial assets by currency, except for derivatives, comprised:

In millions of tenge	**2019**	2018
Financial assets, denominated in tenge	**341,777**	327,122
Financial assets, denominated in US dollars	**67,642**	16,659
	409,419	343,781

14. OTHER NON-CURRENT ASSETS

As at December 31 other non-current assets comprised the following:

In millions of tenge	**2019**	2018 (restated)
Advances paid for non-current assets	**434,486**	278,365
Long-term VAT receivable	**235,573**	192,077
Restricted cash	**98,188**	105,747
Long-term inventories	**24,024**	15,574
Prepaid expenses	**14,507**	16,404
Long-term receivables	**14,497**	38,171
Other	**40,067**	49,963
Less: impairment allowance	**(92,669)**	(67,762)
	768,673	628,539

15. INVENTORIES

As at December 31 inventories comprised the following:

In millions of tenge	**2019**	2018 (restated)
Uranium products	**169,367**	128,874
Goods for resale	**70,604**	48,450
Production materials and supplies	**61,707**	56,371
Crude oil	**61,100**	43,293
Oil refined products for sale	**53,943**	98,059
Gas processed products	**52,566**	57,762
Work in progress	**44,913**	39,400
Oil and gas industry materials and supplies	**35,744**	33,691
Railway industry materials and supplies	**21,485**	20,881
Fuel	**17,523**	16,377
Aircraft spare parts	**11,504**	10,827
Electric transmission equipment spare parts	**2,803**	1,917
Telecommunication equipment spare parts	**2,100**	2,344
Uranium industry materials and supplies	**1,137**	1,456
Other materials and supplies	**47,956**	52,161
	654,452	611,863

16. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

As at December 31 trade accounts receivable comprised the following:

In millions of tenge	**2019**	2018
Trade accounts receivable	**666,464**	804,834
Less: allowance for expected credit losses	**(46,076)**	(56,961)
	620,388	747,873

16. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS (continued)

As at December 31 other current assets comprised the following:

In millions of tenge	**2019**	2018
Advances paid and deferred expenses	**195,205**	152,970
Other accounts receivable	**109,307**	149,407
Other prepaid taxes	**97,818**	70,802
Restricted cash	**53,262**	77,270
Dividends receivable	**12,708**	24,986
Amounts due from employees	**4,928**	5,105
Non-financial assets for distribution to the Shareholder	**–**	14,505
Other non-financial current assets	**20,136**	13,247
Other financial current assets	**9,907**	8,416
Less: impairment allowance	**(107,105)**	(103,611)
	396,166	413,097

At December 31, 2019 the Group's receivables of 71,401 million tenge were pledged under certain Group borrowings (December 31, 2018: 61,325 million tenge).

Movements in the allowance for expected credit losses for trade accounts receivable for the years ended December 31 were as follows:

In millions of tenge	**2019**	2018
Allowance at January 1	**56,961**	70,751
Effect of adoption of IFRS 9	**–**	(2,611)
Charged, net	**11,571**	4,376
Foreign exchange difference, net	**(918)**	4,687
Change in estimate	**(188)**	17
Transfers to assets classified as held for sale	**(643)**	1,496
Write-off, net	**(20,707)**	(21,755)
Allowance at December 31	**46,076**	56,961

Movements in the impairment allowance for other current assets for the years ended December 31 were as follows:

In millions of tenge	**2019**	2018
Allowance at January 1	**103,611**	125,937
Effect of adoption of IFRS 9	**–**	2,425
Charged, net	**17,361**	13,182
Foreign exchange difference, net	**(224)**	6,448
Change in estimate	**(5,153)**	(155)
Transfers to assets classified as held for sale	**4,335**	(1,123)
Write-off, net	**(12,825)**	(43,103)
Allowance at December 31	**107,105**	103,611

At December 31, 2019 313 million tenge of the Group's receivables were interest bearing (December 31, 2018: 9,814 million tenge). As December 31, 2019 the weighted average interest rate was 11.16% (December 31, 2018: 11.72%).

As at December 31 the ageing analysis of trade accounts receivable is as follows:

		Neither past due nor	**Past due but not impaired**				
In millions of tenge	**Total**	**impaired**	**<30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**
2019	**620,388**	**552,830**	**33,258**	**9,892**	**4,324**	**6,823**	**13,261**
2018	747,873	646,689	60,069	9,413	8,782	5,932	16,988

17. CASH AND CASH EQUIVALENTS

As at December 31 cash and cash equivalents comprised the following:

In millions of tenge	**2019**	2018 (restated)
Current accounts with banks – US dollars	**1,116,492**	998,733
Current accounts with banks – tenge	**215,008**	240,424
Current accounts with banks – other currency	**33,392**	21,232
Bank deposits – US dollars	**199,949**	853,482
Bank deposits – tenge	**379,212**	301,234
Bank deposits – other currency	**6,450**	3,779
Cash in transit	**23,555**	12,934
Cash on hand	**9,821**	10,431
Reverse repurchase agreements with other banks with contractual maturity of three months or less	**10,735**	46,011
Less: allowance for expected credit losses	**(652)**	(707)
	1,993,962	2,487,553

Short-term bank deposits are placed for varying periods of between 1 (one) day and 3 (three) months, depending on immediate cash needs of the Group. As at December 31, 2019 the weighted average interest rates for short-term bank deposits and current accounts were 6.02% and 0.87%, respectively (December 31, 2018: 4.0% and 0.6%, respectively).

18. EQUITY

18.1 Share capital

During 2019 and 2018 the Fund issued common shares, which were paid as follows:

Payment for shares	**Number of shares authorized and issued**	**Par value per share, in tenge**	**Share capital in millions of tenge**
As of December 31, 2017	3,481,938,318		5,133,476
Property contributions	1,000	290,037	290
As of December 31, 2018	3,481,939,318		5,133,766
Cash contributions	**3,500**	**10,000,000; 70,196,400**	**95,196**
Property contributions	**14,951**	**10,000**	**150**
As of December 31, 2019	**3,481,957,769**		**5,229,112**

As at December 31, 2019 3,481,957,769 shares of the Fund were fully paid.

Cash contributions

In 2019 the Shareholder made cash contributions to the Fund's share capital of 95,196 million tenge. These amounts were aimed to finance subsidiaries of the Group.

Property contributions

On June 28, 2019 the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan contributed property of 150 million tenge to the Fund's share capital. This property was transferred to the charter capital of subsidiary National Company "Kazakhstan Temir Zholy" JSC ("NC KTZh").

On December 29, 2018 the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan contributed property of 290 million tenge to the Fund's share capital.

18.2 Dividends

Dividends attributable to equity holder of the Parent

In 2019 the Fund declared and paid dividends to the Shareholder of 63,750 million tenge based on financial results for 2018 according to the Resolution of the Government dated December 24, 2019.

18. EQUITY (continued)

18.2 Dividends (continued)

Dividends attributable to non-controlling interest

During 2019 the Group declared dividends of 53,212 million tenge to the holders of non-controlling interest in National Company "KazMunayGas" JSC ("NC KMG") group, Kazakhtelecom JSC ("KTC"), NAC KAP and Kazakhstan Electricity Grid Operating Company JSC ("KEGOC").

18.3 Other transactions with the Shareholder

As part of the contract of sale of bonds of Baiterek National Managing Holding JSC, on January 17, 2019 the next tranche was issued in the amount of 5,751 million tenge. The maturity of bonds is up to 2026 with a coupon rate of 0.15%. Since the funds were provided for the purposes of housing construction and completion of construction of problem housing facilities of Nur-Sultan city within the framework of "Nurly Zher" state program, approved by the Resolution of the Government of the Republic of Kazakhstan on June 22, 2018, the difference between the nominal value and the fair value of 2,501 million tenge was recognized as Other transactions with the Shareholder in the consolidated statement of changes in equity.

18.4 Other distributions to the Shareholder

Social projects financing

In 2019, in accordance with the Shareholder's resolutions, the Fund recognized liabilities for financing of various social projects for total amount of 36,263 million tenge. These liabilities were recognized as other distributions to the Shareholder in the consolidated statement of changes in equity.

Financing construction of social facilities

In 2019, in accordance with the Shareholder's resolution, the Group recognized liabilities for future financing of the construction of Kazakh drama theatre in Nur-Sultan city of 26,289 million tenge. This financing was recognized as other distributions to the Shareholder in the consolidated statement of changes in equity.

In 2019, the Group recognized liabilities for financing of restoration of damaged social facilities in Arys city of 7,000 million tenge. This financing was recognized as other distributions to the Shareholder in the consolidated statement of changes in equity.

In 2019 the Group recognized liabilities for financing the construction of social facilities located in the Turkestan city as part of the socio-economic development of the Turkestan region in the amount of 1,773 million tenge. This financing was recognized as other distributions to the Shareholder in the consolidated statement of changes in equity.

18.5 Transfer of assets to the Shareholder

Transfer of shares of Chemical Park

In April 2019 in accordance with the Resolution of the Government of Republic of Kazakhstan dated March 26, 2019 the Group transferred 90% shares of Chemical Park with the net assets of 7,906 million tenge to the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan. This transaction was recognized as distribution to the Shareholder in consolidated statement of changes in equity *(Note 6).*

Transfer of shares of MAEK-Kazatomprom LLP to the Shareholder

On December 4, 2019 in accordance with the Resolution of the Government of Republic of Kazakhstan dated November 14, 2019 the Fund transferred controlling shares of MAEK-Kazatomprom LLP to the State property and privatization committee of the Ministry of Finance of the Republic of Kazakhstan with net assets of 21,626 million tenge *(Note 6).*

Transfer of shares of "Aktobe International Airport" JSC, "Pavlodar Airport" JSC and "Atyrau International Airport" JSC to the Shareholder

On September 10, 2019 in accordance with the Resolution of the Government of Republic of Kazakhstan dated July 31, 2019 the Fund transferred controlling shares of three airports, Aktobe International Airport JSC, Pavlodar Airport JSC and Atyrau International Airport JSC, to the Akimat of Aktobe, Pavlodar and Atyrau regions with net assets of 9,810 million tenge *(Note 6).*

18. EQUITY (continued)

18.6 Discount on loans from the Government

In 2019 the Group made partial early repayment of bonds in the amount of 53,662 million tenge purchased by the National Bank using the funds of the National Fund. Due to the early redemption of obligations due to the National Bank of the Republic of Kazakhstan, the Group recognized the decrease in discount on loans from the Government of 21,064 million tenge in consolidated statement of changes in equity.

In addition in 2019 the Group recognized dicount on loans received at interest rates below market rate in the amount of 26,171 million tenge in consolidated statement of changes in equity.

18.7 Change in ownership interests of subsidiaries – sale of non-controlling interest

National Atomic Company "Kazatomprom" JSC

As part of the Comprehensive Privatization Plan for 2016-2020, on September 26, 2019 the Fund additionally placed 3.8% shares of NAC KAP on international stock exchanges of Nur-Sultan (AIX) and London (LSE) by accelerated collection of bids. The offer price was determined at 13 US dollars per GDR.

As a result of share issue, the Group received proceeds of 49,700 million tenge, net of transaction costs of 812 million tenge, non-controlling interest increased by 35,078 million tenge, and the difference of 13,810 million tenge was recognized as an increase in retained earnings.

