KazTransOil JSC

Consolidated financial statements

For the year ended 31 December 2020
with the independent auditor's report

EY

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CONTENTS

Independent auditor's report

To the Shareholders and Board of Directors of KazTransOil JSC

Opinion

We have audited the consolidated financial statements of KazTransOil JSC and its subsidiaries (hereinafter, the Group), which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.
We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	*How our audit addressed the key audit matter*
Fair value of property, plant and equipment	
Property, plant and equipment makes up a significant portion of the Group' assets as at 31 December 2020. In accordance with the accounting policy of the Group, property, plant and equipment is measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. At each reporting date management of the Group assesses how significantly the fair value of its property, plant and equipment differs from the carrying value. For the assessment of the possible changes in fair value of specialized assets, except property, plant and equipment of Major Waterlines, management of the Group determines the present value of expected future cash flows from the use of property, plant and equipment. For the assessment of the possible changes in fair value of specialized assets of Major Waterlines management of the Group determines the replacement cost of the assets. For the assessment of the possible changes in fair value of non-specialized assets management of the Group determines the market prices for similar assets. We believe that this matter was the most significant in our audit due to the significance of the carrying value of the property, plant and equipment and the high level of subjectivity in respect of assumptions underlying the assessment of the fair value of property, plant and equipment. Information about the assessment of the changes in fair value of property, plant and equipment is disclosed in Note 5 to the consolidated financial statements.	We obtained from the management of the Group its assessment of the possible changes in fair value of property, plant and equipment. In the analysis of the present value of expected future cash flows from the use of property, plant and equipment, we compared input data used by management with the Group's most recent business plans. We assessed underlying assumptions and compared them with historical data. We compared discount rate and long-term growth rate used in the calculations with available external information. We checked arithmetical accuracy of the calculations of the present value of expected future cash flows. In the analysis of the market prices of similar assets, we compared prices used by management with available market data for similar items. In the analysis of the replacement cost of the assets, we analyzed the assumptions related to price indices used and recalculated the replacement cost using the available data on construction services price indices. We checked mathematical accuracy of the replacement cost and accrued depreciation calculations.

Other information included in the Group's Annual report 2020

Other information consists of the information included in the Group's Annual Report 2020 other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The 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 will 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 committee on internal audit of the board of directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

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

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

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

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

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

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

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

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

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

Ernst & Young LLP

Adil Syzdykov
Auditor

Auditor Qualification Certificate
No. МФ - 0000172 dated 23 December 2013.

050060, Almaty, Kazakhstan
Al-Farabi Ave., 77/7

4 March 2021

Rustamzhan Sattarov
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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of Tenge	**Notes**	**31 December 2020**	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	6	**667,480,058**	734,421,997
Right-of-use assets	7	**2,547,819**	3,902,044
Intangible assets	8	**7,167,364**	7,728,097
Investments in joint ventures	9	**63,422,815**	55,015,339
Advances to suppliers for property, plant and equipment	10	**74,922**	898,475
VAT recoverable	14	**2,047,148**	1,958,523
Other long-term accounts receivable	12	**983,401**	1,128,626
Bank deposits	16	**3,569,402**	2,139,767
Investments in bonds	19	**913,746**	919,511
Other non-current assets		**90,917**	11,866
		748,297,592	808,124,245
Current assets			
Inventories	11	**8,234,956**	6,278,501
Trade and other accounts receivable	12	**4,266,802**	5,858,238
Advances to suppliers	13	**724,318**	1,258,565
Prepayment for income tax		**1,350,911**	1,823,885
VAT recoverable and other prepaid taxes	14	**8,014,017**	7,121,095
Other current assets	15	**8,285,445**	6,859,636
Bank deposits	16	**27,342,909**	45,960,400
Cash and cash equivalents	17	**52,014,612**	28,649,091
		110,233,970	103,809,411
Non-current assets held for sale	18	**630,839**	879,814
		110,864,809	104,689,225
Total assets		**859,162,401**	912,813,470

The accounting policy and explanatory notes on pages 8 through 66 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In thousands of Tenge	Notes	31 December 2020	31 December 2019
Equity and liabilities			
Equity			
Share capital	20	**61,937,567**	61,937,567
Treasury shares repurchased from shareholders	20	**(9,549)**	(9,549)
Asset revaluation reserve	20	**221,632,815**	299,585,499
Foreign currency translation reserve	20	**38,325,342**	37,737,309
Other capital reserves	20	**(5,999,468)**	(1,893,432)
Retained earnings		**336,631,554**	305,621,572
Total equity		**652,518,261**	702,978,966
Non-current liabilities			
Employee benefit obligations	21	**21,559,008**	15,756,306
Deferred tax liabilities	36	**62,221,923**	80,564,703
Provision for asset retirement and land recultivation obligation	27	**33,688,837**	27,780,887
Deferred income	22	**8,693,200**	8,141,994
Lease liabilities	24	**1,415,473**	2,891,445
		127,578,441	135,135,335
Current liabilities			
Current part of employee benefit obligations	21	**693,235**	658,941
Income tax payable		**1,057,326**	1,187,559
Trade and other accounts payable	23	**22,352,736**	15,183,124
Lease liabilities	24	**1,994,823**	1,912,220
Advances received	25	**20,815,865**	18,478,982
Other taxes payable	26	**5,418,739**	5,697,566
Provisions	27	**1,269,350**	306,553
Liability on a contribution to charter capital of a joint venture	9	**-**	5,000,000
Other current liabilities	28	**25,463,625**	26,274,224
		79,065,699	74,699,169
Total liabilities		**206,644,140**	209,834,504
Total equity and liabilities		**859,162,401**	912,813,470
Book value per ordinary share (in Tenge)	20	**1,678**	1,808

Signed and approved for issue on 4 March 2021.

General Director (Chairman of the Management Board) *Dossanov D.G.*

Chief Accountant *Sarmagambetova M.K.*

The accounting policy and explanatory notes on pages 8 through 66 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of Tenge	Notes	For the year ended 31 December 2020	2019
Revenue	29	**235,222,082**	239,625,950
Cost of sales	30	**(163,016,593)**	(159,871,851)
Gross profit		**72,205,489**	79,754,099
General and administrative expenses	31	**(16,614,132)**	(17,878,396)
Other operating income	32	**3,167,990**	1,558,451
Other operating expenses	33	**(3,603,608)**	(3,706,953)
Reversal/(charge) of impairment of property, plant and equipment and intangible assets, net	6, 8	**14,020**	(13,185,067)
Operating profit		**55,169,759**	46,542,134
Net foreign exchange gain, net		**4,910,340**	103,827
Finance income	34	**3,054,504**	2,675,477
Finance costs	35	**(3,775,306)**	(3,884,190)
Share in income of joint ventures	9	**9,730,312**	13,638,401
Profit before income tax		**69,089,609**	59,075,649
Income tax expense	36	**(13,135,711)**	(13,954,211)
Net profit for the year		**55,953,898**	45,121,438
Earnings per share (in Tenge)	20	**145**	117

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

		For the year ended 31 December	
In thousands of Tenge	**Notes**	**2020**	2019
Other comprehensive loss			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods			
Exchange difference from translation of foreign operations of the Group		**588,033**	(1,835,455)
Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**588,033**	(1,835,455)
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods			
Impairment and revaluation of property, plant and equipment of the Group, net	6	**(65,719,882)**	91,146,458
Income tax effect	36	**13,143,976**	(18,231,513)
		(52,575,906)	72,914,945
Charge of provision for asset retirement and land recultivation obligation of the Group	27	**(4,516,118)**	(3,334,156)
Income tax effect	36	**903,224**	666,831
		(3,612,894)	(2,667,325)
Revaluation of property, plant and equipment of joint ventures		**–**	9,005,755
Income tax effect		**–**	(1,801,151)
	9	**–**	7,204,604
Charge of provision for asset retirement and land recultivation obligation of joint ventures		**(1,652,105)**	(662,878)
Income tax effect		**330,421**	132,576
	9	**(1,321,684)**	(530,302)
Actuarial loss from employee benefit obligations of the Group	21	**(4,220,893)**	(1,872,560)
Income tax effect	36	**116,009**	51,467
		(4,104,884)	(1,821,093)
Actuarial loss from employee benefit obligations of joint venture		**(1,440)**	(242)
Income tax effect		**288**	49
	9	**(1,152)**	(193)
Total other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods, net		**(61,616,520)**	75,100,636
Total other comprehensive (loss)/income for the year, net of tax		**(61,028,487)**	73,265,181
Total comprehensive (loss)/income for the year, net of tax		**(5,074,589)**	118,386,619

Signed and approved for issue on 4 March 2021.

General Director (Chairman of the Management Board) _______________ *Dossanov D.G.*

Chief Accountant _______________ *Sarmagambetova M.K.*

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CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended 31 December	
In thousands of Tenge	**Notes**	**2020**	2019
Cash flows from operating activities			
Profit before income tax		**69,089,609**	59,075,649
Non-cash adjustment to reconcile profit before tax to net cash flows			
Depreciation and amortization	30, 31	**54,791,095**	53,890,388
Share in income of joint ventures	9	**(9,730,312)**	(13,638,401)
Net foreign exchange gain		**(4,910,340)**	(103,827)
Finance costs	35	**3,775,306**	3,884,190
Finance income	34	**(3,054,504)**	(2,675,477)
Write-off of VAT recoverable	31, 33	**2,024,266**	964,398
(Reversal)/charge and revision of estimates on provision on asset retirement and land recultivation obligation, net	32, 33	**(1,112,046)**	1,445,338
Employee benefit obligations, current and past services costs	30, 31	**1,023,026**	352,387
Charge of other current provisions, net	30, 31, 33	**1,021,404**	224.398
Charge of expected credit losses, net	31	**289,261**	206,260
Amortisation of deferred income	32	**(267,758)**	(246,812)
Impairment of non-current assets held for sale	33	**232,631**	960,743
Actuarial loss	33	**188,150**	77,964
Charge of provision for obsolete inventories	31	**177,757**	201,231
Loss on disposal of property, plant and equipment and intangible assets, net	33	**118,644**	73,809
Gain on disposal of non-current assets held for sale, net	32	**(63,446)**	(34,624)
(Reversal)/charge of impairment of property, plant and equipment and intangible assets, net	6, 8	**(14,020)**	13,185,067
Income on recognition of inventory	32	**(8,512)**	(74,338)
Others		**(19,982)**	(39,611)
Operating cash flows before working capital changes		**113,550,229**	117,728,732
(Increase)/decrease in operating assets			
Inventories		**(3,352,128)**	(2,270,498)
Trade and other accounts receivable		**1,534,858**	(306,580)
Advances to suppliers		**542,323**	(514,466)
VAT recoverable and other prepaid taxes		**(3,073,474)**	(319,360)
Other current assets		**(1,377,045)**	876,057
Increase/(decrease) in operating liabilities			
Trade and other accounts payable		**1,510,905**	(530,083)
Advances received		**2,320,518**	(2,180,689)
Other taxes payable		**(166,796)**	(609,939)
Other current and non-current liabilities and employee benefit obligations		**(1,782,731)**	(767,696)
Cash generated from operating activities		**109,706,659**	111,105,478
Income taxes paid		**(16,528,263)**	(18,777,492)
Interest received		**2,326,147**	2,035,120
Net cash flows from operating activities		**95,504,543**	94,363,106

The accounting policy and explanatory notes on pages 8 through 66 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In thousands of Tenge	Notes	For the year ended 31 December 2020	2019
Cash flows from investing activities			
Withdrawal of bank deposits		**56,416,891**	58,141,587
Proceeds from disposal of property, plant and equipment and non-current assets held for sale		**218,487**	1,929,361
Proceeds from bonds redemption	19	**227,749**	74,177
Placement of bank deposits		**(37,281,605)**	(78,395,261)
Purchase of property, plant and equipment		**(41,795,781)**	(38,955,906)
Contribution to charter capital of a joint venture	9	**(5,000,000)**	(100,000)
Purchase of intangible assets		**(35,659)**	(30,366)
Net cash flows used in investing activities		**(27,249,918)**	(57,336,408)
Cash flows from financing activities			
Dividends paid	20	**(45,386,116)**	(40,001,322)
Payment of lease liabilities	24	**(2,047,939)**	(1,851,566)
Net cash flows used in financing activities		**(47,434,055)**	(41,852,888)
Net change in cash and cash equivalents		**20,820,570**	(4,826,190)
Net foreign exchange difference		**2,534,462**	207,858
Change in allowance for expected credit losses	17	**10,489**	(11,420)
Cash and cash equivalents at the beginning of the year		**28,649,091**	33,278,843
Cash and cash equivalents at the end of the year	17	**52,014,612**	28,649,091

Signed and approved for issue on 4 March 2021.