18.8 Non-controlling interest

The following tables illustrate information of subsidiaries in which there is significant non-controlling interests:

	Non-controlling interest			
	2019		2018	
	Share	**Carrying amount**	Share	Carrying amount
NC KazMunayGas JSC	**9.58%**	**819,830**	9.57%	756,369
NAC Kazatomprom JSC	**18.80%**	**439,870**	15.00%	299,472
Kazakhtelecom JSC	**47.97%**	**240,512**	47.97%	216,595
KEGOC JSC	**10.00% – 1**	**23,989**	10.00% – 1	21,484
Air Astana JSC	**49.00%**	**19,343**	49.00%	16,689
Other		**90,503**		96,543
		1,634,047		1,407,152

All significant subsidiaries with non-controlling interest are registered in Kazakhstan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EQUITY (continued)

18.8 Non-controlling interest (continued)

The following tables illustrate summarized financial information of subsidiaries, in which there are significant non-controlling interests as at December 31, 2019 and for the year then ended:

In millions of tenge	NC KazMunay-Gas JSC	Kazakhtelecom JSC	Kazatomprom NAC JSC	KEGOC JSC	Air Astana JSC
Summarized statement of financial position					
Non-current assets	**11,442,004**	**930,514**	**1,176,113**	**356,741**	**249,039**
Current assets	**2,639,911**	**148,536**	**498,020**	**97,812**	**130,718**
Non-current liabilities	**4,446,817**	**467,709**	**246,885**	**170,330**	**217,903**
Current liabilities	**1,438,442**	**148,475**	**185,094**	**44,341**	**122,378**
Total equity	**8,196,656**	**462,866**	**1,242,154**	**239,882**	**39,476**
Attributable to:					
Equity holder of the Parent	**7,376,826**	**222,354**	**802,284**	**215,893**	**20,133**
Non-controlling interest	**819,830**	**240,512**	**439,870**	**23,989**	**19,343**
Summarized statement of comprehensive income					
Profit for the year from continuing operations	**1,158,451**	**60,345**	**213,749**	**56,647**	**11,495**
Profit for the year from discontinued operations	**6**	**–**	**–**	**–**	**–**
Other comprehensive (loss)/income	**(37,622)**	**(1,145)**	**1,573**	**–**	**3,306**
Total comprehensive income for the year, net of tax	**1,120,835**	**59,200**	**215,322**	**56,647**	**14,801**
Attributable to:					
Equity holder of the Parent	**1,159,447**	**55,941**	**191,580**	**56,647**	**14,801**
Non-controlling interest	**(38,612)**	**3,259**	**23,742**	**–**	**–**
Dividends declared to non-controlling interest	**(7,681)**	**(5,658)**	**(35,935)**	**(3,164)**	**–**
Summarised cash flow information					
Operating activity	**123,801**	**141,122**	**159,529**	**69,698**	**49,382**
Investing activity	**(319,562)**	**(252,293)**	**(28,271)**	**(25,305)**	**4,328**
Financing activity	**(270,371)**	**138,557**	**(159,103)**	**(42,210)**	**(36,851)**
Net increase/(decrease) in cash and cash equivalents	**(466,132)**	**27,386**	**(27,845)**	**2,183**	**16,859**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EQUITY (continued)

18.8 Non-controlling interest (continued)

The following tables illustrate summarized financial information of subsidiaries, in which there are significant non-controlling interests as at December 31, 2018 and for the year then ended:

In millions of tenge	NC KazMunay-Gas JSC	Kazakhtelecom JSC	Kazatomprom NAC JSC	KEGOC JSC	Air Astana JSC
Summarized statement of financial position					
Non-current assets	10,748,329	662,364	1,019,146	375,775	113,347
Current assets	3,266,951	129,604	462,965	57,769	109,708
Non-current liabilities	5,064,056	216,353	154,276	172,506	116,744
Current liabilities	1,808,156	160,834	283,375	46,198	72,251
Total equity	7,143,068	414,781	1,044,460	214,840	34,060
Attributable to:					
Equity holder of the Parent	6,386,699	198,186	744,988	193,356	17,371
Non-controlling interest	756,369	216,595	299,472	21,484	16,689
Summarized statement of comprehensive income					
(Loss)/profit for the year from continuing operations	694,699	42,883	423,584	48,842	1,845
Profit for the year from discontinued operations	–	–	1,104	–	–
Other comprehensive (loss)/income	474,817	(2,521)	(6,688)	–	7,387
Total comprehensive income for the year, net of tax	1,169,516	40,362	418,000	48,842	9,232
Attributable to:					
Equity holder of the Parent	1,162,195	40,546	411,065	48,842	9,232
Non-controlling interest	7,321	(184)	6,935	–	–
Dividends paid to non-controlling interest	(9,796)	(8,612)	(635)	(3,137)	(1,884)
Summarised cash flow information					
Operating activity	453,990	66,351	58,327	64,314	23,662
Investing activity	1,151,140	(120,277)	(40,279)	(52,390)	(6,548)
Financing activity	(1,505,257)	77,277	(139,272)	(40,586)	(21,254)
Net increase/(decrease) in cash and cash equivalents	99,873	23,351	(121,224)	(28,662)	(4,140)

18. EQUITY (continued)

18.9 Currency translation reserve

The currency translation reserve is used to record exchange differences arising from the translation of financial statements of the subsidiaries, whose functional currency is not tenge and whose financial statements are included in the consolidated financial statements. In 2019 foreign translation difference amounted to 51,501 million tenge.

Certain borrowings of the Group denominated in US dollars were designated as hedge instrument for the net investment in the foreign operations. As at December 31, 2019 unrealized foreign currency gain of 17,245 million tenge resulting from translation of these borrowings were transferred to currency translation reserve recognized in other comprehensive income.

18.10 Hedge reserve

NC KTZh

Hedge reserve includes the effect of cash flow hedge accounting to record any fair value gains or losses on the instruments in a hedge reserve in respect of foreign currency revenue proceeds. These gains or losses are subsequently recycled to the profit and loss as transactions are settled.

As at December 31, 2019 the hedge accounting, where the hedging instrument was Eurobonds payable on June 20, 2019 was discontinued due to receipt revenue from freight transportation in international (transit) routes, which was the cash flow hedging item, and accordingly, the cumulative loss attributable to this hedging instrument has been reclassified from other comprehensive loss to freight transportation revenue in the amount of 19,005 million tenge.

In 2015 NC KTZh entered into a cash flow hedge with Eurobonds denominated in Swiss francs (“CHF”) and maturing in 2019 and 2022, to reduce the risk of changes in sales revenue from transit, expressed in CHF. As at December 31, 2019 hedge loss attributable to equity holders of the Parent is 26 million tenge.

Air Astana JSC

In 2015 Air Astana entered into a cash flow hedge with finance lease obligations denominated in US dollars, to reduce the risk of changes in sales revenue expressed in US dollars. In connection with the transition of the functional currency to US dollar, this hedge ceased to be economically effective from December 31, 2017.

As a result of the change, the hedge relationship has been discontinued so that starting from January 1, 2018 no further foreign currency translation gains or losses are transferred from profit or loss to hedge reserve, and the hedge reserve recognized in equity as at December 31, 2019 shall remain in equity until the forecasted revenue cash flows are received.

During 2019 amount reclassified from the hedging reserve to foreign exchange loss from inception of the hedge was 4,270 million tenge before tax of 753 million tenge. Hedge income attributable to non-controlling interest comprised 2,092 million tenge.

18.11 Other capital reserves

Other capital reserves include mainly remuneration of employees for the services rendered in the form of share-based payments with equity instruments of a subsidiary in which they are employed. The cost of equity-settled remunerations is recognized, together with a corresponding increase in other capital reserves, over the period in which performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award.

18. EQUITY (continued)

18.12 Book value per share

In accordance with the decision of the Exchange Board of Kazakhstan Stock Exchange JSC (“KASE”) dated October 4, 2010 financial statements shall disclose book value per share (common and preferred) as of the reporting date, calculated in accordance with the KASE rules.

In millions of tenge	**2019**	2018 (restated)
Total assets	**26,405,096**	25,744,925
Less: intangible assets	**(2,000,417)**	(1,688,235)
Less: total liabilities	**(12,067,620)**	(12,791,650)
Net assets for common shares	**12,337,059**	11,265,040
Number of common shares as at December 31	**3,481,957,769**	3,481,939,318
Book value per common share, tenge	**3,543**	3,235
Earnings per share		
Weighted average number of common shares for basic and diluted earnings per share	**3,481,948,779**	3,481,938,345
Basic and diluted share in net profit for the period	**357.00**	342.43
Basic and diluted share in net profit/(loss) from continuing operations	**357.00**	343.45

19. BORROWINGS

As at December 31 borrowings, including interest payable, comprised the following:

In millions of tenge	**2019**	2018
Fixed interest rate borrowings	**5,519,465**	5,053,961
Floating interest rate borrowings	**1,321,928**	1,798,814
	6,841,393	6,852,775
Less: amounts due for settlement within 12 months	**(737,950)**	(817,319)
Amounts due for settlement after 12 months	**6,103,443**	6,035,456

In millions of tenge	**2019**	2018
US dollar-denominated borrowings	**4,694,855**	5,369,190
Tenge-denominated borrowings	**1,758,863**	1,116,301
Other currency-denominated borrowings	**387,675**	367,284
	6,841,393	6,852,775

Under the terms of some loan agreements, respective subsidiaries of the Group are obliged to comply with certain covenants. The Group reviews compliance with all the Group loan covenants at each reporting date.

As of December 31, 2019 the Group complied with all financial and non-financial covenants under other loan agreements.

19. BORROWINGS (continued)

Changes in borrowings are as follows:

In millions of tenge	**2019***	2018
January 1, 2019	**6,852,775**	7,054,267
Received by cash	**1,391,993**	1,843,437
Interest accrued	**353,805**	379,168
Discount	**(42,355)**	(5,727)
Purchase of property plant and equipment financed by borrowings	**50,648**	34,271
Interest capitalized	**24,679**	43,100
Interest paid	**(426,079)**	(430,708)
Discontinued operations/transfer to assets classified as held for sale	**–**	(22,758)
Repayment of principal	**(1,471,115)**	(3,010,630)
Amortization of discount	**33,822**	37,132
Write-off of borrowings (*Note 32*)	**(111,476)**	(53,714)
Business combination	**119,464**	107,506
Finance costs for the early redemption of bonds *(Note 31)*	**45,236**	89,612
Foreign currency translation	**(15,408)**	799,007
Other	**35,404**	(11,188)
December 31, 2019	**6,841,393**	6,852,775

* *Cash proceeds and repayments of certain borrowings obtained by the Fund's Corporate Center are included within cash flows from operating activities because these borrowings are part of the Fund's main activity of assets management. These borrowings were not included within changes in financial liabilities.*

Bonds issuance and repayment

In April, 2019, the Group made early redemption of Eurobonds with maturity date of 2044 for 31 million US dollars (equivalent to 11,909 million tenge at the date of payment), including premium, coupon payments and consent fee.

During the year ended December 31, 2019 the Group made redemption of the bonds held by DBK (Bonds KASE 2009 with a number of 16 million bonds) for 43,868 million tenge, including accrued interest.