General Director (Chairman of the Management Board) *Dossanov D.G.*

Chief Accountant *Sarmagambetova M.K.*

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of Tenge	Share capital	Treasury shares repurchased from shareholders	Asset revaluation reserve	Foreign currency translation reserve	Other capital reserves	Retained earnings	Total
As at 31 December 2019	61,937,567	(9,549)	299,585,499	37,737,309	(1,893,432)	305,621,572	702,978,966
Net profit for the year	–	–	–	–	–	**55,953,898**	**55,953,898**
Other comprehensive loss	–	–	**(57,510,484)**	**588,033**	**(4,106,036)**	–	**(61,028,487)**
Total comprehensive loss for the year	–	–	**(57,510,484)**	**588,033**	**(4,106,036)**	**55,953,898**	**(5,074,589)**
Amortization of revaluation reserve for revalued property, plant and equipment	–	–	**(20,442,200)**	–	–	**20,442,200**	–
Dividends *(Note 20)*	–	–	–	–	–	**(45,386,116)**	**(45,386,116)**
As at 31 December 2020	**61,937,567**	**(9,549)**	**221,632,815**	**38,325,342**	**(5,999,468)**	**336,631,554**	**652,518,261**
As at 31 December 2018	61,937,567	(9,549)	243,588,977	39,572,764	(72,146)	280,398,586	625,416,199
Changes in accounting policy	–	–	–	–	–	(822,530)	(822,530)
As at 1 January 2019 (restated)	61,937,567	(9,549)	243,588,977	39,572,764	(72,146)	279,576,056	624,593,669
Net profit for the year	–	–	–	–	–	45,121,438	45,121,438
Other comprehensive income	–	–	76,921,922	(1,835,455)	(1,821,286)	–	73,265,181
Total comprehensive income for the year	–	–	76,921,922	(1,835,455)	(1,821,286)	45,121,438	118,386,619
Amortization of revaluation reserve for revalued property, plant and equipment	–	–	(20,925,400)	–	–	20,925,400	–
Dividends *(Note 20)*	–	–	–	–	–	(40,001,322)	(40,001,322)
As at 31 December 2019	61,937,567	(9,549)	299,585,499	37,737,309	(1,893,432)	305,621,572	702,978,966

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General Director (Chairman of the Management Board) *Dossanov D.G.*

Chief Accountant *Sarmagambetova M.K.*

The accounting policy and explanatory notes on pages 8 through 66 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

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

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

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

As at 31 December 2020 10% of shares of the Company are owned by minority shareholders who acquired them within the "People's IPO" program. The major shareholder of the Company, who owns the controlling interest of the Company (90%) is National Company "KazMunayGas" JSC (hereinafter "KMG" or "Parent Company"). 90% of KMG shares are owned by Sovereign Wealth Fund "Samruk-Kazyna" JSC (hereinafter − "Samruk-Kazyna"), controlled by the Government of the Republic of Kazakhstan. 10% of KMG shares are owned by the National Bank of the Republic of Kazakhstan.

As at 31 December 2020 and 2019 the Company had ownership interest in the following companies:

	Place of incorporation	Principal activities	Ownership 31 December 2020	 31 December 2019
"MunaiTas" LLP (hereinafter − "MunaiTas")	Kazakhstan	Oil transportation	**51%**	51%
"Kazakhstan-China Pipeline" LLP (hereinafter − "KCP")	Kazakhstan	Oil transportation	**50%**	50%
"Batumi Oil Terminal" (hereinafter − "BOT")*	Georgia	Forwarding, transshipment and storage of oil and oil products and operating of Batumi Sea Port	**100%**	100%
"Petrotrans Limited" (hereinafter − "PTL")	United Arab Emirates	Forwarding of oil and oil products	**100%**	100%
"Main Waterline " LLP (hereinafter − "Main Waterline")	Kazakhstan	Water transportation	**100%**	100%

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

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

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

The Company has production facilities, which are located in Mangystau, Atyrau, Western-Kazakhstan, Aktubinsk, Karaganda, Pavlodar, Turkestan, North − Kazakhstan regions of the Republic of Kazakhstan and in Shymkent, also the Company has branches, which are located in Almaty (Research and Development Centre) and in Nur-Sultan (Oil Transportation Control Centre) and representative offices in Russian Federation (Moscow, Omsk and Samara).

The Company is the national operator of the Republic of Kazakhstan on the main oil pipeline.The Group operates network of main oil pipelines of 5,372 km and water pipelines of 1,945 km. The company provides services on oil transportation via main pipelines, a transport expedition of Kazakhstani oil via pipeline networks of other states, services for the operation and maintenance of oil pipelines of other companies, including joint ventures of the Group. Group's joint ventures MunaiTas and KCP own Kenkiyak-Atyrau, Kenkiyak-Kumkol, and Atasu-Alashankou pipelines mainly used for transportation of Kazakhstani crude oil, and also for transit of Russian oil to China.

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

1. GENERAL (continued)

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

Starting from 1 January 2020, the temporary tariff for pumping oil on the domestic market is 4,109.50 Tenge per ton for 1,000 kilometers without VAT (from 1 January to 31 August 2019 − 4,721.72 Tenge per ton for 1,000 kilometers without VAT; from 1 September to 31 December 2019 − 4,716.62 Tenge per 1 ton for 1,000 kilometers without VAT).

Starting from 1 April 2018 to 29 February 2020 tariff for pumping oil on export from the Republic of Kazakhstan equals to 6,398.92 Tenge per ton for 1,000 kilometers without VAT. Starting from 1 March 2020, the tariff for this service was increased to 7,358.76 Tenge per ton for 1,000 kilometers without VAT.

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

Starting from 1 January 2019 тariff for transportation of Russian oil through the territory of Kazakhstan to the People’s Republic of China on the route border of Russian Federation-border of Republic of Kazakhstan (Priirtyshsk) − Atasu (Republic of Kazakhstan) − Alashankou (People’s Republic of China) is 4.23 US Dollars per ton (in Priirtyshsk − Atasu sector).

In accordance with the CRNM order No. 71-OD dated 27 November 2020, for the period from 2021 to 2025, the approved tariff for pumping oil to the domestic market is 4,355.57 Tenge per ton for 1,000 kilometers without VAT.

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

These consolidated financial statements were approved by Internal Audit Committee of the Company’s Board of Directors and signed by the General Director (Chairman of the Management Board) and the Chief Accountant on 4 March 2021.

2. BASIS OF PREPARATION

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

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

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

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

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. 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.

3. BASIS OF CONSOLIDATION (continued)

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 of the subsidiary.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Interest in a joint venture

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Interest in a joint venture (continued)

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

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

4.2 Foreign currency translation

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

Transactions and balances

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

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Group companies

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Foreign currency translation (continued)

Exchange rates

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

Weighted average currency exchange rates for the year ended 31 December 2020 and 2019 are as follows:

	For the year ended 31 December	
Tenge	**2020**	2019
US Dollars	**413.46**	382.87
Russian Rubles	**5.73**	5.92
Euro	**472.05**	428.61
Georgian Lari	**134.02**	136.8

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

Tenge	**2020**	2019
US Dollars	**420.91**	382.59
Russian Rubles	**5.62**	6.16
Euro	**516.79**	429
Georgian Lari	**128.92**	134.48

4.3 Current versus non-current classification of assets and liabilities

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Non-current assets held for sale and discontinued operations

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

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

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

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

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

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

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

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

4.5 Fair value measurement

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Fair value measurement (continued)

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

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

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

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

4.6 Property, plant and equipment

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Property, plant and equipment (continued)

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

	Years
Buildings and constructions	5-50
Machinery and equipment	3-30
Pipeline systems	15-30
Other transportation assets	5-12
Other	2-10

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

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

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

4.7 Intangible assets

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

The useful lives of intangible assets are assessed as finite.

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

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

4.8 Impairment of non-financial assets

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

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Impairment of non-financial assets (continued)

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

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

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

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

4.9 Financial assets

Initial recognition and measurement

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial assets (continued)

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial assets (continued)

Subsequent measurement (continued)

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

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

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

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

Derecognition

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

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

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

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

4.10 Impairment of financial assets

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

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

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

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).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Impairment of financial assets (continued)

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

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

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

4.11 Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Trade and other accounts payable and lease liabilities

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

Derecognition

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

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

4.12 Offsetting of financial instruments

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

4.13 Inventories

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Inventories (continued)

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

Cost of inventories is determined by using of FIFO basis.

4.14 Cash and cash equivalents

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

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

4.15 Provisions

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

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

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

4.16 Employee benefits

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Employee benefits (continued)

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

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

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

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

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

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

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

4.17 Revenue and other income recognition

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

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

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

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

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

Rendering of transportation services

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

Rendering of pipeline operation and maintenance services

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

Rendering of other services

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

Interest income

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Revenue and other income recognition (continued)

Dividends

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

Fees for undelivered oil volumes

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

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

Variable consideration

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

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

Principal versus agent considerations

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

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

Advances received from customers

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Taxes

Current income tax

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

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

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

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Taxes (continued)

Value added tax (VAT)

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

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

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

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

Receivables and payables are stated including VAT.

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

4.19 Equity

Share capital

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

Treasury shares repurchased from shareholders

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

Dividends

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

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

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

4.20 Changes in accounting policies and disclosures

The applied accounting policy is in line with the accounting policy applied in the previous reporting year, with the exception of the acceptance of the following new IFRS effective from 1 January 2020.

New standards, interpretations and amendments adopted by the Group

Some amendments are applied for the first time in 2020. The nature and the impact of each new standard and amendment are described below:

Amendments to IFRS 3 Definition of a Business

The amendments to IFRS 3 *Business Combinations* clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Changes in accounting policies and disclosures (continued)

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

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 *Financial instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could be reasonably expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The *Conceptual Framework* is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the *Conceptual Framework* is to assist IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the *Conceptual Framework* includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions* − amendment to IFRS 16 *Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

Standards 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

IFRS 17 Issuance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of the type of entities that issue them, as well as to certain guarantees and financial intruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required.

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

Amendments to IAS 1 Clarification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 and 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework − Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations − Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities that would be within the scope IAS 37 or IFRIC 21 *Levies*, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the *Framework for the Preparation and Presentation of Financial Statements*. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use − Amendments to IAS 16

In May 2020, the IASB issued *Property, Plant and Equipment − Proceeds before Intended Use*, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

Onerous Contracts − Cost of Fulfilling a Contract − Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are executed unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards − Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Standards*. The amendments permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments − Fees in the ’10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

IAS 41 Agriculture − Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 *Agriculture*. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions

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

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

During 2019 the Group engaged independent external appraisers to perform valuation of its property, plant and equipment.

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

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

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

The methodology used in valuation of the specialized assets of the Group's companies, except BOT, was initially based on the valuation of the depreciable replacement cost ("cost method"). The fair value of BOT's assets was determined using market approach.

As part of the valuation of the fair value, the appraiser performed a test for adequate profitability using the income approach to determine the amount of economic depreciation of the Group's specialized items of property, plant and equipment. The recoverable amount of the property, plant and equipment of the Group companies, excluding BOT and Main Waterline, was determined by the discounted cash flow model. Cash flow forecasting was based on business plans of the Group's companies approved by the management of the Group. The following main assumptions were applied in the income approach:

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

The 2019 assessment results obtained from the income approach were lower than those measured at the amortized replacement cost and, therefore, were taken as the fair value of the Group's corresponding property, plant and equipment. The results of assessing by the income approach are most sensitive to the changes of discount rate and long-term growth rate indicators and also to the forecasts regarding the volumes of sales of services provided and the level of tariffs for services provided.

An increase in the discount rate by 0.5% or a decrease in the long-term growth rate by 0.5% will result in a decrease in the fair value of the Group's property, plant and equipment by 19,504,759 thousand Tenge or by 15,177,369 thousand Tenge, respectively.

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Fair value measurement of the Group's property, plant and equipment (continued)

At each reporting date the Group assesses if there is any difference between the carrying amount of property, plant and equipment and the amount which was determined using the fair value at the reporting date. As at 31 December 2020, the Group's management revised its estimates in relation to the fair value of property, plant and equipment. To assess possible fluctuations in the fair value of the Group's specialized assets, excluding Main Waterline, the Group's management calculated the present value of expected future cash flows from the use of property, plant and equipment. To assess possible fluctuations in the fair value of the specialized assets of Main Waterline, the Group's management calculated the replacement cost of the assets. To assess possible fluctuations in the fair value of the Group's non-specialized assets, the Group's management determined the market prices for similar assets.

Based on the results of the analysis, the Group's management determined that at the end of 2020 there were no significant differences between the carrying amount of the Group's property, plant and equipment and their fair value.

Revaluation of technological oil

Technological oil is revalued at each reporting date, due to the fact that fluctuations are quite frequent and significant. Technological oil of the Company was revalued on each reporting date of interim periods and on 31 December 2020 and 2019.

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

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

- Technological oil is an integral part of the process of operating the pipeline without which the transportation is not possible and, accordingly, the object of valuation is a specialized asset;
- Technological oil cannot be sold or otherwise disposed due to regulations imposed by CRNM;
- Tariffs are being closely monitored by CRNM and the Government (except export tariffs and transit through the territory of Kazakhstan) to ensure they will not adversely affect general price index in the country, and thus may be set at the level which will not allow to recover cost of oil, if it was valued at international market price;
- And if the Group needs to buy additional oil to fill in new parts of pipeline, it would use the terms of the transportation agreements, according to which the oil extracting entities, upon the request of the Group, provide oil to fill the system of the Group's main pipelines;
- For the oil extracting entities there is an internal or tolling price for oil, which is delivered to the refineries of the KMG Group.

Taking into account all these factors as at 31 December 2020 the fair value of the Group's technological oil was determined based on the price of 38,336 Tenge per ton (as at 31 December 2019: 63,774 Tenge per ton). Other comprehensive loss from the effect of the change in fair value of the technological oil during 2020 was equal to 66,267,938 thousand Tenge (during 2019: other comprehensive income of 1,938,556 thousand Tenge), in addition during 2020 other comprehensive income from the revaluation of technological oil surplus in the amount 492,886 thousand Tenge was recognized (during 2019: 3,216,187 thousand Tenge). During 2020 the net other comprehensive loss as a result of revaluation was equal to 65,775,052 thousand Tenge (during 2019: other comprehensive income for 5,154,743 thousand Tenge) *(Note 6)*.

The volume of oil in the pipeline as at 31 December 2020 amounted to 2,618 thousand tons (31 December 2019: 2,605 thousand tons). According to the results of stock count held at the end of 2020 the oil surpluses in the amount of 12,857 tons (for 2019: 50,431 tons) were recognized, in addition, there was the write-off of oil in the amount of 176 tons in the reporting period (for 2019: 120 tons).

Impairment of assets

Based on the results of independent assessment of the fair value of BSP's land plots based on their market value, in 2019 the Group reversed previously recognized impairment of the BSP's land use right in the amount of 3,832 thousand US Dollars (equivalent to 1,467,158 thousand Tenge) *(Note 8)*.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Useful lives of items of property, plant and equipment

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

Asset retirement and land recultivation obligation

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

Asset retirement and land recultivation obligation is estimated based on the value of the work to decommission and rehabilitate calculated by the Group in accordance with the technical regulations of the Republic of Kazakhstan. Pipeline decommission expense as at 31 December 2020 is equal to 6,560 thousand Tenge per kilometer (as at 31 December 2019: 5,954 thousand Tenge).

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

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

As a percentage	**2020**	2019
Discount rate	**6.71%**	7.46%
Inflation rate	**5.54%**	5.48%
Period of fulfillment of obligations	**14 years**	15 years

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

As at 31 December 2020 the carrying amount of the asset retirement and land recultivation obligation was 33,688,837 thousand Tenge (31 December 2019: 27,780,887 thousand Tenge) *(Note 27)*.

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

Sensitivity analysis of asset retirement and land recultivation obligation for the change in significant assumptions as at 31 December 2020 is as follows:

In thousands of Tenge	**(Decrease)/ increase in rate**	**(Decrease)/ increase in liability**
Discount rate	-0.5%	2,270,872
	+0.5%	(2,116,743)
Inflation rate	-0.5%	(2,149,147)
	+0.5%	2,285,660

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Reserves for the impairment of advances to suppliers

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

As at 31 December 2020 and 2019 these reserves have been created for the amount of 811,543 thousand Tenge and 742,567 thousand Tenge, respectively *(Notes 10 and 13)*.

Allowances for financial assets

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

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

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

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Also it is considered a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.As at 31 December 2020 and 2019 allowance for expected credit losses was created in the amount of 5,565,145 thousand Tenge and 4,952,944 thousand Tenge, respectively *(Notes 12, 16 and 17).*

Tax provision

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

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

Deferred tax assets

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

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The amount of recognized deferred tax assets as at 31 December 2020 was 13,044,282 thousand Tenge (as at 31 December 2019: 11,176,846 thousand Tenge) *(Note 36)*. As at 31 December 2020 and 2019 the Group did not have unrecognized deferred tax assets.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Employee benefits

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

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

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

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

Principal actuarial assumptions used for valuation of employee benefit obligations as at 31 December 2020 and 2019 were as follows:

	2020	2019
Discount rate	**6.71%**	7.28%
Future salary increase	**5.34%**	5.00%
Mortality rate	**5.81%**	5.09%

As at 31 December 2020 the average period of post-retirement benefit obligations were 18.8 years (as at 31 December 2019: 19.3 years).

In connection with the certain changes introduced in 2019 to the Regulation on social support of non-working pensioners and disabled people, the Company during 2019 revised its obligations and reflected 369,482 thousand Tenge as the past period service cost *(Note 21)*.

Sensitivity analysis of employee benefit obligations for the change in significant estimates as at 31 December 2020 is as follows:

In thousands of Tenge	**(Decrease)/ increase in rate**	**(Decrease)/ increase in obligation**
Discount rate	-0.5%	1,375,854
	+0.5%	(1,258,190)
Future salary increase	-0.5%	(1,269,468)
	+0.5%	1,381,397
Life duration	-1 year	(229,521)
	+1 year	228,580

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
Gross carrying amount as at 1 January 2019	21,750,408	234,950,826	23,621,024	111,687,588	182,703,715	160,974,494	20,900,293	36,402,095	792,990,443
Foreign currency translation	(68,422)	–	(223,048)	(860,836)	(527,523)	–	(7,036)	47,384	(1,639,481)
Additions	–	75,434	2,711,868	18,209	2,277,559	–	769,665	36,413,000	42,265,735
Disposals	(1,400,156)	(910,442)	(152,045)	(182,024)	(2,120,999)	(7,310)	(542,231)	(89,674)	(5,404,881)
Revaluation (through revaluation reserve)	3,760,170	40,974,514	1,401,903	5,125,188	31,622,144	5,154,743	1,974,108	1,141,096	91,153,866
(Impairment)/revaluation (through profit and loss), net	(26,761)	664,400	(1,031,517)	(5,883,295)	(5,774,565)	–	(209,625)	(2,350,763)	(14,612,126)
Substraction of accumulated depreciation and impairment due to revaluation	–	(43,990,419)	(6,694,396)	(21,263,640)	(62,823,961)	–	(12,957,244)	(321,557)	(148,051,217)
Transfers to non-current assets held for sale *(Note 18)*	(73,519)	–	(339,155)	(672,938)	(31,483)	–	(604)	–	(1,117,699)
Transfers from construction-in-progress	7,856	1,352,304	728,208	3,262,878	16,172,930	–	219,535	(21,743,711)	–
Transfers to intangible assets *(Note 8)*	–	–	–	–	–	–	–	(245,274)	(245,274)
Transfers and reclassifications	–	26,464	(728,305)	(3,413,930)	4,141,436	–	(36,728)	11,063	–
Gross carrying amount as at 31 December 2019	23,949,576	233,143,081	19,294,537	87,817,200	165,639,253	166,121,927	10,110,133	49,263,659	755,339,366
Foreign currency translation	**1,786,462**	**–**	**93,151**	**(196,814)**	**37,229**	**–**	**889**	**38,166**	**1,759,083**
Additions	**–**	**23,130**	**3,055,322**	**203,791**	**1,652,443**	**–**	**238,965**	**44,537,447**	**49,711,098**
Disposals	**(60,483)**	**(330,858)**	**(20,737)**	**(38,917)**	**(183,241)**	**(1,064)**	**(238,333)**	**(17,542)**	**(891,175)**
Additions in estimates on asset retirement and land recultivation obligation *(Note 27)*	**–**	**410,941**	**–**	**–**	**–**	**–**	**–**	**–**	**410,941**
Reversal/(charge) of impairment (through revaluation reserve)	**–**	**65,834**	**–**	**–**	**–**	**(65,775,052)**	**–**	**–**	**(65,709,218)**
Reversal of Impairment (through profit and loss)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**49,202**	**49,202**
Transfers to non-current assets held for sale *(Note 18)*	**–**	**–**	**(51,399)**	**(5,867)**	**–**	**–**	**–**	**–**	**(57,266)**
Transfers from construction-in-progress	**–**	**22,171,009**	**430,258**	**6,892,147**	**10,584,438**	**–**	**330,920**	**(40,408,772)**	**–**
Transfers to intangible assets *(Note 8)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(226,536)**	**(226,536)**
Transfers and reclassifications	**–**	**(100,889)**	**(84,688)**	**52,494**	**112,641**	**–**	**20,442**	**–**	**–**
Gross carrying amount as at 31 December 2020	**25,675,555**	**255,382,248**	**22,716,444**	**94,724,034**	**177,842,763**	**100,345,811**	**10,463,016**	**53,235,624**	**740,385,495**

6. PROPERTY, PLANT AND EQUIPMENT (continued)

In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
Accumulated depreciation and impairment as at 1 January 2019	–	(35,420,503)	(5,469,079)	(17,643,196)	(51,697,315)	–	(10,682,006)	(304,732)	(121,216,831)
Foreign currency translation	–	–	66,207	72,951	99,573	–	4,478	–	243,209
Depreciation charge	–	(14,748,940)	(2,795,570)	(6,519,063)	(23,328,207)	–	(4,427,486)	–	(51,819,266)
Disposals	–	793,849	136,384	122,789	2,066,580	–	528,911	21,411	3,669,924
Impairment (through profit and loss)	–	(268)	–	(1,588)	–	–	–	(38,243)	(40,099)
Impairment (through revaluation reserve)	–	(1,083)	–	(6,325)	–	–	–	–	(7,408)
Substraction of accumulated depreciation and impairment due to revaluation	–	43,990,419	6,694,396	21,263,640	62,823,961	–	12,957,244	321,557	148,051,217
Transfers to non-current assets held for sale *(Note 18)*	–	–	189,980	8,829	2,465	–	604	–	201,878
Transfers to intangible assets *(Note 8)*	–	–	–	–	–	–	–	7	7
Transfers and reclassifications	–	533	1,178	85,494	(87,118)	–	(87)	–	–
Accumulated depreciation and impairment as at 31 December 2019	–	(5,385,993)	(1,176,504)	(2,616,469)	(10,120,061)	–	(1,618,342)	–	(20,917,369)
Foreign currency translation	**–**	**–**	**2,230**	**5,298**	**(694)**	**–**	**(1,094)**	**–**	**5,740**
Depreciation charge	**–**	**(14,227,031)**	**(2,914,998)**	**(6,657,563)**	**(25,640,576)**	**–**	**(3,111,750)**	**–**	**(52,551,918)**
Disposals	**–**	**155,266**	**8,439**	**11,252**	**171,681**	**–**	**236,852**	**–**	**583,490**
Impairment (through profit and loss)	**–**	**(1,068)**	**(2,663)**	**–**	**–**	**–**	**–**	**(31,451)**	**(35,182)**
Impairment (through revaluation reserve)	**–**	**(4,209)**	**(2,267)**	**(1,627)**	**–**	**–**	**–**	**(2,561)**	**(10,664)**
Transfers to non-current assets held for sale *(Note 18)*	**–**	**–**	**18,000**	**2,466**	**–**	**–**	**–**	**–**	**20,466**
Transfers and reclassifications	**–**	**10,508**	**1,356**	**(364)**	**(11,473)**	**–**	**(27)**	**–**	**–**
Accumulated depreciation and impairment as at 31 December 2020	**–**	**(19,452,527)**	**(4,066,407)**	**(9,257,007)**	**(35,601,123)**	**–**	**(4,494,361)**	**(34,012)**	**(72,905,437)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
As at 31 December 2020									
Gross carrying amount	**25,675,555**	**255,382,248**	**22,716,444**	**94,724,034**	**177,842,763**	**100,345,811**	**10,463,016**	**53,235,624**	**740,385,495**
Accumulated depreciation and impairment	**–**	**(19,452,527)**	**(4,066,407)**	**(9,257,007)**	**(35,601,123)**	**–**	**(4,494,361)**	**(34,012)**	**(72,905,437)**
Net book value	**25,675,555**	**235,929,721**	**18,650,037**	**85,467,027**	**142,241,640**	**100,345,811**	**5,968,655**	**53,201,612**	**667,480,058**
As at 31 December 2019									
Gross carrying amount	23,949,576	233,143,081	19,294,537	87,817,200	165,639,253	166,121,927	10,110,133	49,263,659	755,339,366
Accumulated depreciation and impairment	–	(5,385,993)	(1,176,504)	(2,616,469)	(10,120,061)	–	(1,618,342)	–	(20,917,369)
Net book value	23,949,576	227,757,088	18,118,033	85,200,731	155,519,192	166,121,927	8,491,791	49,263,659	734,421,997

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

In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
As at 31 December 2020	**19,626,982**	**171,963,756**	**16,799,118**	**63,016,044**	**110,093,905**	**30,405,235**	**4,880,812**	**53,213,837**	**469,999,689**
As at 31 December 2019	17,966,615	154,981,672	15,537,257	59,764,353	112,835,701	30,407,824	6,273,128	49,777,755	447,544,305

6. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2020 construction in progress mainly includes the following production facilities:

- Replacement of the pipeline sections of the Uzen − Atyrau − Samara main oil pipeline;
- Replacement, reconstruction and construction of the objects of main oil pipeline (pumping stations, communication lines, automation system and other).

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

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

As at 31 December 2020:

- The gross carrying amount and corresponding accumulated depreciation of fully depreciated plant and equipment still in use were 3,537,132 thousand Tenge (31 December 2019: 1,030,764 thousand Tenge);
- Construction in progress included materials and spare parts in the amount of 3,667,280 thousand Tenge (31 December 2019: 3,669,128 thousand Tenge), which were acquired for construction works.

Depreciation for the year ended 31 December 2020, included in the cost of construction in progress amounted to 22,253 thousand Tenge (for the year ended 31 December 2019: 26,734 thousand Tenge).