On May 31, 2019 the Group issued bonds on the Swiss Stock Exchange in the amount of 80,000,000 Swiss francs with a coupon rate of 3.25% per annum and maturity date on December 5, 2023 in order to redeem 2014 Eurobonds amounted to 100,000,000 Swiss francs with maturity on June 20, 2019.

On September 12, 2019 the Group issued bonds on the Kazakhstan Stock Exchange (KASE) of 40,000 million tenge with a coupon rate of 11.5% per annum and maturity date on September 12, 2034.

On October 3, 2019 the Group issued bonds on the Kazakhstan Stock Exchange (KASE) of 300,000 million tenge with a coupon rate of 11.5% per annum and maturity date on October 3, 2034.

In November 2019, the Group performed early redemption of the 2017 bonds of 780,000 thousand US dollars. Total amount of payments amounted to 897,310 thousand US dollars (equivalent to 347,360 million tenge), including accrued interest of 428 thousand US dollars (equivalent to 165 million tenge), premium for early repayment of 116,240 thousand US dollars (equivalent to 44,988 million tenge) and early repayment commission of 642 thousand US dollars (equivalent to 248 million tenge). The Group recognized the premium and early repayment commission as a financial expense *(Note 31*).

Other borrowings

In December 2019, the Group received a long-term loan from DBK of 32,938 million tenge with a 7.99% nominal interest rate and maturity of 7 years to finance the oil processing plant modernisation.

During the year ended December 31, 2019 the Group made an additional redemption of borrowings from DBK for 77,182 million tenge.

In 2019, the Group derecognized a loan from partners of the Pearl project for the total amount of 110,930 million tenge, including an interest of 3,543 million tenge, since the partners of the Pearls project decided not to submit the Development plan, and agreed to voluntarily relinquish the contract area under the Pearls PSA *(Note 32)*.

19. BORROWINGS (continued)

Other borrowings (continued)

As at December 31 the carrying amount of borrowings of the Fund and the Group subsidiaries is presented below:

In millions of tenge	**2019**	2018
NC KMG and its subsidiaries	**3,777,706**	4,149,123
NC KTZh and its subsidiaries	**1,362,486**	1,272,129
The Fund	**536,088**	535,712
UCC and its subsidiaries	**277,685**	183,156
Kazakhtelecom and its subsidiaries	**263,782**	91,991
Samruk-Energy and its subsidiaries	**205,063**	248,069
NAC KAP and its subsidiaries	**159,964**	199,690
KEGOC and its subsidiaries	**150,326**	162,059
EGRES-2	**94,088**	–
Other subsidiaries of the Fund	**14,205**	10,846
Total borrowings	**6,841,393**	6,852,775

20. LOANS FROM THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

As at December 31 loans from the Government of the Republic of Kazakhstan comprised the following:

In millions of tenge	**2019**	2018
Bonds acquired by the National Bank of the Republic of Kazakhstan using the assets of the National Fund	**578,001**	588,226
Loans from the Government of the Republic of Kazakhstan	**49,559**	65,180
	627,560	653,406
Less: amounts due for settlement within 12 months	**(5,238)**	(22,973)
Amounts due for settlement after 12 months	**622,322**	630,433

Bonds, purchased by the National Bank of the Republic of Kazakhstan

In accordance with the Rules on proceeds to the National Fund of the Republic of Kazakhstan from transfer of assets of national managing holdings, national holdings, national companies and their subsidiaries, affiliates and other legal entities affiliated with them to the competitive environment approved by the Resolution of the Government of the Republic of Kazakhstan No. 323 dated June 4, 2018, funds received from sale of national assets can be used for redemption of Fund's liabilities due to the National Fund.

In this regard, in 2019, in accordance with the adopted corporate decisions of the Fund, a partial early repayment of bonds at par value in the amount of 53,662 million tenge was carried out within the eleventh issue of the Fund's bonds purchased by the National Bank of the Republic of Kazakhstan. In this regard, the Fund recognized depreciation of the discount on loans from the Government in the amount of 21,064 million tenge in a consolidated statement of changes in equity.

21. PREPAYMENT ON OIL SUPPLY AGREEMENT

NC KMG

In 2016, the Group entered into long-term crude oil and liquefied petroleum gas ("LPG") supply agreement, which involves a prepayment. These prepayments for oil represent contract liability and were accounted for in accordance with IFRS 15. The agreement stipulated pricing calculation with reference to market quotes and prepayments were settled through physical deliveries of crude oil and LPG. The total minimum delivery volume approximates 38.4 million tons of crude oil and 1.25 million ton of LPG in the period from the date of the contract to June and August 2021.

The Group accrued interest for 19,541 million tenge (2018: 35,868 million tenge) *(Note 31)*.

The Group fully settled the prepayment via oil delivery on November 29, 2019.

21. PREPAYMENT ON OIL SUPPLY AGREEMENT (continued)

KMG Kashagan B.V.

In 2018, KMG Kashagan B.V. signed the second supplementary agreement to the crude oil supply agreement entered into in 2016. Under the terms of the supplementary agreement, the term of oil supplies were extended until December 2025, accordingly the minimum volume of oil from the Kashagan field increased to 16.6 million tons.

The Agreement stipulates price determination on the basis of current market quotations and prepayment is reimbursed by means of physical supply of crude oil.

In accordance with the terms of the agreement, supply of oil started from January 2017. The KMG Kashagan B.V. considers this agreement as a contract, which was signed for the purpose of delivery of non-financial items in accordance with the Company's expectations and sale requirements.

During 2019, KMG Kashagan B.V. delivered crude oil for total amount of 1,104 million US dollars of 2,336,746 tons according to the delivery schedule.

The total amount of accrued remuneration for the 12 months of 2019 was 33,103 million tenge (2018: 31,666 million tenge) *(Note 31)*. Payment of remuneration shall be made in kind with crude oil.

As at December 31, 2019, the current portion of the advance payment under the crude oil supply agreement amounted to 158,162 million tenge (December 31, 2018: 527,402 million tenge). The non-current portion of the advance payment under the crude oil supply agreement was 357,902 million tenge (December 31, 2018: 1,153,761 million tenge).

In accordance with the terms of agreement, KMG Kashagan B.V. must ensure the supplied volume of crude oil is unencumbered.

Prepayment on oil supply agreement is recognized as a contract liability to customers in accordance with IFRS 15.

22. LEASE LIABILITIES

The Group has leases for various items of property, plant and equipment, mainly aircraft.

During 2012-2014 Air Astana JSC ("Air Astana"), subsidiary of the Group, acquired 10 (ten) aircraft under fixed interest lease agreements. The lease term for each aircraft is 12 (twelve) years. Air Astana has the option to purchase each aircraft for a nominal amount at the end of the lease.

Loans provided by financial institutions to the lessor in respect of 6 (six) new Airbus were guaranteed by European Export Credit Agencies, 3 (three) Boeing 767 aircraft were guaranteed by US Export Import Bank and 2 (two) Embraer aircrafts were guaranteed by Brazilian Development Bank. Air Astana pledged the leased assets with carrying amount of 210,209 million tenge to secure lease liabilities (December 31, 2018: 76,354 million tenge).

The Group's leases are subject to certain covenants. These covenants impose restrictions in respect of certain transactions, including, but not limited to restrictions in respect of indebtedness. These requirements have been met during 2019 and 2018.

As at December 31, 2019 interest calculation was based on effective interest rates ranging from 4.7% to 14.0% (December 31, 2018: from 2.0% to 14.6%).

As at December 31 future minimum lease payments under leases together with the present value of the net minimum lease payments comprised the following:

	Minimum lease payments		**Present value of minimum lease payments**	
In millions of tenge	**2019**	2018	**2019**	2018
Within one year	**101,784**	31,666	**84,138**	25,853
Two to five years inclusive	**293,864**	102,955	**236,087**	90,430
After five years	**146,158**	52,591	**103,942**	40,210
	541,806	187,212	**424,167**	156,493
Less: amounts representing finance costs	**(117,639)**	(30,719)	**–**	–
Present value of minimum lease payments	**424,167**	156,493	**424,167**	156,493
Less: amounts due for settlement within 12 months			**(84,138)**	(25,853)
Amounts due for settlement after 12 months			**340,029**	130,640

22. LEASE LIABILITIES (continued)

The Air Astana lease obligations are denominated in US dollars.

Changes in lease liabilities are as follows:

In millions of tenge	**2019**	2018
January 1, 2019	**156,493**	139,846
Effect of adoption of IFRS 16 *(Note 3)*	**237,122**	–
Interest paid	**(18,931)**	(5,623)
Transfer to assets classified as held for sale	**(110)**	(492)
Repayment of principal	**(102,165)**	(19,335)
Interest accrued	**27,760**	6,135
Business combination	**23,879**	–
Foreign currency translation	**(1,655)**	16,267
Additions of leases	**107,046**	17,050
Other	**(5,272)**	2,645
December 31, 2019	**424,167**	156,493

23. PROVISIONS

As at December 31 provisions comprised the following:

In millions of tenge	Asset retirement obligations	Provision for environ-mental remediation	Provision for taxes	Provision for construction of social objects	Other	Total
Provision at January 1, 2018	158,811	60,761	28,156	38,044	77,480	363,252
Foreign currency translation	6,474	5,492	10	–	7,643	19,619
Additions through business combinations	4,820	–	–	–	–	4,820
Transfer to liabilities associated with assets classified as held for sale	(333)	–	(474)	–	(175)	(982)
Change in estimate	(1,619)	697	(1,861)	–	5,516	2,733
Unwinding of discount	13,626	2,483	–	–	192	16,301
Provision for the year	773	–	18,445	–	56,919	76,137
Use of provision	(745)	(3,319)	(25,802)	(4,374)	(20,996)	(55,236)
Reversal of unused amounts	(354)	(46)	–	–	(5,328)	(5,728)
Provision at December 31, 2018	181,453	66,068	18,474	33,670	121,251	420,916
Effect of adoption of IFRS 16 *(Note 3)*	**–**	**–**	**–**	**–**	**348**	**348**
Foreign currency translation	**(236)**	**(168)**	**(13)**	**–**	**(216)**	**(633)**
Additions through business combinations	**5,239**	**478**	**–**	**–**	**584**	**6,301**
Transfer to liabilities associated with assets classified as held for sale	**(42)**	**–**	**–**	**–**	**–**	**(42)**
Change in estimate	**56,731**	**264**	**2,342**	**–**	**(4,602)**	**54,735**
Unwinding of discount	**15,091**	**3,872**	**–**	**–**	**171**	**19,134**
Provision for the year	**6,432**	**2,888**	**4,393**	**1,727**	**52,678**	**68,118**
Use of provision	**(3,812)**	**(4,571)**	**(1,147)**	**(30,493)**	**(28,005)**	**(68,028)**
Reversal of unused amounts	**(208)**	**(4,490)**	**(5,865)**	**–**	**(20,056)**	**(30,619)**
Provision at December 31, 2019	**260,648**	**64,341**	**18,184**	**4,904**	**122,153**	**470,230**

23. PROVISIONS (continued)

Current portion and non-current portion of provisions are presented as follows:

In millions of tenge	Asset retirement obligations	Provision for environ-mental remediation	Provision for taxes	Provision for construction of social objects	Other	Total
Current portion	2,220	6,199	18,474	33,670	91,230	151,793
Non-current portion	179,233	59,869	–	–	30,021	269,123
Provision at December 31, 2018	181,453	66,068	18,474	33,670	121,251	420,916
Current portion	**1,931**	**7,825**	**18,184**	**4,904**	**86,523**	**119,367**
Non-current portion	**258,717**	**56,516**	**–**	**–**	**35,630**	**350,863**
Provision at December 31, 2019	**260,648**	**64,341**	**18,184**	**4,904**	**122,153**	**470,230**

Other provisions as at December 31, 2019 included provisions for aircraft maintenance for the amount of 34,916 million tenge (December 31, 2018: 33,516 million tenge), gas transportation provision of 27,965 million tenge (December 31, 2018: 28,083 million tenge), provision of 4,585 million tenge *(Note 38)* by results of an environmental audit of Embamunaigas JSC (December 31, 2018: 26,070 million tenge) and provision of 34,132 million tenge by results of litigations with Consortium of companies Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP (2018: nil) *(Note 38)*.