7. RIGHT-OF-USE ASSETS

Right-of-use assets as at 31 December 2020 and 2019 are as follows:

	Right-of-use assets				
In thousands of Tenge	**Land and other assets**	**Transpor-tation assets**	**Buildings and con-structions**	**Machinery, equipment and transfer devices**	**Total**
Net book value as at 1 January 2019	–	–	–	–	–
Changes in accounting policy	97,419	4,512,445	373,420	–	4,983,284
Additions *(Note 24)*	–	–	–	341,652	341,652
Amortization charge *(Note 24)*	(10,951)	(1,254,808)	(84,932)	(72,201)	(1,422,892)
Net book value as at 31 December 2019	86,468	3,257,637	288,488	269,451	3,902,044
Additions *(Note 24)*	**216,948**	**–**	**119,511**	**–**	**336,459**
Disposals	**–**	**–**	**(1,009)**	**(30,554)**	**(31,563)**
Transfer to intangible assets *(Note 8)*	**(117,514)**	**–**	**–**	**–**	**(117,514)**
Amortization charge *(Note 24)*	**(106,950)**	**(1,254,808)**	**(115,286)**	**(64,563)**	**(1,541,607)**
Net book value as at 31 December 2020	**78,952**	**2,002,829**	**291,704**	**174,334**	**2,547,819**
As at 31 December 2020					
At cost	**131,814**	**6,106,397**	**514,457**	**303,459**	**7,056,127**
Accumulated amortization	**(52,862)**	**(4,103,568)**	**(222,753)**	**(129,125)**	**(4,508,308)**
Net book value	**78,952**	**2,002,829**	**291,704**	**174,334**	**2,547,819**
As at 31 December 2019					
At cost	131,814	6,106,397	399,633	341,652	6,979,496
Accumulated amortization	(45,346)	(2,848,760)	(111,145)	(72,201)	(3,077,452)
Net book value	86,468	3,257,637	288,488	269,451	3,902,044

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INTANGIBLE ASSETS

Intangible assets as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	Licenses	Software	Right for land use	Other	Total
Net book value as at 1 January 2019	385,291	1,242,087	5,232,792	31,129	6,891,299
Additions	169,893	21,119	–	3	191,015
Transfers from construction in progress *(Note 6)*	86,225	159,042	–	–	245,267
Amortization charge	(128,506)	(348,364)	(193,732)	(4,362)	(674,964)
Reversal of impairment *(Note 5)*	–	–	1,467,158	–	1,467,158
Disposals	–	(62,635)	–	–	(62,635)
Foreign currency translation	(5,851)	–	(323,192)	–	(329,043)
Net book value as at 31 December 2019	507,052	1,011,249	6,183,026	26,770	7,728,097
Additions	**22,871**	**12,779**	**–**	**–**	**35,650**
Transfers from construction in progress *(Note 6)*	**102,574**	**123,962**	**–**	**–**	**226,536**
Amortization charge	**(177,410)**	**(325,054)**	**(213,412)**	**(3,947)**	**(719,823)**
Transfers from right-of-use assets *(Note 7)*	**117,514**	**–**	**–**	**–**	**117,514**
Disposals	**(15,213)**	**(57,954)**	**–**	**–**	**(73,167)**
Transfers and reclassifications	**1,935**	**(1,935)**	**–**	**–**	**–**
Accumulated depreciation on disposal	**15,213**	**57,954**	**–**	**–**	**73,167**
Foreign currency translation	**1,977**	**–**	**(222,587)**	**–**	**(220,610)**
Net book value as at 31 December 2020	**576,513**	**821,001**	**5,747,027**	**22,823**	**7,167,364**
As at 31 December 2020					
At cost	**1,459,593**	**5,017,171**	**8,198,470**	**93,279**	**14,768,513**
Accumulated amortization and impairment	**(883,080)**	**(4,196,170)**	**(2,451,443)**	**(70,456)**	**(7,601,149)**
Net book value	**576,513**	**821,001**	**5,747,027**	**22,823**	**7,167,364**
As at 31 December 2019					
At cost	1,220,215	4,940,617	8,514,525	93,279	14,768,636
Accumulated amortization and impairment	(713,163)	(3,929,368)	(2,331,499)	(66,509)	(7,040,539)
Net book value	507,052	1,011,249	6,183,026	26,770	7,728,097

9. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures as at 31 December 2019 and 2020 are as follows:

In thousands of Tenge	KCP	MunaiTas	Total
As at 1 January 2019	10,513,603	19,487,720	30,001,323
Changes in accounting policy	(398,494)	–	(398,494)
Share in income of joint ventures	12,695,882	942,519	13,638,401
Share in other comprehensive income/(loss) of joint ventures	6,756,413	(82,304)	6,674,109
Additional contributions to the charter capital	–	5,100,000	5,100,000
As at 31 December 2019	29,567,404	25,447,935	55,015,339
Share in income of joint ventures	**8,491,918**	**1,238,394**	**9,730,312**
Share in other comprehensive loss of joint ventures	**(1,150,944)**	**(171,892)**	**(1,322,836)**
As at 31 December 2020	**36,908,378**	**26,514,437**	**63,422,815**

9. INVESTMENTS IN JOINT VENTURES (continued)

At the end of 2019, by the decision of the participants, the charter capital of MunaiTas was increased by the total amount of 10,000,000 thousand Tenge, including the Company's share amounted to 5,100,000 thousand Tenge. As at 31 December 2019 the amount of the cash contribution made by the Company amounted to 100,000 thousand Tenge, the remaining amount of 5,000,000 thousand Tenge is recognized as the liability on a contribution to charter capital of a joint venture.

In June 2020 the Group repaid the liability on a contribution to charter capital of MunaiTas.

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

	KCP			
	31 December 2020		31 December 2019	
In thousands of Tenge	**50%**	**100%**	50%	100%
Assets and liabilities of joint ventures				
Current assets	**35,114,810**	**70,229,620**	26,652,051	53,304,102
Non-current assets	**107,775,535**	**215,551,070**	112,103,745	224,207,490
Current liabilities	**(22,730,676)**	**(45,461,352)**	(21,010,934)	(42,021,868)
Non-current liabilities	**(83,251,291)**	**(166,502,582)**	(88,177,458)	(176,354,916)
Net assets / net book value of investment	**36,908,378**	**73,816,756**	29,567,404	59,134,808
Additional information				
Cash and cash equivalents	**24,593,042**	**49,186,084**	15,968,565	31,937,129
Short-term financial liabilities, net of trade and other payables and provisions	**(17,764,072)**	**(35,528,144)**	(15,056,917)	(30,113,834)
Long-term financial liabilities, net of trade and other payables and provisions	**(66,833,998)**	**(133,667,995)**	(75,869,231)	(151,738,462)

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

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

As at 31 December 2020 total payable under loan including interest equals to 401,977 thousand US Dollars (equivalent to 169,196,139 thousand Tenge), as at 31 December 2019 to 475,319 thousand US Dollars (equivalent to 181,852,296 thousand Tenge).

	MunaiTas			
	31 December 2020		31 December 2019	
In thousands of Tenge	**51%**	**100%**	51%	100%
Assets and liabilities of joint ventures				
Current assets	**8,075,486**	**15,834,286**	12,193,177	23,908,190
Non-current assets	**22,374,126**	**43,870,835**	17,450,072	34,215,827
Current liabilities	**(1,154,719)**	**(2,264,155)**	(1,471,757)	(2,885,798)
Non-current liabilities	**(2,780,455)**	**(5,451,873)**	(2,723,557)	(5,340,308)
Net assets / net book value of investment	**26,514,438**	**51,989,093**	25,447,935	49,897,911
Additional information				
Cash and cash equivalents	**4,430,616**	**8,687,482**	6,565,142	12,872,827
Short-term financial liabilities, net of trade and other payables and provisions	**–**	**–**	–	–
Long-term financial liabilities, net of trade and other payables and provisions	**–**	**–**	–	–

9. INVESTMENTS IN JOINT VENTURES (continued)

	KCP			
	For the year ended 31 December			
	2020		2019	
In thousands of Tenge	**50%**	**100%**	50%	100%
Information on profit or loss and other comprehensive income of joint ventures for the year				
Revenue	**38,913,981**	**77,827,962**	38,093,128	76,186,256
Income from continuing operations for the year	**8,491,918**	**16,983,836**	12,695,882	25,391,764
Income/(loss) from discontinued operations for the year	**–**	**–**	–	–
Other comprehensive (loss)/income	**(1,150,944)**	**(2,301,888)**	6,756,413	13,512,826
Total comprehensive income	**7,340,974**	**14,681,948**	19,452,295	38,904,590
Dividends	**–**	**–**	–	–
Additional information				
Depreciation and amortization	**(7,362,363)**	**(14,724,725)**	(6,753,476)	(13,506,951)
Interest income	**111,604**	**223,208**	97,095	194,190
Interest expense	**(3,777,288)**	**(7,554,576)**	(5,443,989)	(10,887,978)
(Loss)/income on exchange differences	**(6,665,780)**	**(13,331,560)**	363,920	727,840
Income tax expense	**(2,829,302)**	**(5,658,604)**	(3,141,393)	(6,282,786)

	MunaiTas			
	For the year ended 31 December			
	2020		2019	
In thousands of Tenge	**51%**	**100%**	51%	100%
Information on profit or loss and other comprehensive income of joint ventures for the year				
Revenue	**3,825,734**	**7,501,439**	3,690,358	7,235,996
Income from continuing operations for the year	**1,238,394**	**2,428,224**	942,519	1,848,076
Income from discontinued operations for the year	**–**	**–**	–	–
Other comprehensive loss	**(171,892)**	**(337,043)**	(82,304)	(161,380)
Total comprehensive income	**1,066,502**	**2,091,181**	860,215	1,686,696
Dividends	**–**	**–**	–	–
Additional information				
Depreciation and amortization	**(1,109,565)**	**(2,175,618)**	(1,028,403)	(2,016,476)
Interest income	**437,091**	**857,041**	614,557	1,205,014
Income tax expense	**(311,078)**	**(609,957)**	(231,209)	(453,351)

10. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

Advances to suppliers for property, plant and equipment as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Advances to third parties for property, plant and equipment and construction services	**885,818**	1,640,395
Less: impairment allowance	**(810,896)**	(741,920)
Total	**74,922**	898,475

10. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT (continued)

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

In thousands of Tenge	**2020**	2019
As at 1 January	**741,920**	744,818
Foreign currency translation	**68,976**	(2,898)
As at 31 December	**810,896**	741,920

11. INVENTORIES

Inventories as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Spare parts	**3,254,942**	3,265,439
Fuel	**2,398,257**	1,184,427
Construction materials	**787,269**	799,249
Overalls	**717,797**	360,870
Goods	**426,763**	78,972
Chemical reagents	**278,469**	190,344
Other	**371,459**	399,200
Total	**8,234,956**	6,278,501

12. TRADE AND OTHER ACCOUNTS RECEIVABLE

Other long-term accounts receivable as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Other accounts receivable from third parties	**1,146,596**	1,206,111
Less: allowance for expected credit losses	**(163,195)**	(77,485)
Total	**983,401**	1,128,626

Movement in allowance for expected credit losses related to other long-term accounts receivable is as follows:

In thousands of Tenge	**2020**	2019
As at 1 January	**77,485**	–
Charge for the year, net *(Note 31)*	**85,710**	77,485
As at 31 December	**163,195**	77,485

Current trade and other accounts receivable as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Trade accounts receivable from third parties	**6,871,092**	7,406,294
Trade accounts receivable from related parties *(Note 38)*	**1,966,138**	2,446,713
Other accounts receivable from third parties	**701,529**	767,842
Other accounts receivable from related parties *(Note 38)*	**509**	509
Less: allowance for expected credit losses	**(5,272,466)**	(4,763,120)
Total	**4,266,802**	5,858,238

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

In thousands of Tenge	**2020**	2019
As at 1 January	**4,763,120**	4,701,509
Charge for the year, net *(Note 31)*	**203,551**	128,775
Used for write-off of receivables	**–**	(3,066)
Currency translation	**305,795**	(64,098)
As at 31 December	**5,272,466**	4,763,120

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)

Trade and other accounts receivable as at 31 December 2020 and 2019 are denominated in the following currencies:

In thousands of Tenge	**31 December 2020**	31 December 2019
Tenge	**3,666,155**	5,152,735
US Dollar	**591,799**	693,253
Russian Ruble	**2,113**	2,303
Other currency	**6,735**	9,947
Total	**4,266,802**	5,858,238

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

	Trade and other accounts receivable					
		Past due payments				
In thousands of Tenge	**Unexpired**	**Less than 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
As at 31 December 2020						
Estimated total gross carrying value at default	**4,639,148**	**338,154**	**107,892**	**139,708**	**5,460,962**	**10,685,864**
Expected credit losses	**(190,891)**	**(16,485)**	**(19,751)**	**(25,880)**	**(5,182,654)**	**(5,435,661)**

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

13. ADVANCES TO SUPPLIERS

Advances to suppliers as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Advances to related parties *(Note 38)*	**395,440**	549,212
Advances to third parties	**329,525**	710,000
	724,965	1,259,212
Less: impairment	**(647)**	(647)
Total	**724,318**	1,258,565

14. VAT RECOVERABLE AND OTHER PREPAID TAXES

VAT recoverable and other prepaid taxes as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Current VAT recoverable	**7,465,375**	6,705,365
Non-current VAT recoverable	**2,047,148**	1,958,523
Other taxes prepaid	**548,642**	415,730
Total	**10,061,165**	9,079,618

15. OTHER CURRENT ASSETS

Other current assets as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Due for oil transportation coordination services	**8,150,231**	6,726,960
Prepaid insurance	**70,638**	35,760
Deferred expenses from third parties	**31,183**	34,805
Due from employees	**15,504**	31,905
Other	**17,889**	30,206
Total	**8,285,445**	6,859,636

16. BANK DEPOSITS

Bank deposits as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Short-term bank deposits − US Dollars	**27,359,150**	45,910,799
Long-term bank deposits − Tenge	**3,588,695**	2,158,180
Accrued interest on deposits − Tenge	**35,293**	39,791
Accrued interest on deposits − US Dollars	**34,824**	69,414
Less: allowance for expected credit losses	**(105,651)**	(78,017)
Total	**30,912,311**	48,100,167

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

In thousands of Tenge	**2020**	2019
As at 1 January	**59,604**	27,462
Charge for the year, net *(Note 35)*	**26,754**	32,142
As at 31 December	**86,358**	59,604

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

In thousands of Tenge	**2020**	2019
As at 1 January	**18,413**	24,130
Charge/(reversal) for the year, net *(Note 35)*	**880**	(5,717)
As at 31 December	**19,293**	18,413

As at 31 December 2020 and 2019 bank deposits comprised of the following:

- US Dollars denominated deposits with maturity from 3 to 12 months, with interest from 0.5% to 0.55% per annum (as at 31 December 2019: from 0.5% to 1.2% per annum), maturing from January to June 2021 (as at 31 December 2019: from January to June 2020);
- Restricted long-term bank deposits with interest from 2% to 3.5% per annum maturing in 2028 and in 2030, respectively (as at 31 December 2019: from 2% to 3.5% per annum maturing in 2028 and in 2027, respectively), arranged for the purpose of preferential lending rates for the Company's employees for the purchase of residential property.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Time deposits with banks − Tenge	**34,440,034**	19,238,432
Current accounts with banks − Tenge	**10,948,018**	2,920,193
Current accounts with banks − US Dollar	**6,263,193**	4,365,671
Current accounts with banks − Lari	**326,205**	2,080,907
Current accounts with banks − Russian Rubles	**26,260**	32,182
Current accounts with banks − Euro	**8,839**	22,573
Other current accounts with banks	**25,639**	23,175
Cash in hand	**257**	280
Less: allowance for expected credit losses	**(23,833)**	(34,322)
Total	**52,014,612**	28,649,091

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

In thousands of Tenge	**2020**	2019
As at 1 January	**34,322**	22,902
(Reversal)/charge for the year, net *(Note 35)*	**(8,327)**	8,858
Foreign currency translation	**(2,162)**	2,562
As at 31 December	**23,833**	34,322

As at 31 December 2020 current accounts and time deposits with maturity less than 3 months in Tenge placed with Kazakhstani banks carried interest ranging from 6.50% to 8.40% per annum (as at 31 December 2019: from 6.75% to 8.60% per annum).

Interest for current accounts placed in US Dollars ranged as at 31 December 2020 and 2019 from 0.25% to 4% per annum.

18. NON-CURRENT ASSETS HELD FOR SALE

Changes in non-current assets held for sale for the twelve month period ended 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**2020**	2019
As at 1 January	**879,814**	2,406,231
Transfers from property, plant and equipment *(Note 6)*	**36,800**	915,821
Sold	**(53,144)**	(1,481,495)
Impairment for the year *(Note 33)*	**(232,631)**	(960,743)
As at 31 December	**630,839**	879,814

As at 31 December 2020 and 2019 non-current assets held for sale are represented by property of the administrative residential building in Almaty, as well as unused vehicles. The Group plans to recover their carrying amount through sale rather than through continuing use. These assets were recognized at the lower of their carrying amount and fair value less costs to sell and are available for immediate sale in their present condition. At the end of the reporting period, the carrying amount of the given assets does not exceed their fair value less costs to sell.

The net amount of income from the sale of non-current assets held for sale during 12 months 2020 amounted to 63,446 thousand Tenge *(Note 32).*

During 12 months 2019 the administrative residential building in Pavlodar was sold on terms of instalment payments over a ten-year period, as well as certain vehicles. The net amount of income from the sales of the above-mentioned assets amounted to 34,624 thousand Tenge *(Note 32)*.

19. INVESTMENTS IN BONDS

In December 2017, in accordance with the Decision of the Government of the Republic of Kazakhstan dated 7 November 2017, the Group purchased bonds of "Special Financial Company DSFK" LLP (hereinafter − "DSFK bonds") using the funds placed with RBK Bank JSC. The nominal amount of the bonds was 5,019,520 thousand Tenge, the number of bonds is 5,019,520 thousand units. DSFK bonds carry coupon interest of 0.01% per annum and mature in 15 years. The above mentioned bonds are secured by a financial guarantee of "Kazakhmys Corporation" LLP of 1,379,913 thousand Tenge. The guarantee is exercisable upon request of the Group not earlier than the fifth anniversary after the inception of the bonds.

In 2020 the Group revised the fair value of bonds based on the market interest rate of 12.29% and, as a result, recognized income from revision of bond's fair value in the amount of 221,984 thousand Tenge (in 2019: the Group revised the fair value of bonds based on the market interest rate of 12.4% and, as a result, recognized income from revision of bond's fair value in the amount of 165,251 thousand Tenge) *(Note 34)*. Thus, the book value of the investments in bonds as at 31 December 2020 amounted to 913,746 thousand Tenge (as at 31 December 2019: 919,511 thousand Tenge).

During the 2020 and 2019 years the issuer repurchased 227,749 thousand units of bonds and 74,177 thousand units of bonds at a price of 1 Tenge per 1 bond, respectively.

20. EQUITY

Share capital

As at 31 December 2020 and 2019 the Company's share capital comprised of 384,635,600 common shares authorized, issued and fully paid in the amount of 62,503,284 thousand Tenge, except for 1 share, which was authorized but not issued and not paid.

As at 31 December 2020 and 2019 the share capital was equal to 61,937,567 thousand Tenge, net of consulting costs related to the issuance of shares in the amount of 565,717 thousand Tenge.

Treasury shares repurchased from shareholders

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

Asset revaluation reserve

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

In thousands of Tenge	**31 December 2020**	31 December 2019
Revaluation reserve for property, plant and equipment of the Group	**191,551,374**	266,033,531
Share in the asset revaluation reserve of the joint ventures	**30,081,441**	33,551,968
Total	**221,632,815**	299,585,499

Foreign currency translation reserve

As at 31 December 2020 foreign currency translation reserve was equal to 38,325,342 thousand Tenge (as at 31 December 2019: 37,737,309 thousand Tenge). Change in foreign currency translation reserve is due to the translation of the operations of the foreign subsidiaries as a result of changes in exchange rates *(Note 4.2)*.

Other capital reserves

As at 31 December 2020 other capital reserves represent a loss amounted to 5,999,468 thousand Tenge (as at 31 December 2019: 1,893,432 thousand Tenge). Change in this reserve is due to recognition of actuarial losses from revaluation of the Group's and joint ventures's employee benefits obligations under defined benefit plans. Actuarial losses from revaluation of the Group's employee benefits obligations under defined benefit plans amounted to 4,220,893 thousand Tenge *(Note 21)*, income tax effect of which amounted to 116,009 thousand Tenge *(Note 36)*. For the same period of 2019 actuarial gain from revaluation of the Group's employee benefits obligations under defined benefit plans amounted to 1,872,560 thousand Tenge *(Note 21)*, income tax effect of which amounted to 51,467 thousand Tenge *(Note 36)*.

20. EQUITY (continued)

Dividends

During 2020 the Company accrued and paid dividends as the result of 2019 year to the shareholders based on the decision of the general meeting of shareholders dated 27 May 2020 in the amount 45,386,116 thousand Tenge (calculated as 118 Tenge per 1 share), with the use of net income received in 2019, in the amount 45,121,438 thousand Tenge and retained earnings of previous years in the amount 264,678 thousand Tenge, including 40,848,301 thousand Tenge *(Note 38)* related to KMG and 4,537,815 thousand Tenge related to minority shareholders.

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

Earnings per share

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

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

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

In thousands of Tenge	**2020**	2019
Net profit for the period attributable to ordinary equity holders of the Parent of the Group	**55,953,898**	45,121,438
Weighted average number of ordinary shares for the year for basic earnings per share	**384,628,099**	384,628,099
Basic earnings per share, in relation to profit for the year attributable to ordinary equity holders of the Company, as a Parent company of the Group (in Tenge)	**145**	117

Book value per ordinary share

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

In thousands of Tenge	**31 December 2020**	31 December 2019
Total assets	**859,162,401**	912,813,470
Less: intangible assets *(Note 8)*	**(7,167,364)**	(7,728,097)
Less: total liabilities	**(206,644,140)**	(209,834,504)
Net assets for calculation of book value per ordinary share	**645,350,897**	695,250,869
Number of ordinary shares	**384,628,099**	384,628,099
Book value per ordinary share (in Tenge)	**1,678**	1,808

21. EMPLOYEE BENEFIT OBLIGATIONS

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

Employee benefit obligations as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Non-current portion of employee benefit obligations	**21,559,008**	15,756,306
Current portion of employee benefit obligations	**693,235**	658,941
Total	**22,252,243**	16,415,247

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Changes in the present value of employee benefit obligations for the years ended 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**2020**	2019
Employee benefit obligations as at 1 January	**16,415,247**	13,604,374
Interest cost *(Note 35)*	**1,166,996**	1,182,087
Current services cost *(Notes 30, 31)*	**1,023,026**	721,869
Past services cost *(Notes 5, 30, 31)*	**–**	(369,482)
Actuarial loss through profit and loss *(Note 33)*	**188,150**	77,964
Actuarial loss through other comprehensive income *(Note 20)*	**4,220,893**	1,872,560
Benefits paid	**(762,069)**	(674,125)
Employee benefit obligations as at 31 December	**22,252,243**	16,415,247

22. DEFERRED INCOME

As at 31 December 2020 deferred income mainly represents a liability of the Group to provide individual BSP assets for long-term lease to a counterparty in the amount of 8,693,200 thousand Tenge (as at 31 December 2019: 8,141,994 thousand Tenge).

The change in the amount of these liabilities as at 31 December 2020 is due to changes in the exchange rates at the reporting date as well as amortization of liabilities for the period.

23. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Accounts payable to third parties for goods and services	**20,148,254**	10,318,431
Accounts payable to related parties for goods and services *(Note 38)*	**1,607,708**	3,743,715
Other accounts payable to third parties	**596,774**	1,116,797
Other accounts payable to related parties *(Note 38)*	**–**	4,181
Total	**22,352,736**	15,183,124

Trade and other accounts payable included payables to related and third parties, related to property, plant and equipment and construction in progress in the amount of 14,387,429 thousand Tenge (as at 31 December 2019: 7,730,268 thousand Tenge). The increase in trade payables as at 31 December 2020 is associated with the fulfilment of construction services contracts at the end of the year, mainly on the replacement of pipeline sections of the Uzen − Atyrau − Samara oil pipeline.

Trade and other accounts payable as at 31 December 2020 and 2019 are in the following currencies:

In thousands of Tenge	**31 December 2020**	31 December 2019
Tenge	**21,732,754**	14,576,983
US Dollars	**276,413**	179,750
Russian Rubles	**5,156**	4,830
Euro	**2,525**	23,667
Other currency	**335,888**	397,894
Total	**22,352,736**	15,183,124

24. LEASE LIABILITIES

Lease liabilities as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Current portion of obligations	**1,994,823**	1,912,220
Non-current portion of obligations	**1,415,473**	2,891,445
Total	**3,410,296**	4,803,665

Changes in the present value of obligations for the twelve months ended 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**2020**	2019
As at 1 January	**4,803,665**	–
Changes in accounting policy	**–**	5,513,329
Payments for the period	**(2,047,939)**	(1,851,566)
Unwinding of discount on obligations *(Note 35)*	**494,662**	638,724
Additions for the period *(Note 7)*	**336,459**	341,652
Transfer to/from trade payables	**(141,081)**	161,526
Disposals for the period	**(35,470)**	–
As at 31 December	**3,410,296**	4,803,665

The information below describes the cost of expenses reflected in the consolidated statement of comprehensive income for 2020 and 2019:

In thousands of Tenge	**For the year ended 31 December 2020**	For the year ended 31 December 2019
Right-of-use assets amortization *(Note 7)*	**1,541,607**	1,422,892
Unwinding of discount on obligations *(Note 35)*	**494,662**	638,724
Low-value assets lease expenses *(Notes 30, 31)*	**30,907**	35,000
Total	**2,067,176**	2,096,616

25. ADVANCES RECEIVED

Advances received as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Advances received from related parties *(Note 38)*	**13,151,992**	11,220,896
Advances received from third parties	**7,663,873**	7,258,086
Total	**20,815,865**	18,478,982

26. OTHER TAXES PAYABLE

Other taxes payable as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Personal income tax	**3,134,337**	3,382,103
Withholding tax at the source of payment to non-residents	**1,037,543**	1,071,635
Social tax	**725,436**	708,284
Property tax	**123,686**	126,139
VAT payable	**24,986**	19,067
Other taxes	**372,751**	390,338
Total	**5,418,739**	5,697,566

27. PROVISIONS

Movements in provisions for the years ended 31 December 2020 and 2019 are as follows:

Short-term provisions

In thousands of Tenge	Tax provisions (BOT)	Provision on compen-sating tariff (Company)	Sponsorship (Company)	Other provisions	Total
As at 1 January 2019	192,484	1,046,994	–	396,126	1,635,604
Charge for the year, net *(Notes 31, 33)*	–	18,100	1,200,000	206,298	1,424,398
Provisions used	–	(1,062,122)	(1,200,000)	(476,604)	(2,738,726)
Foreign currency translation	(13,432)	–	–	(1,291)	(14,723)
As at 31 December 2019	179,052	2,972	–	124,529	306,553
Charge for the year, net *(Notes 30, 31, 33)*	**255,932**	**–**	–	**765,472**	**1,021,404**
Provisions used	**–**	**(2,665)**	–	**(75,186)**	**(77,851)**
Foreign currency translation	**(2,289)**	**–**	**–**	**21,533**	**19,244**
As at 31 December 2020	**432,695**	**307**	**–**	**836,348**	**1,269,350**

As at 31 December 2020 the Group's other reserves include estimated liabilities to the client of BOT related to probable reimbursement of losses incurred during transshipment of oil products, as well as fines imposed on BOT by the Georgian customs services *(Note 41)*.