24. EMPLOYEE BENEFIT LIABILITY

State contribution scheme

The Group pays social tax according to the current statutory requirements in the Republic of Kazakhstan. Social tax and payroll are expensed as incurred.

In addition to that, the Group also withholds and contributes up to 10% limit on pension contributions, from salaries of its employees as the employee contribution to their cumulative pension funds. These amounts are expensed in the period they are incurred.

Defined benefit plan

Employee benefit liabilities under various plans are payable in accordance with collective agreements concluded between certain subsidiaries of the Group (NC KMG, NC KTZh, Kazakhtelecom JSC, Samruk-Energy JSC, NAC KAP and Kazpost JSC) and employees of those subsidiaries represented by their labor unions.

As at December 31 total liability under the Group's defined benefit plan comprised the following:

In millions of tenge	2019	2018 (restated)
Present value of defined benefit obligation	**124,823**	101,521
Liability falling due within one year	**(12,983)**	(7,278)
Liability falling due after one year	**111,840**	94,243

A reconciliation of the present value of the defined benefit plan liability with specified payments for the years ended December 31 is as follows:

In millions of tenge	2019	2018 (restated)
Total liability at the beginning of the year	**101,521**	88,055
Actuarial loss recognized during the period in other comprehensive income	**7,667**	7,577
Interest cost	**8,019**	7,405
Current service cost	**4,900**	4,407
Past service cost	**8,760**	2,470
Transfer to assets held for sale	**(337)**	(27)
Foreign currency translation	**–**	7
Benefits paid during the year	**(8,757)**	(8,381)
Unrecorded past service cost	**3,383**	(72)
Acquisition through business combination	**452**	–
Actuarial (gain)/loss recognized during the period in profit and loss	**(785)**	80
Total liability at the end of the year	**124,823**	101,521

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. EMPLOYEE BENEFIT LIABILITY (continued)

Defined benefit plan (continued)

Total service cost, including current service cost, interest cost, past service cost, unrecorded past service cost and actuarial loss, of 31,944 million tenge was recognized in the consolidated statement of comprehensive income within respective line items in 2019 (2018: 21,868 million tenge).

Estimates of the Group's liabilities were made on the basis of published statistical data regarding mortality and actual Group's data on number, age, gender and years of employee service. Other principal assumptions at the reporting date, calculated as weighed average for all plans, were as follows:

	2019	2018
Discount rate	**7.92%**	8.26%
Expected rate of increase of future annual financial assistance	**4.12%**	7.54%
Expected rate of increase of future annual minimum salary	**5.00%**	5.71%
Expected rate of increase of future annual railway ticket price	**2.47%**	4.60%

25. TRADE AND OTHER PAYABLES, AND OTHER CURRENT LIABILITIES

In millions of tenge	**2019**	2018
Trade accounts payable	**910,226**	831,895
Accounts payable for the supply of property, plant and equipment	**112,150**	135,248
Other accounts payable	**23,671**	28,179
	1,046,047	995,322

As at December 31, trade accounts payable were expressed in the following currencies:

In millions of tenge	**2019**	2018
Tenge-denominated trade accounts payable	**507,937**	414,162
US dollar-denominated trade accounts payable	**326,279**	332,477
Other currency-denominated trade accounts payable	**76,010**	85,256
	910,226	831,895

As at December 31 other current liabilities comprised the following:

In millions of tenge	**2019**	2018 (restated)
Contract liabilities to customers	**299,467**	208,178
Other taxes payable	**137,789**	147,804
Due to employees	**118,657**	111,930
Amounts due to customers	**34,768**	27,688
Other estimated liabilities	**19,975**	5,936
Pension and social contributions liabilities	**15,805**	14,668
Obligations to the Shareholder on the financing of social projects	**12,100**	50,072
Advances received and deferred income	**11,802**	28,117
Obligations under guarantee agreements	**7,355**	7,404
Dividends payable	**6,727**	4,030
Government grant liability	**–**	11,784
Other financial liabilities	**41,225**	94,517
Other non-financial liabilities	**33,969**	48,476
	739,639	760,604

26. REVENUE

Revenue comprised the following for the years ended December 31:

In millions of tenge	**2019**	2018
Sales of crude oil	**3,529,421**	3,757,436
Sales of oil refined products	**2,589,921**	2,603,428
Railway cargo transportation	**970,096**	857,847
Sales of gas products	**875,150**	783,070
Sales of uranium products	**467,777**	399,998
Sales of refined gold	**435,835**	257,475
Telecommunication services	**432,329**	213,588
Oil and gas transportation fee	**389,464**	315,205
Air transportation	**331,340**	291,631
Electricity complex	**240,491**	277,865
Electricity transmission services	**222,229**	144,543
Oil processing fees	**195,272**	175,112
Railway passenger transportation	**86,012**	85,453
Postal services	**46,303**	42,537
Interest income	**38,823**	46,167
Less: Crude oil Quality Bank	**(14,956)**	(18,118)
Less: indirect taxes and commercial discounts	**(586,663)**	(499,910)
Other revenue	**400,069**	383,100
	10,648,913	10,116,427

In millions of tenge	**2019**	2018
Geographical markets		
Kazakhstan	**3,733,260**	3,129,284
Other countries	**6,915,653**	6,987,143
	10,648,913	10,116,427

27. COST OF SALES

Cost of sales comprised the following for the years ended December 31:

In millions of tenge	**2019**	2018
Materials and supplies	**4,597,447**	4,844,175
Personnel costs, including social taxes and withdrawals	**895,307**	786,597
Depreciation, depletion and amortization	**848,881**	698,317
Fuel and energy	**400,468**	343,189
Production services rendered	**301,679**	227,029
Repair and maintenance	**244,487**	190,570
Mineral extraction tax	**142,825**	158,867
Taxes other than social taxes and withdrawals	**93,694**	76,049
Rent	**83,059**	75,531
Interest expense	**69,004**	84,051
Transportation expenses	**49,629**	38,268
Other	**262,204**	275,932
	7,988,684	7,798,575

28. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised the following for the years ended December 31:

In millions of tenge	**2019**	2018
Personnel costs, including social taxes and withdrawals	**209,941**	192,020
Consulting services	**39,100**	38,117
Depreciation and amortization	**36,317**	30,911
Taxes other than social taxes and withdrawals	**34,983**	47,031
Provision under Consortium case *(Note 38*)	**34,132**	–
Allowance for expected credit losses for trade receivable and other assets	**17,475**	12,407
Business trips	**8,520**	7,820
Sponsorship and charitable donations	**7,977**	7,298
Repair and maintenance	**7,211**	6,049
Other services by third parties	**6,246**	7,300
Rent	**5,251**	10,987
Utilities expenses and maintenance of buildings	**4,641**	4,070
Transportation services	**3,717**	4,292
Professional education and advanced trainings	**3,196**	3,719
Bank services	**2,053**	2,448
Fines and penalties	**(22,846)**	33,448
Other	**71,943**	80,716
	469,857	488,633

29. TRANSPORTATION AND SELLING EXPENSES

Transportation and selling expenses comprised the following for the years ended December 31:

In millions of tenge	**2019**	2018
Transportation	**426,399**	361,092
Rent tax	**133,144**	145,523
Custom duties	**132,395**	132,063
Commission fees to agents and advertising	**21,710**	13,627
Personnel costs, including social taxes and withdrawals	**17,902**	19,961
Depreciation and amortization	**13,877**	12,112
Other	**34,380**	37,204
	779,807	721,582

30. IMPAIRMENT LOSS

Impairment loss comprised the following for the years ended December 31:

In millions of tenge	**2019**	2018 (restated)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets	**297,693**	166,723
Impairment of VAT receivable	**19,143**	6,357
Expected credit losses on other financial assets	**13,336**	14,000
Impairment of assets held for sale	**10,208**	19,477
Accrual/(reversal) of expected credit losses on amounts in credit institutions	**4,381**	(10,216)
Expected credit losses on cash and cash equivalents	**436**	410
Impairment of investments in joint ventures and associates *(Note 10*)	**413**	(6,488)
Reversal of expected credit losses on loans issued *(Note 11*)	**(8,924)**	(7,563)
Other	**19,007**	14,706
	355,693	197,406

30. IMPAIRMENT LOSS (continued)

For the following non-current assets impairment losses were recognised for years ended:

In millions of tenge	**2019**	2018
CGUs of KMG International (KMGI)	**93,587**	43,702
Kalamkas-sea project	**45,562**	–
Pearls project	**38,180**	–
KLPE	**25,278**	–
Drilling jackup rig “Satti” (Satti rig)	**24,505**	–
Write-off of brownfields of KMG EP	**18,888**	–
CGU Batumi Oil Terminal (BNT)	**12,583**	4,136
Self-propelled barges “Sunkar” and “Berkut” (Barges)	**11,837**	2,659
N project	**–**	67,897
Satpayev project	**–**	34,539
Others	**27,273**	13,790
	297,693	166,723

CGUs of KMGI

As of December 31, 2019 and 2018 KMGI performed impairment tests of its CGUs, Petrochemical, Bulgaria, Refining and Other. The Group considered forecast refinery margins and production volumes, among other factors, when reviewing for indicators of impairment.

In 2018 and 2019, the recoverable amount of the CGUs were determined based on fair value less costs of disposal (FVLC), which is the present value of the free cash flows adjusted by the present value of the residual value. The key assumptions used in the fair value less costs to sell calculations for the above-mentioned CGUs were operating profit, discount rates and growth rate used to extrapolate cash flows beyond the budget period.

The discount rate applied to cash flow projections for Refining and Petrochemical CGUs was 9.6% (2018: 9.7%) and cash flows beyond the 5-year period were extrapolated using a 1.9% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values was 7.7% (2018: 7.8%).

Bulgarian CGU, the discount rate applied to cash flow projections was 9.6% (2018: 9.8 %) and cash flows beyond the 5-year period were extrapolated using growth rate of a 1.9% that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values was 7.6% (2018: 7.9%).

In 2018, the recoverable values of the CGUs Refining, Petrochemical, Bulgaria and Other were below their book values. As at December 31, 2018 based on the results of analysis performed, KMGI recognized impairment loss of property, plant and equipment and intangible assets of 21,195 million tenge and 22,507 million tenge, respectively.

In 2019, the recoverable values of the CGUs exceeded their respective carrying values, except for Refining the CGU. For the purposes of the impairment test, KMGI updated its projected cash flows to reflect the decrease in forecast refinery margins and change in post-tax discount rate. As at December 31, 2019 based on the results of the test performed, KMGI recognized an impairment loss of property, plant and equipment and intangible assets of 86,946 million tenge and 6,641 million tenge, respectively.

Sensitivity to changes in assumptions:

With regard to the assessment of the FVLC for the CGUs, the Group believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materiality exceed its recoverable amount, other than for the CGU Refinery, for which the breakeven point for the current model is achieved under a decrease of 3.3% of operating profit.

Kalamkas-sea project

On September 27, 2019 the Group decided not to extend the development of the Kalamkas-sea field. As a result, exploration and evaluation assets of the Kalamkas-sea field in the amount of 119,000 thousand US dollars were written off (equivalent to 45,562 million tenge).

30. IMPAIRMENT LOSS (continued)

Pearls project

Exploration stage of Pearls project expired on December 14, 2019. To proceed to the next stage, the Development plan was due to be submitted by the partners of the project. However, the partners of the Pearls project decided not to proceed with the Development plan, and agreed to relinquish the contract area under the Pearls PSA to the Government voluntarily, as a result, as at December 31, 2019 the Group recognized impairment loss for 38,180 million tenge. As of December 31, 2019 the Group did not write-off the project's assets due to the fact that the contract area has not been returned to the Government yet.

KLPE

In 2019 KLPE performed impairment test of capitalized expenditures related to development of the feasibility report for the construction of the first integrated gas-chemical complex in Atyrau region. As a result of impairment test the Group impaired and wrote-off capitalized expenditures of 24,813 million tenge and recognized additional impairment for KLPE of 465 million tenge. The Group concluded that these capitalized expenses will not bring economic benefits to the Group and will not be used for development of the new feasibility report.

Satti rig

The recoverable amount of *Satti rig* was determined on the basis of value-in-use method. Value-in-use was assessed as the present value of the future cash flows expected to be derived from the rig. The forecasted cash flows were based on financial budget approved by the Group management for the period of 2020-2024, and on estimated forecasts for the period of the useful life of the rig till 2041. As a result of the impairment test, the Group recognised an impairment loss of 24,505 million tenge as at December 31, 2019.

Write-off of the brownfields of KMG EP

For year ended December 31, 2019, the Group wrote-off exploration and evaluation assets of 18,888 million tenge related to several KMG EP subsoil use contracts that were terminated with relinquishment of contract territories to the Government.

CGU BNT

As at December 31, 2019, the Group recognized an impairment loss of 12,583 million tenge attributable to CGU BNT.

Barges

The recoverable amount of the Barges were determined on the basis of value-in-use method. Value-in-use was assessed as the present value of the future cash flows expected to be derived from the barges until the end of the barges contract in 2021 at the discount rate of 10.05%. Due to the fact that the prolongation of the contracts is remote, the Group recognized an impairment loss of 11,837 million tenge as at December 31, 2019.

Satpayev and N projects

As at December 31, 2018, the Group recognized impairment loss for exploration and evaluation assets related to the Satpayev and N projects for 34,539 million tenge and 67,897 million tenge, respectively. These impairments occurred due to the withdrawal from the projects and decisions to relinquish the contract territories to the Government by the Group and the partners of the projects'. The Group did not write-off the projects' assets due to the fact that the contract areas had not been returned to the Government as of December 31, 2018.

On April 24, 2019, the Group received a *Satpayev* subsoil use contract termination notice from the Government, accordingly the Group relinquished the contract area fully and wrote-off exploration and evaluation assets related to the project.

31. FINANCE COSTS

Finance costs comprised the following for the years ended December 31:

In millions of tenge	**2019**	2018
Interest on loans and debt securities issued	**414,554**	380,343
Interest on oil supply agreement *(Note 21)*	**52,644**	67,534
Finance costs for the early redemption of bonds	**45,236**	89,612
Interest on lease liabilities	**29,638**	6,135
Discount on provisions and other payables	**20,447**	17,876
Financial guarantees	**18,880**	8,775
Discount on assets at rates below market	**2,845**	2,397
Other	**55,119**	60,483
	639,363	633,155

32. FINANCE INCOME

Finance income comprised the following for the years ended December 31:

In millions of tenge	**2019**	2018
Write-off of loan *(Note 19)*	**111,476**	53,714
Interest income on amounts due from credit institutions and cash and cash equivalents	**76,799**	90,895
Interest income from loans and financial assets	**40,997**	34,797
Income from financial guarantees	**26,924**	7,448
Unwinding of discount on long-term receivables	**5,109**	2,143
Other	**19,644**	17,523
	280,949	206,520

33. SHARE IN PROFIT OF JOINT VENTURES AND ASSOCIATES, NET

Share in profit/(loss) of joint ventures and associates comprised the following for the years ended December 31:

In millions of tenge	**2019**	2018 (restated)
Tengizchevroil LLP	**414,940**	439,149
Asia Gas Pipeline LLP	**168,086**	–
Mangistau Investments B.V.	**81,991**	95,510
Caspian Pipeline Consortium JSC	**70,869**	57,965
Beineu Shymkent Gas Pipeline LLP	**56,194**	16,710
Kazzinc LLP	**51,579**	46,637
KazRosGas LLP	**18,091**	5,254
JV Kazgermunai LLP	**17,561**	27,915
Forum Muider B.V.	**12,243**	13,259
JV KATCO LLP	**11,938**	11,200
Sekerbank TAS	**(10,229)**	(5,090)
Petro Kazakhstan Ink	**(18,244)**	14,591
Ural Group Limited BVI	**(18,895)**	(18,822)
Other	**58,633**	50,623
	914,757	754,901

34. INCOME TAX EXPENSES

Income tax expenses comprised the following for the years ended December 31:

In millions of tenge	**2019**	2018
Current income tax expenses		
Corporate income tax ("CIT")	**228,749**	223,995
Withholding tax on dividends and interest income	**19,653**	31,900
Excess profit tax	**11,291**	(1,127)
Deferred income tax expense/(benefit)		
Corporate income tax ("CIT")	**65,351**	64,281
Withholding tax on dividends and interest income	**62,242**	92,617
Excess profit tax	**(4,904)**	(7,850)
Income tax expenses	**382,382**	403,816

A reconciliation of income tax expenses applicable to profit before income tax at the statutory income tax rate (20% in 2019 and 2018) to income tax expenses was as follows for the years ended December 31:

In millions of tenge	**2019**	2018
Accounting profit before income tax from continuing operations	**1,797,988**	1,700,926
Accounting profit before income tax from discontinued operations	**–**	(2,968)
Income tax expenses on accounting profit	**359,598**	339,592
Tax effect of other items, which are not deductible or assessable for taxation purposes	**87,302**	200,396
Change in unrecognized deferred tax assets	**14,169**	95,702
Effect of different corporate income tax rates	**21,047**	24,757
Excess profit tax	**6,388**	(8,978)
Share in non-taxable profit of joint ventures and associates	**(123,559)**	(90,051)
Other differences	**17,437**	(157,028)
Total corporate income tax expenses	**382,382**	404,390
Add: income tax benefit attributable to discontinued operations	**–**	(574)
Income tax expense from continuing operations	**382,382**	403,816

34. INCOME TAX EXPENSES (continued)

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

	2019				2018			
In millions of tenge	**Corporate income tax**	**Excess profit tax**	**Withholding tax**	**Total**	Corporate income tax	Excess profit tax	Withholding tax	Total
Deferred tax assets								
Property, plant and equipment	**48,619**	**–**	**–**	**48,619**	38,348	(1,916)	–	36,432
Tax loss carryforward	**804,080**	**–**	**–**	**804,080**	784,066	–	–	784,066
Employee related accruals	**16,560**	**82**	**–**	**16,642**	13,417	–	–	13,417
Allowance for expected credit losses of financial assets	**24,007**	**–**	**–**	**24,007**	9,204	–	–	9,204
Provision for environmental remediation	**39,186**	**256**	**–**	**39,442**	25,555	–	–	25,555
Other accruals	**114,811**	**–**	**–**	**114,811**	7,974	–	–	7,974
Other	**68,609**	**3,893**	**–**	**72,502**	71,125	–	–	71,125
Less: unrecognized deferred tax assets	**(570,458)**	**–**	**–**	**(570,458)**	(556,289)	–	–	(556,289)
Less: deferred tax assets offset with deferred tax liabilities	**(457,658)**	**(758)**	**–**	**(458,416)**	(260,292)	–	–	(260,292)
Deferred tax assets	**87,756**	**3,473**	**–**	**91,229**	133,108	(1,916)	–	131,192
Deferred tax liabilities								
Property, plant and equipment	**1,062,035**	**7,608**	**–**	**1,069,643**	868,366	6,365	–	874,731
Undistributed earnings of joint ventures and associates	**–**	**–**	**356,581**	**356,581**	–	–	295,580	295,580
Other	**96,320**	**–**	**–**	**96,320**	27,100	–	–	27,100
Less: deferred tax assets offset with deferred tax liabilities	**(457,658)**	**(758)**	**–**	**(458,416)**	(260,292)	–	–	(260,292)
Deferred tax liabilities	**700,697**	**6,850**	**356,581**	**1,064,128**	635,174	6,365	295,580	937,119
Net deferred tax liabilities	**(612,941)**	**(3,377)**	**(356,581)**	**(972,899)**	(502,066)	(8,281)	(295,580)	(805,927)

34. INCOME TAX EXPENSES (continued)

The movements in the net deferred tax liabilities were as follows for the years ended December 31:

	2019				2018			
In millions of tenge	**Corporate income tax**	**Excess profit tax**	**Withholding tax**	**Total**	Corporate income tax	Excess profit tax	Withholding tax	Total
Balance at January 1 (restated)	**502,066**	**8,281**	**295,580**	**805,927**	319,134	16,129	202,904	538,167
Foreign currency translation	**(1,861)**	**–**	**–**	**(1,861)**	2,112	2	59	2,173
Charged to other comprehensive income	**2,739**	**–**	**(1,241)**	**1,498**	(5,165)	–	–	(5,165)
Acquisition of subsidiaries	**46,564**	**–**	**–**	**46,564**	119,118	–	–	119,118
Discontinued operations	**(1,918)**	**–**	**–**	**(1,918)**	2,586	–	–	2,586
(Credited)/charged to profit and loss	**65,351**	**(4,904)**	**62,242**	**122,689**	64,281	(7,850)	92,617	149,048
Balance at December 31	**612,941**	**3,377**	**356,581**	**972,899**	502,066	8,281	295,580	805,927

34. INCOME TAX EXPENSES (continued)

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. Unrecognized deferred tax asset arising mainly from tax losses carry forward were equal to 570,458 million tenge as at December 31, 2019 (December 31, 2018: 556,289 million tenge).

Tax losses carryforwards as at December 31, 2019 in the Republic of Kazakhstan expire for tax purposes 10 (ten) years from the date they are incurred.