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

Long-term provisions

Asset retirement and land recultivation obligation

As at 31 December 2020 and 2019, the Company revised the long-term provisions considering current best estimate. Assumptions used and the sensitivity to changes in the discount and inflation rates are reflected in *Note 5*.

In thousands of Tenge	**2020**	2019
As at 1 January	**27,780,887**	21,109,397
Charge for the year through asset *(Note 6)*	**410,941**	–
Revision of estimates through other comprehensive loss	**4,516,118**	3,334,156
Reversal through profit and loss *(Notes 32, 33)*	**(1,195,741)**	(207,747)
Revision of estimates through profit and loss *(Notes 32, 33)*	**83,695**	1,653,085
Unwinding of discount on asset retirement and land recultivation obligation *(Note 35)*	**2,092,937**	1,891,996
As at 31 December	**33,688,837**	27,780,887

28. OTHER CURRENT LIABILITIES

Other current liabilities as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Salaries and other compensations	**10,893,589**	11,099,128
Accounts payable for oil transportation coordination services to related parties *(Note 38)*	**7,701,845**	8,193,956
Accounts payable for oil transportation coordination services to third parties	**4,878,213**	5,192,306
Accounts payable to pension fund	**952,276**	870,184
Current portion of deferred income from third parties	**654,336**	576,806
Other accruals	**383,366**	341,844
Total	**25,463,625**	26,274,224

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. REVENUE

Revenue for the years ended 31 December 2020 and 2019 are as follows:

	2020				
In thousands of Tenge	Oil transportation and related services	Oil transshipment	Water transportation	Others	Total segments
Crude oil transportation	**194,051,103**	**–**	**–**	**–**	**194,051,103**
Pipeline operation and maintenance services	**17,066,891**	**–**	**–**	**–**	**17,066,891**
Water transportation	**–**	**–**	**6,643,175**	**–**	**6,643,175**
Oil transshipment and railway shipment	**–**	**6,152,285**	**–**	**–**	**6,152,285**
Seaport services	**–**	**–**	**–**	**5,933,564**	**5,933,564**
Fees for undelivered oil volumes	**2,790,960**	**–**	**–**	**–**	**2,790,960**
Oil transportation coordination services	**686,051**	**–**	**–**	**–**	**686,051**
Oil storage services	**80,927**	**–**	**–**	**–**	**80,927**
Other	**44,878**	**–**	**2,639**	**1,769,609**	**1,817,126**
Total	**214,720,810**	**6,152,285**	**6,645,814**	**7,703,173**	**235,222,082**
Geographic regions					
Kazakhstan	**189,286,371**	**3,332,074**	**6,645,814**	**–**	**199,264,259**
Russia	**25,434,439**	**–**	**–**	**–**	**25,434,439**
Georgia	**–**	**2,103,685**	**–**	**6,503,312**	**8,606,997**
Other states	**–**	**716,526**	**–**	**1,199,861**	**1,916,387**
Total revenue under contracts with customers	**214,720,810**	**6,152,285**	**6,645,814**	**7,703,173**	**235,222,082**
Timing of revenue recognition					
At a point in time	**197,653,919**	**6,152,285**	**6,645,814**	**7,703,173**	**218,155,191**
Over time	**17,066,891**	**–**	**–**	**–**	**17,066,891**
Total	**214,720,810**	**6,152,285**	**6,645,814**	**7,703,173**	**235,222,082**

29. REVENUE (continued)

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

For the year ended 31 December 2020 revenue from the five major customers amounted to 49,310,766 thousand Tenge, 33,747,370 thousand Tenge, 12,399,989 thousand Tenge, 11,120,462 thousand Tenge and 6,081,249 thousand Tenge (for 2019: revenue from these customers amounted to 53,294,711 thousand Tenge, 32,177,845 thousand Tenge, 11,417,470 thousand Tenge, 13,868,640 thousand Tenge and 9,525,424 thousand Tenge, respectively).

30. COST OF SALES

Cost of sales for the years ended 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**2020**	2019
Personnel costs	**56,718,591**	54,667,892
Depreciation and amortization	**53,173,092**	52,498,771
Materials and fuel	**8,553,505**	8,839,641
Taxes other than income tax	**8,533,127**	8,595,272
Repair and maintenance	**8,425,072**	8,274,395
Electric energy	**7,105,495**	6,888,443
Security services	**5,681,646**	5,266,613
Gas expense	**2,671,579**	2,662,309
Railway services	**2,514,250**	1,629,495
Food and accomodation	**1,929,573**	2,022,624
Environmental protection	**1,670,489**	2,097,765
Post-employment benefits *(Note 21)*	**972,123**	318,435
Insurance	**719,451**	665,263
Business trip expenses	**662,038**	971,107
Outstaffing services	**429,386**	426,839
Communication services	**384,323**	382,931
Diagnostics of production assets	**365,939**	337,544
Transportation services	**150,251**	184,944
Rent expenses *(Note 24)*	**4,446**	8,965
Accrual of provision for environmental protection *(Note 27)*	**446**	–
Air services	**–**	239,144
Other	**2,351,771**	2,893,459
Total	**163,016,593**	159,871,851

31. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**2020**	2019
Personnel costs	**9,567,728**	9,592,215
Charity expenses	**1,440,953**	2,235,607
Depreciation and amortization	**1,618,003**	1,391,617
Office maintenance	**532,254**	511,978
Consulting services	**290,935**	358,096
Charge of allowance for expected credit losses, net *(Note 12)*	**289,261**	206,260
Repair and maintenance	**268,532**	289,248
Outstaffing services	**258,762**	244,602
Charge of short-term provisions *(Note 27)*	**255,932**	315,138
Taxes other than income tax	**251,026**	385,317
Materials and fuel	**250,842**	53,201
Write-off of VAT recoverable	**200,563**	99,133
Charge of provision for obsolete inventories, net	**177,757**	201,231
Information services	**151,603**	126,764
Communication services	**114,302**	163,929
Business trip expenses	**81,354**	338,041
Social sphere expenses	**76,060**	298,176
Bank costs	**68,632**	67,839
Post-employment benefits *(Note 21)*	**50,903**	33,952
Insurance and security	**43,008**	56,421
Transportation services	**34,565**	15,190
Rent expenses *(Note 24)*	**26,461**	26,035
Advertising expenses	**22,184**	106,911
Other	**542,512**	761,495
Total	**16,614,132**	17,878,396

31. GENERAL AND ADMINISTRATIVE EXPENSES (continued)

Charity expenses for 2020 are associated with the purchase in August 2020 of artificial lung ventilation devices for the amount of 1,000,000 thousand Tenge, which were donated as sponsorship to health care organizations of the Republic of Kazakhstan in order to support government policy in the fight against coronavirus infection with COVID-19.

Based on the decision of the Board of Directors of Samruk-Kazyna dated 8 October 2020 and in pursuance of the instructions of the Head of the Country dated 29 September 2018 the Company in 2020 provided sponsorship assistance in the amount of 405,809 thousand Tenge as additional financing for the construction of an object in the city of Turkestan.

The charity expenses for 2019 were mainly associated with the sponsorship by the Company for the construction of a facility in the city of Turkestan in the amount of 2,200,000 thousand Tenge.

32. OTHER OPERATING INCOME

Other operating income for the years ended 31 December 2020 and 2019 is as follows:

In thousands of Tenge	**2020**	2019
Income from fines and penalties	**1,497,383**	867,020
Income from revision of estimates and reversal of provision on asset retirement and land recultivation obligation *(Note 27)*	**1,112,046**	–
Amortization of deferred revenue	**267,758**	246,812
Income from sale of inventories, net	**127,934**	39,580
Income from sale of non-current assets held for sale, net *(Note 18)*	**63,446**	34,624
Income from recognition of inventories	**8,512**	74,338
Income from reimbursement of insurance payment	**496**	127,013
Other income	**90,415**	169,064
Total	**3,167,990**	1,558,451

33. OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**2020**	2019
Loss on write-off of VAT on disposed property, plant and equipment	**1,823,703**	865,265
Charge/(reversal) of current provisions, net *(Note 27)*	**765,026**	(90,740)
Impairment of non-current assets held for sale *(Note 18)*	**232,631**	960,743
Actuarial loss *(Note 21)*	**188,150**	77,964
Loss on disposal of property, plant and equipment and intangible assets, net	**118,644**	73,809
Reversal of provision and revision of estimates on provision on asset retirement and land recultivation obligation, net *(Note 27)*	**–**	1,445,338
Other expenses	**475,454**	374,574
Total	**3,603,608**	3,706,953

34. FINANCE INCOME

Finance income for the years ended 31 December 2020 and 2019 is as follows:

In thousands of Tenge	**2020**	2019
Interest income on bank deposits and current accounts	**2,658,267**	2,356,914
Income from revision the fair value of bonds *(Note 19)*	**221,984**	165,251
Unwinding of discount on long-term receivables	**13,736**	136,479
Income from termination of lease of right-of-use assets	**3,905**	–
Other finance income	**156,612**	16,833
Total	**3,054,504**	2,675,477

35. FINANCE COSTS

Finance costs for the years ended 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**2020**	2019
Unwinding of discount on asset retirement and land recultivation obligation *(Note 27)*	**2,092,937**	1,891,996
Interest cost on employee benefit obligations *(Note 21)*	**1,166,996**	1,182,087
Unwinding of discount on lease liabilities *(Note 24)*	**494,662**	638,724
Charge of allowance for expected credit losses of cash and cash equivalents, bank deposits, net *(Notes 16 and 17)*	**19,307**	35,283
Accrual of discount on long-term accounts receivables	**–**	136,100
Other finance costs	**1,404**	–
Total	**3,775,306**	3,884,190

36. INCOME TAX EXPENSE

Income tax expense for the years ended 31 December 2020 and 2019 is as follows:

In thousands of Tenge	**2020**	2019
Current income tax expense	**17,245,410**	18,274,732
Changes in estimates of current income tax of the prior periods	**69,953**	(83,663)
Deferred income tax benefits	**(4,179,652)**	(4,236,858)
Income tax expense	**13,135,711**	13,954,211

A reconciliation of income tax expense on accounting profit, multiplied by income tax rate and current income tax expense for the years ended 31 December 2020 and 2019 is as follows:

In thousands of Tenge	**2020**	2019
Profit before income tax	**69,089,609**	59,075,649
Statutory rate	**20%**	20%
Income tax expense on accounting profit	**13,817,922**	11,815,130
Changes in estimates of current income tax of the prior periods	**69,953**	(83,663)
Non-deductible losses and non-taxable income of foreign operations, net	**461,358**	–
Non-deductible expense on long-term employee benefit obligations	**409,939**	276,396
Differences in tax rates	**–**	2,808,506
Non-deductible loss on write of VAT recoverable	**388,728**	191,400
Gain on surplus of technological oil	**123,695**	789,688
Representative expenses and holiday events	**–**	76,146
Non-deductible fines	**247**	63,304
Revision of estimates on taxable temporary differences related to property, plant and equipment	**(212,064)**	281,813
Other (non-taxable)/non-deductible expenses, net	**21,995**	463,171
Tax effect of other adjustments		
Profit of joint ventures recognized based on equity method	**(1,946,062)**	(2,727,680)
Income tax expense reported in the consolidated statement of comprehensive income	**13,135,711**	13,954,211

Starting from 1 January 2020 amendments to the Tax Code of the Republic of Kazakhstan came into force in terms of taxation of controlled foreign companies (hereinafter – "CFC").

According to the Tax Code a CFC is an entity which meets the following conditions at the same time: 1) a non-resident legal entity; 2) 25 and more percent of the participation interest (voting shares) in the entity directly or indirectly, or constructively belong to a legal entity or an individual which is the resident of the Republic of Kazakhstan; 3) the effective income tax rate of a non-resident legal entity is less than 10 percent.