35. CONSOLIDATION

Subsidiaries included in the consolidated financial statements are presented as follows:

		Ownership percentage	
		2019	2018
1	National Company “KazMunayGas” JSC (“NC KMG”) and subsidiaries	**90.42%**	90.42%
2	KMG Kashagan B.V.	**100.00%**	100.00%
3	National Company “Kazakhstan Temir Zholy” JSC (“NC KTZh”) and subsidiaries	**100.00%**	100.00%
4	National Atomic Company “Kazatomprom” JSC (“NAC KAP”) and subsidiaries	**81.28%**	85.00%
5	Samruk-Energy JSC (“Samruk-Energy”) and subsidiaries	**100.00%**	100.00%
6	Kazakhstan Electricity Grid Operating Company JSC (“KEGOC”) and subsidiaries	**90.00%+1**	90.00%+1
7	Kazpost JSC and subsidiaries	**100.00%**	100.00%
8	Kazakhtelecom JSC (“KTC”) and subsidiaries	**52.03%**	52.03%
9	Air Astana JSC (“Air Astana”)	**51.00%**	51.00%
10	Samruk-Kazyna Construction JSC and subsidiaries	**100.00%**	100.00%
11	National Mining Company “Tau-Ken Samruk” and subsidiaries	**100.00%**	100.00%
12	United Chemical Company LLP (“UCC”) and subsidiaries	**100.00%**	100.00%
13	Samruk-Kazyna Invest LLP and subsidiaries	**100.00%**	100.00%
14	Samruk-Kazyna Contract LLP	**100.00%**	100.00%
15	KOREM JSC	**100.00%**	100.00%
16	SK Business Service LLP and subsidiaries	**100.00%**	100.00%
17	Qazaq Air JSC and subsidiaries	**100.00%**	100.00%
18	Kazakhstan nuclear electric plants JSC	**100.00%**	100.00%
19	Stantsiya Ekibastuzskaya GRES-2 JSC (“EGRES-2”)	**100.00%**	0.00%
20	International Airport Atyrau JSC	**0.00%**	100.00%
21	International Airport Aktobe JSC	**0.00%**	100.00%
22	Airport Pavlodar JSC	**0.00%**	100.00%
23	MAEK-Kazatomprom LLP	**0.00%**	100.00%

36. RELATED PARTY DISCLOSURES

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 parties include key management personnel of the Group, enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Group’s key management personnel and other entities controlled by the Government. 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.

36. RELATED PARTY DISCLOSURES (continued)

The following table provides the total amount of transactions, which have been entered into with related parties as at December 31:

In millions of tenge		Associates	Joint ventures	Other state-controlled entities
Due from related parties	**2019**	**4,225**	**40,165**	**25,921**
	2018	20,592	36,243	22,794
Due to related parties	**2019**	**34,212**	**186,746**	**14,946**
	2018	40,171	133,759	11,822
Sale of goods and services	**2019**	**115,182**	**370,651**	**506,918**
	2018	63,550	324,313	319,208
Purchase of goods and services	**2019**	**194,076**	**1,547,959**	**20,833**
	2018	171,577	1,515,461	17,162
Other (loss)/income	**2019**	**(2,531)**	**(1,748)**	**2,342**
	2018	16,343	47,590	(50,629)
Cash and cash equivalents, and amounts due from credit institutions (assets)	**2019**	**–**	**248**	**308,250**
	2018	–	–	178,664
Loans issued	**2019**	**66,394**	**365,017**	**5,184**
	2018	139,749	400,254	5,203
Borrowings	**2019**	**17,460**	**5**	**1,114,707**
	2018	1,521	5	1,276,181
Other assets	**2019**	**13,171**	**116,244**	**120,270**
	2018	46,305	77,489	113,246
Other liabilities	**2019**	**15,132**	**61,270**	**31,483**
	2018	14,990	45,231	65,463
Interest accrued due from related parties	**2019**	**11,049**	**43,425**	**10,901**
	2018	10,428	27,264	19,919
Interest accrued due to related parties	**2019**	**1,676**	**11,362**	**88,097**
	2018	(1,280)	3,258	106,181

As at December 31, 2019 some of the Group's borrowings of 51,062 million tenge were guaranteed by the Government of the Republic of Kazakhstan (December 31, 2018: 65,423 million tenge).

Total compensation to key management personnel included in general and administrative expenses in the consolidated statement of comprehensive income was equal to 8,870 million tenge for the year ended December 31, 2019 (December 31, 2018: 6,145 million tenge). Compensation to key management personnel mainly consists of contractual salary and other payments based on achievement of operating results.

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist of borrowings, loans from the Government of the Republic of Kazakhstan, finance lease liabilities as at December 31, 2018 and lease liabilities as at December 31, 2019, amounts due to the customers, derivatives, cash and cash equivalents, loans issued, amounts due from credit institutions, other financials assets, as well as accounts receivable and accounts payable. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk. The Group also monitors the liquidity risk arising from all financial instruments.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash, investments and borrowings are denominated.

The Group's exposure to interest risk relates primarily to the Group's long-term and short-term borrowings with variable interest rates *(Note 19)*.

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity of the Group's profit before income tax (through the impact on variable rate borrowings) to a reasonably possible change in variable LIBOR interest rates, with all other variables held constant.

In millions of tenge	Increase/ (decrease) in basis points*	Effect on profit before income tax
2019		
US dollar	**35/(35)**	**(2,859)/2,859**
2018		
US dollar	50/(15)	(7,238)/2,171

* *1 basis point = 0.01%.*

Currency risk

As a result of significant borrowings, finance lease liabilities in 2018 and lease liabilities in 2019, and trade accounts payable, cash and cash equivalents, amounts due from credit institutions and accounts receivable denominated in the US dollars, the Group's consolidated financial position can be affected significantly by movement in the US dollar / tenge exchange rates.

The following table demonstrates the sensitivity of the Group's profit before income tax to a reasonably possible change in the US dollar and euro, with all the variables held constant.

In millions of tenge	Increase/(decrease) in exchange rate	Effect on profit before income tax
2019		
US dollar	**12.00%/(9.00%)**	**(368,433)/276,518**
Euro	**12.00%/(9.00%)**	**(9,692)/7,196**
2018		
US dollar	14.00%/(10.00%)	(389,284)/278,060
Euro	14.00%/(10.00%)	(12,288)/8,742

Credit risk

Credit risk arising from the inability of a party to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group to that party. It is the Group's policy to enter into financial instruments with a diversity of creditworthy parties. The maximum exposure to credit risk is represented by carrying amount of each financial asset.

The Group considers that its maximum exposure is reflected by the amount of loans issued *(Note 11)*, amount due from credit institutions *(Note 12)*, trade accounts receivable and other current assets *(Note 16)*, other financial assets *(Note 13)*, and cash and cash equivalents *(Note 17)*, net of allowances for expected credit losses recognized at the reporting date.

Concentrations of credit risk may arise from exposures to a single debtor or to groups of debtors having similar characteristics such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

The Group has a policy that ensures enforcement of constant control procedures for sales to only be made to buyers with an appropriate credit history and that an acceptable credit exposure limit is not exceeded. Credit risk is minimised by the fact that the Group operates on a prepayment basis with the majority of its buyers.

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at price close to its fair value.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

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

In millions of tenge	On demand	Due later than 1 month but not later than 3 months	Due later than 3 months but not later than 1 year	Due later than 1 year but not later than 5 years	Due after 5 years	Total
At December 31, 2019						
Loans from the Government of the Republic of Kazakhstan	**331**	**377**	**23,166**	**136,666**	**2,118,816**	**2,279,356**
Borrowings	**172,546**	**187,028**	**671,439**	**3,466,395**	**7,033,406**	**11,530,814**
Lease liabilities	**5,230**	**20,200**	**69,599**	**257,676**	**110,251**	**462,956**
Due to customers	**34,762**	**–**	**7**	**86**	**–**	**34,855**
Financial guarantees	**22,839**	**23,980**	**76,603**	**414,912**	**110,477**	**648,811**
Trade and other payables	**432,641**	**496,024**	**112,264**	**11,135**	**–**	**1,052,064**
	668,349	**727,609**	**953,078**	**4,286,870**	**9,372,950**	**16,008,856**
At December 31, 2018						
Loans from the Government of the Republic of Kazakhstan	13	24	24,295	171,370	2,298,494	2,494,196
Borrowings	177,910	133,163	826,506	3,281,022	6,867,754	11,286,355
Finance lease liabilities	1,338	7,926	23,826	114,923	95,864	243,877
Due to customers	27,682	–	5	79	–	27,766
Financial guarantees	27,032	21,193	40,676	414,018	311,325	814,244
Trade and other payables	463,087	482,877	48,825	13,764	956	1,009,509
	697,062	645,183	964,133	3,995,176	9,574,393	15,875,947

Capital management

The Group manages its capital primarily through capital management of its subsidiaries while conducting its oversight function. Major objective of the capital management is to ensure that subsidiaries of the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group manages capital of its subsidiaries by setting various performance indicators tailored to the business need and industry specific matters of each subsidiary.

The Group manages capital of its subsidiaries by setting various performance indicators tailored to the business need and industry specific matters of each subsidiary. Key performance indicators (“KPI”) used by the Group to manage capital of its subsidiaries are ratios of: Debt to Earnings before Interest, Taxes, Depreciation and Amortization, and Interest (“D/EBITDA”) from continuing and discontinued operations; and Debt to Equity (“D/E”). Debt is considered to be equal to all borrowings, debt securities, guarantee and finance lease liabilities of relevant subsidiaries reduced by value of cash and cash equivalents. Equity is considered to be equal to the entire equity of the subsidiary attributable to majority shareholders.

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

Allowed maximum for the indicator is approved for each subsidiary based on the needs and specifics of its business and varies within following ranges (consolidated KPI's for the Group have been presented for reference purposes as the Group does not monitor KPI's on the consolidated level):

KPI	2019	2018
D/EBITDA	**2.51**	3.00
D/E	**0.57**	0.61

In billions of tenge	2019	2018
Borrowings *(Note 19)*	**6,841**	6,853
Loans from the Government of the Republic of Kazakhstan *(Note 20)*	**628**	653
Lease liabilities *(Note 22)*	**424**	156
Derivative instruments	**2**	3
Guaranteed principal amount of liabilities of entities outside the Group	**321**	182
Total debt	**8,216**	7,847
Less: cash and cash equivalents	**(1,994)**	(2,488)
Net debt	**6,222**	5,359
EBITDA	**3,279**	2,619
Total equity	**14,337**	12,953

Fair values of financial instruments and investment proprety

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at December 31, 2019 and 2018 the carrying amount of the following Group's financial instruments is a reasonable estimate of their fair value:

In millions of tenge	Level 1	Level 2	Level 3	December 31, 2019
Financial instruments category				
Assets				
Loans issued at fair value through profit and loss	**–**	**–**	**214,396**	**214,396**
Financial assets measured at fair value through OCI	**42,577**	**10,344**	**63**	**52,984**
Financial assets at fair value through profit and loss	**3,900**	**17,125**	**25,084**	**46,109**
Derivative financial assets	**–**	**952**	**543**	**1,495**

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values of financial instruments and investment proprety (continued)

In millions of tenge	Level 1	Level 2	Level 3	December 31, 2018
Financial instruments category				
Assets				
Loans issued at fair value through profit and loss	–	263,427	23,619	287,046
Financial assets measured at fair value through OCI	3,626	10,851	55	14,532
Financial assets at fair value through profit and loss	–	24,165	23,391	47,556
Derivative financial assets	–	3,129	1,721	4,850

	December 31, 2019				
			Fair value by level of assessment		
In millions of tenge	**Carrying amount**	**Fair value**	**Quotations in an active market (Level 1)**	**From the observed market (Level 2)**	**Based on the significant amount of unobserved (Level 3)**
Financial assets					
Loans issued at amortized cost and finance lease receivables	**306,433**	**314,192**	**–**	**26,674**	**287,518**
Amounts due from credit institutions	**763,766**	**776,646**	**474,248**	**302,381**	**17**
Investment property	**24,888**	**32,774**	**–**	**9,541**	**23,233**
Financial liabilities					
Borrowings	**6,841,393**	**7,324,768**	**4,943,524**	**1,948,352**	**432,892**
Loans from the Government of the Republic of Kazakhstan	**627,560**	**548,717**	**–**	**548,717**	**–**
Guarantee obligations	**48,957**	**46,414**	**–**	**25,992**	**20,422**

	December 31, 2018				
			Fair value by level of assessment		
In millions of tenge	Carrying amount	Fair value	Quotations in an active market (Level 1)	From the observed market (Level 2)	Based on the significant amount of unobserved (Level 3)
Financial assets					
Loans issued at amortized cost and finance lease receivables	345,886	347,061	–	259,399	87,662
Amounts due from credit institutions	799,972	791,792	496,248	295,033	511
Investment property	42,388	54,981	–	32,360	22,621
Financial liabilities					
Borrowings	6,852,775	6,878,032	4,302,628	2,268,890	306,514
Loans from the Government of the Republic of Kazakhstan	653,406	533,935	–	533,935	–
Guarantee obligations	47,119	41,529	–	40,059	1,470

The fair value of the above financial instruments has been calculated by discounting the expected future cash flows at prevailing interest rates.

38. COMMITMENTS AND CONTINGENCIES

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 the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Commodity price risk

The Group generates most of its revenue from the sale of commodities, primarily crude oil and oil products. Historically, the prices of these products have been volatile and have fluctuated widely in response to changes in supply and demand, market uncertainty, the performance of the global or regional economies and cyclicality in industries.

Prices may also be affected by government actions, including the imposition of tariffs and import duties, speculative trades, an increase in capacity or an oversupply of the Group's products in its main markets. These external factors and the volatility of the commodity markets make it difficult to estimate future prices.

A substantial or extended decline in commodity prices would materially and adversely affect the Group's business and the consolidated financial results and cash flows of operations. The Group does not hedge significantly its exposure to the risk of fluctuations in the price of its products.

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 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 new law on transfer pricing came into effect in Kazakhstan from January 1, 2009. The new law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance, which is still under development. 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 at December 31, 2019.

As at December 31, 2019 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.

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 unusual, 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. Due to 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 at December 31, 2019.

As at December 31, 2019, 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.

"Embamunaigas" JSC environmental audit (Embamunaigas)

Since 2018 Embamunaigas, the Group subsidiary, has been subject to three ecological audits for the periods from November 2017 to December 2018. During 2018 Embamunaigas accrued 34,213 million tenge and paid-off in total 8,143 million tenge. As a result, the provision as of December 31, 2018 amounted to 26,070 million tenge in the consolidated financial statements for 2018.

38. COMMITMENTS AND CONTINGENCIES (continued)

Taxation (continued)

"Embamunaigas" JSC environmental audit (Embamunaigas) (continued)

During 2019 to avoid late payment penalties, Embamunaigas paid-off 6,472 million tenge. In the meantime, in 2019, the court ruled to decrease the amount of fines, and accordingly Embamunaigas reversed 25,433 million tenge, net, and filed tax return to offset earlier recognized provision of 10,420 million tenge as prepayment for other taxes. As a result the provision amounted to 4,585 million tenge as at December 31, 2019.

Legal proceedings

KMG Drilling & Services LLP ("KMG D&S") litigations with Consortium of companies Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP

KMG DS, the subsidiary of the Group, was involved in arbitration proceedings with the Consortium of Ersai Caspian Contractor LLP and Caspian Offshore & Marine Construction Kazakhstan LLP (further – "Consortium" or "Plaintiff") on the issues arising from the contract for the purchase of integrated works on construction of a jack-up floating drilling rig dated 5 July 2012. The initial claim amounted to 192 million US dollars (equivalent to 73,501 million tenge) and was under arbitration of the London Court of International Arbitration (LCIA). The claim components were as follows:

- Compensation related to the increase in the cost of the contract (deficiencies in the project documentation and changes in the design solution) of 140,118 thousand US dollars (equivalent to 53,833 million tenge);
- A penalty of 1,383 thousand US dollars (equivalent to 531 million tenge);
- The amount of claims for currency adjustment of 50,613 thousand US dollars (equivalent to 19,446 million tenge).

The Plaintiffs indicated a possible change in this amount at the date of payment of the claim.

On April 11, 2018, after negotiations the Consortium reduced the initial claim amount and reduced it to 140 million dollars (equivalent to 54.3 billion tenge). There was uncertainty regarding the result of the resolution, as such, as at December 31, 2018 the Group did not recognize any provision on this case.

On November 8, 2019, the Group sent a notification to LCIA to suspend the proceedings as parties decided to resolve the dispute by peaceful means.

As of December 31, 2019 in accordance with the legal advice and existing international practices, the Group accrued a provision of 90,000 thousand US dollars (equivalent to 34,132 million tenge at the exchange rate as at December 31, 2019) in the general and administrative expenses in the statement of comprehensive income *(Note 28)*. As of the date of the issue of the consolidated financial statements the negotiations were under way with the Consortium.

Civil litigation (KMG I)

According to a Decree issued April 22, 2016, Prosecutor's Office of Romania with the General Headquarters of the Department for Fight Against Organized Crime and Terrorism (DIICOT) investigated the case against 26 suspects under charges of organized crime (14 of them were employees of KMG I).

On July 22, 2016 the Company and KMG I submitted to the Romanian authorities the Notice of Investment Dispute based on the Agreement between the Government of Romania and the Government of the Republic of Kazakhstan, the Agreement between the Government of the Kingdom of the Netherlands and the Government of Romania and the Energy Charter Treaty. Based on the results of the negotiations, in February 2013, a Memorandum of Understanding was signed between the Government of Romania and KMG I.

On December 5, 2019 Prosecutor's Office of Romania issued another Ordinance according to which the criminal charges were dismissed because the statute of limitations was expired. The same decree lifted all seizures on Rompetrol Rafinare S.A. assets imposed in 2016, with the exception of a number of production facilities at Petromidia Refinery to provide for potential claims of 106.5 million US dollars.

On December 27, 2019 KMG I challenged the Ordinance and requires the case to be dismissed on merits, but statute of limitations expired.

38. COMMITMENTS AND CONTINGENCIES (continued)

Legal proceedings (continued)

Civil litigation (KMG I) (continued)

A complaint was filed by 3 plaintiffs on the decision of the Romanian Prosecutor's Office: 1) The Romanian Privatization Agency regarding the improper fulfillment by KMG I of the post-privatization requirements for the obligations of Petromidia Refinery and Vega Refinery in 2013-2014 in the amount of 30 million US dollars; 2) Faber Invest & Trade Inc. the non-controlling shareholder of KMG I subsidiaries, in challenging a number of decisions of KMG I as a shareholder of Rompetrol Rafinare S.A. at that time, in the amount of 55 million US dollars in criminal and civil caes; 3) Mr. Stephenson George Philip, the former director of KMG I, in criminal and civil matters. As of the date of these consolidated financial statements, the Group did not receive any communication from the court.

The proceedings initiated against Mr. Stati and his related parties related to the arrest of shares KMG Kashagan B.V. belonging to the Fund

On September 14, 2017 the pre-judgement attachment in respect of the Fund's rights on management of 50% KMG Kashagan B.V. shares was imposed with regard to the decision of the Amsterdam Court (the "Pre-judgement Attachment").

The named Pre-judgement Attachment was imposed as part of the claim for recognition and enforcement of the arbitral award on the matter of Anatolie Stati, Gabriel Stati, Ascom Group SA and Terra Raf Trans Trading Ltd. against the Republic of Kazakhstan issued in 2013 by the Arbitration Tribunal at the Arbitration Institute of the Stockholm Chamber of Commerce.

In interim proceedings initiated by the Fund on lifting the Pre-judgement Attachment, the Appeal Court in Amsterdam on January 5, 2018 by way of a preliminary judgment ruled that the aforesaid attachment remains effective. This decision of the Appeal Court in Amsterdam does not create any additional restriction the Fund rights in respect of the KMG Kashagan B.V. shares.

On May 7, 2019, the Appeal Court in Amsterdam upheld the decision of the trial court to maintain the Pre-judgement Attachment imposed on the shares of KMG Kashagan B.V., owned by the Fund, worth 5.2 billion US dollars. The restriction is imposed according to the requirements of A. Stati and his related parties on the enforcement of the decision of the Stockholm Arbitration Tribunal issued against Kazakhstan in 2013.

Currently, the Fund makes all necessary arrangements to protect its interest in accordance with the established procedure and will continue to defend its rights

Disputes regarding the calculation of the proportion of profit oil sharing with the Republic (KMG Karachaganak LLP)

According to the Karachaganak Final Production Sharing Agreement (FPSA), the Karachaganak project profit oil sharing is regulated by the Fairness Index. In the second quarter of 2014, the economics of the Karachaganak project reached a level where the trigger on the Fairness Index "worked" and the proportion in the profit oil sharing changed in favour of the Republic of Kazakhstan.

In addition, from August 20, 2014 to the present, the Ministry of Energy of the Republic of Kazakhstan (MinEnergy) quarterly notifies the Contracting Companies, participants of FPSA, (Contracting Companies) of disagreement regarding the presented calculation of the proportion of the profit oil sharing.

On September 29, 2017 the competent authority represented by PSA LLP, filed a request for arbitration in the name of the Contracting Companies (with the exception of KMG Karachaganak LLP) on the improper calculation of the Fairness Index. KMG Karachaganak LLP (KMG Karachaganak) was not involved in the arbitration process due to a conflict of interest.

In September 2019 in Arbitrage (Paris) the hearings took place, and the final decision is expected in 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. COMMITMENTS AND CONTINGENCIES (continued)

Disputes regarding the calculation of the proportion of profit oil sharing with the Republic (KMG Karachaganak LLP) (continued)

Currently, the Republic of Kazakhstan and the Contracting Companies are negotiating the conclusion of a legally binding Settlement Agreement.

KMG Karachaganak, together with KMG and the competent authority represented by PSA LLP, prepared comments on the draft AOP between the Contracting Companies and the Republic of Kazakhstan, relating to exclusion of KMG Karachaganak from participating in the payment of compensation. In the opinion of the Group's Management, it is highly probable that KMG Karachaganak will be excluded from participation in the payment of compensation. Accordingly, no provisions have been made under the terms of the AOP in these consolidated financial statements.

Cost recovery audits

In accordance with the production sharing agreements not all costs incurred by the contractors can be reimbursed, certain expenditures need to be approved by the authorized bodies. The authorized bodies conduct cost recovery audits. In accordance with the costs recovery audits completed prior to December 31, 2019 certain costs incurred by contractors were assessed as non-recoverable. The parties to the production sharing agreements are in negotiations with respect to the recoverability of those costs.