36. INCOME TAX EXPENSE (continued)

The profit of CFC indicated in its separate financial statements is a subject of income tax for resident company of the Republic of Kazakhstan.

The Group’s management has analysed and determined that the following companies of the Group fall under the definition of CFC: BOT, PTL and BSP. In this respect, the Company, as the parent company of the Group, has included in its taxable income for 2020 the profits of BSP and PTL. BOT’s figures are not included in the Company’s taxable income as BOT recognized a net loss in its separate financial statements for 2020.

In accordance with provisions of the Tax Code of the Republic of Kazakhstan that was effective until 1 January 2020, the profits of non-resident companies of the Group were not included in the taxable income of the Company since the Republic of Kazakhstan has international treaties concluded with Georgia and the United Arab Emirates that regulate issues of double taxation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

36. INCOME TAX EXPENSE (continued)

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

In thousands of Tenge	**31 December 2020**	**Charged to profit and loss**	**Charged to other comprehen-sive income**	**Other**	31 December 2019	Charged to profit and loss	Charged to other comprehen-sive income	Other	Charged to retained earnings	1 January 2019
Deferred tax assets										
Employee benefits and other employee compensation and related costs *(Note 20)*	**2,270,557**	**(21,351)**	**116,009**	**(81)**	2,175,980	170,964	51,467	(13)	–	1,953,562
Reserve for impairment of advances to suppliers	**10,781**	**–**	**–**	**–**	10,781	–	–	–	–	10,781
Provision for obsolete and slow-moving inventories	**40,855**	**(3,386)**	**–**	**–**	44,241	40,888	–	–	–	3,353
Provision for assets retirement and land recultivation obligation	**6,737,767**	**196,178**	**903,224**	**82,188**	5,556,177	667,465	666,831	–	–	4,221,881
Provision for environmental protection and other provisions	**61**	**(8,758)**	**–**	**–**	8,819	594	–	–	–	8,225
Lease liabilities	**682,059**	**(280,486)**	**–**	**39,076**	923,469	(179,197)	–	–	1,102,666	–
Taxes payable	**141,817**	**22,652**	**–**	**–**	119,165	(6,751)	–	–	–	125,916
Revaluation of investments in bonds	**138,783**	**61,538**	**–**	**–**	77,245	(24,359)	–	–	–	101,604
Transfer of losses for subsequent periods	**2,464,878**	**913,214**	**–**	**–**	1,551,664	856,708	–	–	–	694,956
Unrealized income from intragroup transactions	**87,063**	**(178,797)**	**–**	**–**	265,860	(135,961)	–	–	–	401,821
Provision for expected credit losses	**241,732**	**25,044**	**–**	**–**	216,688	36,110	–	–	–	180,578
Discount on long-term accounts receivables	**227,929**	**1,172**	**–**	**–**	226,757	226,757	–	–	–	–
Total	**13,044,282**	**727,020**	**1,019,233**	**121,183**	11,176,846	1,653,218	718,298	(13)	1,102,666	7,702,677
Deferred tax liabilities										
Property, plant and equipment	**(74,756,641)**	**3,137,998**	**13,143,976**	**(77,475)**	(90,961,140)	2,367,392	(18,231,513)	–	–	(75,097,019)
Right-of-use assets	**(509,564)**	**314,634**	**–**	**(43,789)**	(780,409)	216,248	–	–	(996,657)	–
Total	**(75,266,205)**	**3,452,632**	**13,143,976**	**(121,264)**	(91,741,549)	2,583,640	(18,231,513)	–	(996,657)	(75,097,019)
Net deferred income tax liabilities	**(62,221,923)**	**4,179,652**	**14,163,209**	**(81)**	(80,564,703)	4,236,858	(17,513,215)	(13)	106,009	(67,394,342)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

36. INCOME TAX EXPENSE (continued)

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

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

37. SEGMENT INFORMATION

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

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

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

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

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

37. SEGMENT INFORMATION (continued)

	For the year ended 31 December 2020						For the year ended 31 December 2019					
In thousands of Tenge	**Oil transportation and related services (Kazakhstan)**	**Oil transshipment (Georgia)**	**Water transportation (Kazakhstan)**	**Other**	**Adjustments and exceptions**	**Total segments (consolidated)**	Oil transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Water transportation (Kazakhstan)	Other	Adjustments and exceptions	Total segments (consolidated)
Revenue												
External customers	**214,720,810**	**6,152,285**	**6,645,814**	**7,703,173**	**–**	**235,222,082**	222,031,669	4,437,846	7,583,378	5,573,057	–	239,625,950
Intersegmental	**771,041**	**–**	**77,076**	**–**	**(848,117)**	**–**	845,333	–	83,048	–	(928,381)	–
Total revenue	**215,491,851**	**6,152,285**	**6,722,890**	**7,703,173**	**(848,117)**	**235,222,082**	222,877,002	4,437,846	7,666,426	5,573,057	(928,381)	239,625,950
Financial results												
Reversal/(charge) of impairment of property, plant and equipment and intangible assets through profit and loss	**(35,182)**	**49,202**	**–**	**–**	**–**	**14,020**	2,248,788	(11,696,677)	(2,245,133)	(1,492,045)	–	(13,185,067)
Impairment of investments in subsidiaries	**(3,534,256)**	**–**	**–**	**–**	**3,534,256**	**–**	(16,205,432)	–	–	–	16,205,432	–
Depreciation and amortization	**(49,286,407)**	**(822,372)**	**(3,695,387)**	**(986,929)**	**–**	**(54,791,095)**	(48,371,061)	(1,511,187)	(3,090,401)	(917,739)	–	(53,890,388)
Interest income	**2,110,771**	**46,308**	**354,411**	**146,777**	**–**	**2,658,267**	2,080,787	21,441	155,140	99,546	–	2,356,914
Share in income of joint ventures	**9,730,312**	**–**	**–**	**–**	**–**	**9,730,312**	13,638,401	–	–	–	–	13,638,401
Income tax (expense)/benefits	**(13,911,276)**	**–**	**911,068**	**(68,634)**	**(66,869)**	**(13,135,711)**	(15,255,873)	–	1,394,707	(74,277)	(18,768)	(13,954,211)
Segment profit/(loss) for the period	**55,346,099**	**(2,468,769)**	**(3,825,374)**	**3,615,299**	**3,286,643**	**55,953,898**	46,982,093	(13,671,522)	(4,391,173)	(67,002)	16,269,042	45,121,438
Other disclosures												
Total assets	**774,775,719**	**38,864,304**	**59,337,371**	**16,914,690**	**(30,729,683)**	**859,162,401**	850,670,882	34,273,177	37,714,300	17,833,668	(27,678,557)	912,813,470
Total liabilities	**188,729,640**	**8,339,490**	**1,751,086**	**11,120,863**	**(3,296,939)**	**206,644,140**	193,054,249	5,450,760	1,496,097	12,040,490	(2,207,092)	209,834,504
Investments in joint ventures *(Note 9)*	**63,422,815**	**–**	**–**	**–**	**–**	**63,422,815**	55,015,339	–	–	–	–	55,015,339
Capital expenditures	**47,033,059**	**1,088,228**	**1,031,386**	**709,084**	**(115,009)**	**49,746,748**	40,984,572	393,973	687,081	537,933	(146,809)	42,456,750
Property, plant and equipment	**47,027,731**	**1,076,238**	**1,019,470**	**702,469**	**(114,810)**	**49,711,098**	40,794,706	393,973	687,081	536,784	(146,809)	42,265,735
Intangible assets	**5,328**	**11,990**	**11,916**	**6,615**	**(199)**	**35,650**	189,866	–	–	1,149	–	191,015

38. RELATED PARTY TRANSACTIONS

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

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

The following tables provide the total amount of transactions, which have been entered into with related parties during 2020 and 2019 and the related balances as at 31 December 2020 and 2019.

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

In thousands of Tenge	**Notes**	**31 December 2020**	31 December 2019
Trade and other accounts receivable from related parties			
Trade accounts receivable from joint ventures		**969,932**	931,715
Trade accounts receivable from entities under common control of KMG		**535,390**	639,045
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		**460,816**	875,953
Total trade accounts receivable from related parties	12	**1,966,138**	2,446,713
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group		**509**	509
Total other accounts receivable from related parties	12	**509**	509
Less: allowance for expected credit losses		**(5,055)**	(4,586)
Total		**1,961,592**	2,442,636

Advances provided to related parties are as follows:

In thousands of Tenge	**Notes**	**31 December 2020**	31 December 2019
Advances paid to related parties			
Advances paid to entities under common control of KMG		**394,336**	548,107
Advances paid to entities under common control of Samruk-Kazyna Group		**1,104**	1,105
Total advances paid to related parties	13	**395,440**	549,212

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

In thousands of Tenge	**Notes**	**31 December 2020**	31 December 2019
Trade accounts payable to related parties for goods and services			
Trade accounts payable to entities under common control of Samruk-Kazyna Group		**1,087,746**	2,919,074
Trade accounts payable to entities under common control of KMG		**507,202**	815,957
Trade accounts payable to joint ventures		**12,760**	8,684
Total trade accounts payable to related parties for goods and services	23	**1,607,708**	3,743,715
Other payables to entities under common control of Samruk Kazyna Group		**–**	2,344
Other payables to joint ventures		**–**	1,837
Other payables to entities under common control of KMG		**–**	–
Total other payables to related parties for goods and services	23	**–**	4,181
Total trade and other accounts payable to related parties for goods and services		**1,607,708**	3,747,896

38. RELATED PARTY TRANSACTIONS (continued)

Advances received from related parties are as follows:

In thousands of Tenge	Notes	31 December 2020	31 December 2019
Advances received from related parties			
Advances from entities under common control of KMG		**12,896,046**	10,979,288
Advances from entities under common control of Samruk-Kazyna Group		**255,946**	241,608
Total advances received from related parties	25	**13,151,992**	11,220,896

Other current liabilities to related parties are as follows:

In thousands of Tenge	Notes	31 December 2020	31 December 2019
Accounts payable for oil transportation coordination services to related parties			
Accounts payable for oil transportation coordination services to entities under common control of KMG		**7,701,845**	8,193,956
Total of accounts payable for oil transportation coordination services to related parties	28	**7,701,845**	8,193,956
Employee benefits obligation of key management personnel			
Employee benefits obligation of key management personnel		**62,412**	52,873
Total employee benefits obligation of key management personnel		**62,412**	52,873
Total other current liabilities to related parties		**7,764,257**	8,246,829

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

	For the year ended 31 December	
In thousands of Tenge	2020	2019
Sales to related parties		
Revenue from main activities with entities under common control of KMG	**122,418,453**	127,191,643
Revenue from main activities with joint ventures	**10,147,818**	9,473,092
Revenue from main activities with entities under common control of Samruk-Kazyna Group	**7,401,728**	7,824,032
Income from other activities with entities under common control of KMG	**65,916**	534,291
Income from other activities with entities under common control of Samruk-Kazyna Group	**42,856**	31,880
Income from other activities with joint ventures	**–**	950
Total	**140,076,771**	145,055,888

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

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

	For the year ended 31 December	
In thousands of Tenge	2020	2019
Purchases from related parties		
Purchases of services from entities under common control of KMG	**5,476,823**	5,892,343
Purchases of property, plant and equipment from entities under common control of Samruk-Kazyna Group	**2,665,102**	16,608,319
Purchases of services from entities under common control of Samruk-Kazyna Group	**1,873,448**	2,675,196
Purchases of services from joint ventures	**134,193**	84,103
Purchases of property, plant and equipment and intangible assets from entities under common control of KMG	**9,657**	204,201
Purchases of inventory from entities under common control of Samruk-Kazyna Group	**180**	–
Purchases of inventory from entities under common control of KMG	**153**	572,619
Total	**10,159,556**	26,036,781

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. RELATED PARTY TRANSACTIONS (continued)

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

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

	For the year ended 31 December	
In thousands of Tenge	**2020**	2019
Cash flows to related parties		
Dividends paid to the KMG *(Note 20)*	**40,848,301**	36,001,892
Total	**40,848,301**	36,001,892

Total accrued compensation to key management personnel for the year ended 31 December 2020 amounts to 793,977 thousand Tenge (for the year ended 31 December 2019: 887,705 thousand Tenge). Payments to key personnel consist primarily of payroll costs and remuneration established by contracts and Company's internal regulations.

39. CONTINGENT LIABILITIES AND COMMITMENTS

Operating environment

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

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

Coronavirus pandemic (COVID-19)

In connection with the spread of the coronavirus (COVID-19) pandemic, many countries, including the Republic of Kazakhstan, introduced quarantine measures, which 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 mitigate its consequences could affect the activities of companies from various industries. However, at the moment the Group's management is unable to estimate with a reasonable degree of certainty the effect of such influence on the future activities of the Group.

Taxation

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

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

Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued as at 31 December 2020. As at 31 December 2020 the Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

Transfer pricing control

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

39. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Taxation (continued)

Transfer pricing control (continued)

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

Because of the uncertainties associated with the Kazakhstan transfer pricing legislation, there is a risk that the tax authorities may take a position that differs from the Group's position, which could result in additional taxes, fines and interest as at 31 December 2020.

As at 31 December 2020 the Management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained.