As of December 31, 2019 the Group's share in the total disputed amounts of costs is 782,206 million tenge (2018: 765,188 million tenge). The Group and its partners under the production sharing agreements are in negotiation with the Government with respect to the recoverability of these costs.

Kazakhstan local market obligation

The Government requires oil companies in the Republic of Kazakhstan to supply a portion of the products to meet the Kazakhstan domestic energy requirement on an annual basis, mainly to maintain oil products supply balance on the local market and to support agricultural producers during the spring and autumn sowing and harvest campaigns.

Kazakhstan local market oil prices are significantly lower than export prices and even lower than the normal domestic market prices determined in an arm-length transaction. If the Government does require additional crude oil to be delivered over and above the quantities currently supplied by the Group, such supplies will take precedence over market sales and will generate substantially less revenue than crude oil sold on the export market, which may materially and adversely affect the Group's business, prospects, consolidated financial position and results of operations.

In 2019, in accordance with its obligations, the Group delivered 6,223,752 tons of crude oil (2018: 6,224,344 tons), including joint ventures, to the Kazakhstan market.

Oil supply commitments

As of December 31, 2019 the Group had commitments under the oil supply agreements in the total amount of 19.2 million ton (as at December 31, 2018: 30.1 million ton).

Commitments under oilfield and mining field licenses and subsurface use contracts

As at December 31, 2019 the Group had following commitments on fulfillment of minimal work programs with respect to the requirements of their oilfield and mining licenses and related subsurface use contracts with the Government (in millions of tenge):

Year	Capital expenditures	Operational expenditures
2020	**332,574**	170,959
2021	**133,546**	126,562
2022	**153,475**	124,653
2023	**179,538**	84,992
2024-2058	**3,938,084**	1,503,723
Total	**4,737,217**	2,010,889

38. COMMITMENTS AND CONTINGENCIES (continued)

Capital commitments

As at December 31, 2019 the Group, including its joint ventures and associates, had capital commitments of approximately 2,979,596 million tenge related to acquisition and construction of property, plant and equipment (as at December 31, 2018: 3,741,748 million tenge).

Commitments on use of anti-crisis funds

As at December 31, 2019 Fund’s commitments included commitments to finance the program “Affordable housing − 2020” in the amount of 4,284 million tenge and commitments to finance investment projects of 80,637 million tenge, including the following:

- Financing the implementation of the investment project “Construction of an integrated gas and chemical complex in Atyrau region. The first phase” in the amount of not greater than 80,436 million tenge.
- Financing of the project “Creation of a special economic zone “Taraz Chemical Park” in the amount of 201 million tenge.

39. SEGMENT REPORTING

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group for 2019:

In millions of tenge	Oil and gas	Mining	Trans-portation	Com-munication	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	7,244,405	989,086	1,456,010	466,885	432,271	7,410	30,232	22,614	–	10,648,913
Revenues from sales to other segments	57,701	13,973	4,835	4,521	74,971	2,940	242,417	9,509	(410,867)	–
Total revenue	**7,302,106**	**1,003,059**	**1,460,845**	**471,406**	**507,242**	**10,350**	**272,649**	**32,123**	**(410,867)**	**10,648,913**
Gross profit	1,958,700	199,798	288,256	141,136	130,418	1,398	197,184	13,317	(215,190)	2,715,017
General and administrative expenses	(217,636)	(38,709)	(119,271)	(46,992)	(21,773)	(5,435)	(24,204)	(4,663)	8,826	(469,857)
Transportation and selling expenses	(744,437)	(11,552)	(10,898)	(13,008)	(8,382)	(771)	–	–	9,241	(779,807)
Finance income	244,423	6,609	7,608	6,554	6,557	621	45,973	8,537	(45,933)	280,949
Finance costs	(360,752)	(14,780)	(195,397)	(43,656)	(41,344)	(5,858)	(33,611)	(10,163)	66,198	(639,363)
Share in profits of joint ventures and associates	814,865	85,010	8,013	5,831	11,966	(104)	(10,825)	1	–	914,757
Foreign exchange gain/(loss), net	(6,262)	(127)	(15,671)	(1,256)	1,115	769	5,425	246	(1,053)	(16,814)
Depreciation, depletion and amortization	(506,491)	(64,854)	(160,386)	(98,583)	(69,973)	(3,773)	(2,052)	(1,063)	3,139	(904,036)
Impairment of property, plant and equipment and intangible assets	(253,523)	(14,455)	(2,681)	(1,844)	88	(25,278)	–	–	–	(297,693)
Impairment of other assets	(29,866)	(464)	(18,485)	(1,035)	1,290	(2,013)	(7,042)	(1,254)	869	(58,000)
Income tax expenses	(283,726)	(34,175)	(29,020)	(9,994)	(18,224)	(89)	(3,074)	(2,332)	(1,748)	(382,382)
Net profit/(loss) for the year from continuing operations	1,171,447	251,522	(91,655)	60,203	64,076	(39,236)	170,669	6,746	(178,166)	1,415,606
Net loss for the year from discontinued operations	–	–	–	–	–	–	–	–	–	–
Total net profit/(loss) for the period	**1,171,447**	**251,522**	**(91,655)**	**60,203**	**64,076**	**(39,236)**	**170,669**	**6,746**	**(178,166)**	**1,415,606**
Other segment information										
Total assets of the segment	16,332,443	2,304,494	3,757,170	1,188,517	1,495,213	574,620	7,579,393	300,603	(7,127,357)	26,405,096
Total liabilities of the segment	6,587,029	460,432	2,562,000	687,057	719,878	379,654	1,563,722	180,027	(1,072,179)	12,067,620
Allowances for expected credit losses for doubtful accounts	1,963	749	13,236	2,282	55	12	(839)	245	(228)	17,475
Investments in joint ventures and associates	3,532,589	582,600	33,553	–	70,559	6,428	49,473	10	(32,341)	4,242,871
Capital expenditures	552,017	64,000	309,134	75,417	54,828	108,255	1,131	3,530	(6,921)	1,161,391

39. SEGMENT REPORTING (continued)

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group for 2018:

In millions of tenge	Oil and gas	Mining	Trans-portation	Com-munication	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	7,353,474	749,778	1,323,061	257,899	376,740	5,093	33,400	16,982	–	10,116,427
Revenues from sales to other segments	77,754	9,044	14,112	5,027	59,839	5,457	336,148	8,183	(515,564)	–
Total revenue	7,431,228	758,822	1,337,173	262,926	436,579	10,550	369,548	25,165	(515,564)	10,116,427
Gross profit	1,818,250	141,313	242,169	72,591	156,808	1,602	247,691	11,569	(342,924)	2,349,069
General and administrative expenses	(245,458)	(39,508)	(118,155)	(30,980)	(29,800)	(5,285)	(25,499)	(3,407)	9,459	(488,633)
Transportation and selling expenses	(696,895)	(11,598)	(9,157)	(4,689)	(14,631)	(437)	–	(7)	15,832	(721,582)
Finance income	161,400	6,365	7,069	5,039	7,297	1,031	131,439	2,547	(115,667)	206,520
Finance costs	(467,078)	(14,078)	(115,922)	(7,857)	(36,326)	(4,007)	(30,008)	(1,649)	43,770	(633,155)
Share in profits of joint ventures and associates, net	663,293	75,150	3,481	7,744	10,175	(51)	(4,902)	11	–	754,901
Foreign exchange gain/(loss), net	(37,274)	9,152	(118,109)	12,337	(14,641)	(18,624)	290,206	(1,479)	2,320	123,888
Depreciation, depletion and amortization	(466,936)	(42,484)	(130,528)	(42,123)	(65,536)	(4,916)	(345)	(634)	3,718	(749,784)
Impairment of property, plant and equipment and intangible assets	(163,985)	1,120	(451)	(1,110)	(2,144)	(153)	–	–	–	(166,723)
Impairment of other assets	(9,034)	830	(16,990)	(3,373)	(4,570)	(58)	(4,338)	(3,576)	10,426	(30,683)
Income tax expenses	(318,623)	(29,547)	(1,977)	(11,383)	(20,927)	(11,583)	(5,722)	(2,574)	(1,480)	(403,816)
Net profit/(loss) for the year from continuing operations	857,955	485,419	(19,006)	43,039	65,611	(41,281)	282,916	5,920	(383,463)	1,297,110
Net loss for the year from discontinued operations	–	–	–	–	–	(3,542)	–	–	–	(3,542)
Total net profit for the period	857,955	485,419	(19,006)	43,039	65,611	(44,823)	282,916	5,920	(383,463)	1,293,568
Other segment information										
Total assets of the segment	16,464,564	2,176,219	3,437,049	873,891	1,456,134	462,137	7,467,849	305,170	(6,898,088)	25,744,925
Total liabilities of the segment	7,786,204	486,308	2,258,520	417,045	731,287	261,837	1,622,831	206,319	(978,701)	12,791,650
Allowances for expected credit losses for doubtful accounts	(609)	1,795	8,261	910	1,457	28	1,815	4	(1,254)	12,407
Investments in joint ventures and associates	2,841,824	631,012	32,359	76,071	89,309	1,279	61,869	69	(32,341)	3,701,451
Capital expenditures	664,188	82,217	220,714	56,791	75,302	47,167	19,439	3,115	(6,532)	1,162,401

40. SUBSEQUENT EVENTS

Disposal of subsidiaries

In January 2020, the Group completed the sale to a third party of 26% – 1 share of the subsidiary Transtelecom JSC. As a result, the Group lost control over the subsidiary and recognised residual interest of 25% as investment in associate.

In March 2020, the Group, represented by the subsidiary KTZ Express JSC, in accordance with the order of the ultimate Shareholder, transferred 100% of the shares of a subsidiary JSC MC SEZ Khorgos – Eastern Gates to the Almaty region municipalities free of charge.

Disposal of share in joint venture

As at March 17, 2020 the sale of 50% interest minus 1 (one) share in TsOU to its partner in this joint venture – TVEL was finalized. The proceeds from sale amounted 6,253 million Russian rubles (equivalent to 38,518 million tenge at exchange rate fixed as at December 31, 2019).

COVID-19 pandemic and impact of lower commodity prices and Tenge exchange rate

Due to the recent rapid development of the coronavirus pandemic (COVID-19), many countries, including the Republic of Kazakhstan, introduced quarantine measures, which have had a significant impact on the level and scale of business activity of market participants. It is expected that both the pandemic itself and measures to minimize its consequences can affect the activities of companies from various industries. The Group regards this pandemic as a non-adjusting subsequent event, the financial effect of which cannot be estimated at the moment with a sufficient degree of confidence.

Since March 2020, there has also been significant volatility in the stock, currency and commodity markets, including a drop in oil prices and a depreciation of tenge against the US dollar and the euro. The scale and duration of these developments remain uncertain but will impact the Group's earnings, cash flow and financial condition. Currently the expected impact is not possible to quantify with a sufficient degree of confidence.

The Fund will continue to monitor the likely impact of lower revenues from sales of oil, gas, rail passenger and rail freight volumes as well as the grounding of the Air Astana fleet of aircraft on potential impairment and loan covenants and liquidity of the Group.