Tax liabilities of enterprises in Georgia

In 2015 Georgian Tax Authorities (hereinafter – "GTA") additionally accrued taxes and fines in the amount of 2,224 thousand US Dollars (equivalent to 936,104 thousand Tenge) as a result of tax inspections of BSP for the period of 2010-2014. As a result of appeals of the GTA's decisions to the authorised bodies of the Revenue Service of Georgia, carried out in the period from 2015 to 2020, the amount of additional taxes and fines assessed was reduced and as of 31 December 2020 amounted to 1,805 thousand US Dollars (equivalent to 759,743 thousand Tenge).

The management of BOT Group, based on an analysis of local tax legislation and current practice on similar tax proceedings, at the end of 2016 recognized tax liabilities in the amount of 701 thousand US Dollars (equivalent to 295,058 thousand Tenge) and accrued provisions for taxes in the amount of 409 thousand US Dollars (equivalent to 172,152 thousand Tenge). The remaining amount of 1,104 thousand US Dollars (equivalent to 464,685 thousand Tenge) was not recognized as additional liabilities, since the management believes that BSP's appeal will be successful and estimates the possibility of an outflow of financial resources in this regard as being remote. As at 31 December 2020 an appeal on this issue is in the Kutaisi City Court.

Environmental obligations

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

Insurance matters

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

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

Contractual commitments

As at 31 December 2020 the Group had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 42,183,935 thousand Tenge (31 December 2019: 22,828,704 thousand Tenge).

Share of the Company as at 31 December 2020 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services amounted to 2,901,809 thousand Tenge (31 December 2019: 8,193,937 thousand Tenge).

39. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Investment program commitments of the Company

As at 31 December 2019 the Company had an unfulfilled obligation under the approved investment program for 2015-2019 for the total amount of 26.6 billion Tenge. This amount (in the share attributable to the service of pumping oil to the domestic market of the Republic of Kazakhstan) in accordance with the requirement of the legislation of the Republic of Kazakhstan on natural monopolies, was considered by CRNM in the approved tariff for the regulated service for pumping oil to the domestic market of the Republic of Kazakhstan through the main pipeline system of the Company for 2021-2025 (order of CRNM No. 71-OD dated 27 November 2020).

In addition, in November 2020, by a joint order of the Ministry of Energy of the Republic of Kazakhstan and the CRNM, an investment program for 2021-2025 was approved, according to which the obligation to fulfill is 214 billion Tenge.

Investment program commitments of joint venture

In accordance with the order of the head of the Department of the Committee for the Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan for Almaty (hereinafter − "the Authorized Body") dated 27 August 2020, from 1 October 2020 to 30 September 2022, the temporary compensating tariffs were approved to the KCP service for pumping oil. The basis for the approval of the temporary compensating tariffs was the non-performance of certain measures of the investment program of the KCP for 2015-2019. The amount of compensation (unjustified income) according to Authorised Body's calculations amounted to 29 billion Tenge (the Company's share is 14.5 billion Tenge).

The non-performance of certain measures of the investment program by KCP is due to a shortage of funds associated with a decrease in the volume of oil transportation to the domestic market and a change in the exchange rate of the national currency against the US Dollar during the period of the specified investment program, which led to an increase in the financial burden for servicing the KCP foreign currency loan.

On 18 September 2020 the KCP submitted an application (complaint) to cancel the specified above order to the CRNM. By the letter of the CRNM dated 5 November 2020 the application (complaint) of KCP was denied. On 5 November 2020 the KCP submitted an application for challenging the order of the Authorized Body to the Specialized interdistrict economic court (SIEC) of Almaty city. According to the decision of SIEC dated 23 December 2020 was declared illegal. On 26 January 2021 the Authorised Body filed an application to appeal against the decision of the SIEC to the Almaty city court.

In accordance with the Law of the Republic of Kazakhstan *On Legal Acts*, submission of an application for cancellation of the order to a higher state body or court suspends its effect until an appropriate decision is made.

Based on the results of the analysis of the impact of the application of temporary compensating tariffs on the value of the assets of KCP and the Company, no impairment was identified.

Legal proceedings

Legal proceedings BOT with business counterparties

On 19 December 2016 the proposal from the law enforcement agencies of Georgia on the implementation of the court ruling was received, which contains the claim of business counterparties of BOT (hereinafter − "plaintiffs") that BOT should not use its dominant position in the market, as well as the requirements on conclusion of the agreement on services. According to this definition, the court decided to arrest the property owned by BOT − the land plot (c. Batumi) and buildings and constructions located on it. The total carrying amount of this property as at 31 December 2020 was 4.85 million US Dollars (equivalent to 2,041 million Tenge). This arrest restricts the alienation of the arrested property, but does not affect the operational and economic activities of BOT. On 23 December 2016, BOT appealed the above decision in the Tbilisi City Court. The BOT management believes that the plaintiffs' claims against the BOT are unfounded and sent to the court a response on the statement of claim with the position of the BOT in this case.

On 12 February 2019, the Tbilisi City Court decided in favor of the plaintiffs, and also partially satisfied the claim of the BOT. As a result of the court decision, BOT's net liabilities to business counterparties amounted to 15.65 million US Dollars (equivalent to 6.587 million Tenge). On 27 February 2020 the Tbilisi Court of Appeal cancelled the decision dated 12 February 2019 and redirected the case to the court of first instance. Taking into account the decision of the Tbilisi Court of Appeal as at 31 December 2020 the Group's management did not recognize additional obligations in these proceedings. As at 31 December 2020 BOT continues litigation on this issue in the court of first instance.

39. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Legal proceedings (continued)

Claim of business counterparty to BOT

In 2014 BOT and a business counterparty (Buyer) concluded construction agreements, according to which the Buyer acquired the rights on constructing the reservoirs on the territory of BOT and on BOT's cargo transshipments services. According to the Buyer, BOT is not complying with the terms of these agreements, in this connection the legal proceeding has been initiated.

On the basis of a court ruling dated 21 October 2020 as security for the Buyer's claim, BOT's funds placed on accounts in Georgian banks were seized. The specified court ruling was adopted at the request of the Buyer to prohibit the creation of obstacles by BOT and compensation for damage in the form of lost income in the amount of 12.5 million US Dollars (equivalent to 5,261 million Tenge).

By a court ruling dated 19 November 2020, the Buyer's claim was left without consideration, the dispute was terminated, all arrests and restrictions were lifted.

Legal proceedings of BOT against the Georgian Railway

In 2005, Georgian Railway JSC (hereinafter – "GR") filed a claim to the Tbilisi City Court against BOT for the recovery of the 14 million Lari (equivalent to 1,805 million Tenge) for using tank wagons and storing cargo due to idle tank wagons in dead ends of BOT in the period related to 2003. On 16 April 2019 the Tbilisi City Court partially satisfied the claim of the GR in the amount of 8.4 million Lari (equivalent to 1,083 million Tenge). On 16 April 2020 BOT filed a cassation appeal to the Supreme Court of Georgia. As of 31 December 2020 the Group did not recognize any additional commitments on this matter, as management assesses the risk of an outflow of financial resources as possible.

The risk of termination of the BSP management agreement

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

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

The management of the Group believes, as at 31 December 2020, BSP was not subject to the risk of termination of this agreement by the Georgia Government, since the actual transshipment through the BSP for 2020 amounted to 5.873 million tons (as at 31 December 2019: 5.9 million tons). In accordance with the Agreement based on the actual volumes for 2020, a reserve was created for expected fines in the amount of 13 thousand US Dollars (equivalent to 5,472 thousand Tenge).

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Credit risk

The Group enters into transactions with known and creditworthy parties only. In accordance with the Group's policy, all clients wishing to trade on a commercial loan terms are subject to a credit check procedure. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Maximum exposure is the carrying amount. There are no significant concentrations of credit risk within the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

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

The table below shows the balances of bank deposits and cash and cash equivalents at the reporting date using the "Moody's", "Fitch" and "Standard & Poor's" credit ratings.

Bank	Location	Rating 31 December 2020	Rating 31 December 2019	31 December 2020	31 December 2019
"Halyk Bank of Kazakhstan" JSC	Kazakhstan	**BB+/Stable**	BB+/Positive	**79,906,160**	70,920,702
Halyk Bank of Georgia	Georgia	**BB/Stable**	BB/Positive	**1,766,559**	1,726,629
Emirates NBD Bank PJSC	UAE	**A+/Stable**	A+/Stable	**1,081,318**	299,950
TBC Bank	Georgia	**Ba2/Stable**	Ba2	**90,075**	495,837
Bank of Georgia	Georgia	**Ba2/Stable**	Ba3/Ba2	**47,984**	55,093
Hellenic Bank	Cyprus	**B3/Positive**	B+/Caa1	**30,726**	248,301
"Sberbank of Russia" JSC	Russia	**BBB/Stable**	Baa3	**3,413**	7,511
"ForteBank" JSC	Kazakhstan	**B/Stable**	B+/Stable	**424**	2,994,955
"Altyn Bank" JSC (SB China Citic Bank Corporation Ltd)	Kazakhstan	**BBB-/Stable**	–	**7**	–
Total				**82,926,666**	76,748,978

Liquidity risk

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

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2020 and 2019 based on contractual undiscounted payments.

In thousands of Tenge	On demand	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
As at 31 December 2020						
Trade and other accounts payable	**–**	**22,352,736**	**–**	**–**	**–**	**22,352,736**
Lease liabilities	**–**	**1,994,823**	**1,035,973**	**288,124**	**91,376**	**3,410,296**
Total	**–**	**24,347,559**	**1,035,973**	**288,124**	**91,376**	**25,763,032**
As at 31 December 2019						
Trade and other accounts payable	–	15,183,124	–	–	–	15,183,124
Other payables	5,000,000	–	–	–	–	5,000,000
Lease liabilities	–	1,912,220	1,811,043	982,616	97,786	4,803,665
Total	5,000,000	17,095,344	1,811,043	982,616	97,786	24,986,789

Currency risk

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

In thousands of Tenge	US Dollar	Russian Ruble	Euro	Other currencies	Total
At 31 December 2020					
Assets	**34,162,608**	**28,373**	**8,839**	**332,940**	**34,532,760**
Liabilities	**276,414**	**5,156**	**2,525**	**335,887**	**619,982**
At 31 December 2019					
Assets	51,086,579	34,485	22,573	2,100,802	53,244,439
Liabilities	787,685	77,358	45,475	747,198	1,657,716

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

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

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

In thousands of Tenge	**Increase/ decrease in US Dollar exchange rate**	**Effect on profit before tax**
2020		
US Dollar	**+14.00%**	**4,744,067**
	-11.00%	**(3,727,481)**
Russian Ruble	**+15.00%**	**3,483**
	-15,00%	**(3,483)**
Euro	**+14.00%**	**884**
	-11.00%	**(695)**
2019		
US Dollar	+12.00%	6,035,867
	-9.00%	(4,526,900)
Russian Ruble	+12.00%	(5,145)
	-12.00%	5,145
Euro	+12.00%	(2,748)
	-9.00%	2,061

Capital management

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

As at 31 December 2020 and 2019 the Group does not have significant debts. The Group has sufficient cash, exceeding its debt as at the reporting date.

Fair value of financial instruments

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

41. SUBSEQUENT EVENTS

Claim of business counterparty to BOT

On 5 February 2021 BOT received a claim from one of the business counterparties on compensation of unearned revenue for the amount 12.5 million US Dollars (equivalent to 5,248 million Tenge), as well as establishing fixed tariffs for transshipment, without the right to change them unilaterally. Earlier, in 2014 BOT and a business counterparty concluded construction agreements, according to which the business counterparty acquired the right to build tanks on the territory of BOT and for BOT services for cargo transshipment. According to the business counterparty BOT does not comply with the terms of these agreements, in connection with which it initiated the specified claims.

On 11 February 2021 BOT received Batumi city court ruling dated 27 January 2021 according to which as a security for this claim, a ban was imposed on the alienation and mortgage encumbrance on a land plot in Batumi with a carrying amount of 3.5 million US Dollars (equivalent to 1,470 million Tenge). BOT does not recognize the claims of the business counterparty and appealed on the specified-above court ruling to the Batumi City Court on 12 February 2021 and submitted a response to the claim of the business counterparty.

The right to tax lien/mortgage on the property of BOT

On 3 February 2021 BOT received a notification from the Audit Department of the Revenue Service of Georgia about the start of the inspection of BOT's activities. In the result of the inspection, a violation of customs clearance procedures on transshipment of oil products was revealed. In accordance with the protocols and requirements of the Customs Department of the Revenue Service of Ministry of Finance of Georgia dated 5 February 2021, fines and taxes were imposed on BOT in the amount of 4 million Lari (equivalent to 508 million Tenge). The Group accrued a provision on the amount of taxes and penalties in the consolidated financial statements for 2020.

In connection with the imposed taxes and fines, the notification of the Revenue Service of Ministry of Finance of Gerogia dated 9 February 2021 a tax lien/mortgage limitation was imposed on all types of BOT property. BOT management is working to transfer the tax lien/mortgage from the entire property of BOT to a land plot in Batumi with a book value of 4.4 million US Dollars (equivalent to 1,847 million Tenge).The BOT management intends to appeal against the taxes and fines presented in the established order. As of the date of issue of the consolidated financial statements, the audit of BOT activities by the state bodies of Georgia has not been completed.