

KazTransOil JSC

Interim condensed consolidated financial statements

For the three months ended 31 March 2019



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Report on review of interim financial information

Interim condensed consolidated financial statements

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Report on Review of Interim Financial Information

To the Shareholders of KazTransOil JSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of KazTransOil JSC and its subsidiaries, which comprise the interim consolidated statement of financial position as at 31 March 2019 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information of KazTransOil JSC and its subsidiaries is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young LLP



Gulmira Turmagambetova
Auditor / General director
Ernst and Young LLP

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29 May 2019



State audit license for audit activities on the
territory of the Republic of Kazakhstan:
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Kazakhstan on 15 July 2005

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of Tenge</i>	Note	31 March 2019 (unaudited)	31 December 2018 (audited)
Assets			
Non-current assets			
Property, plant and equipment	3	657,554,706	671,773,612
Right-of-use assets	4	4,977,407	–
Intangible assets	5	6,682,109	6,891,299
Investments in joint ventures	6	33,816,926	30,001,323
Advances to suppliers for property, plant and equipment	7	115,683	110,135
Long-term accounts receivable		82,089	82,987
Bank deposits	14	2,576,602	2,778,076
Investments in bonds	8	860,251	828,437
Other non-current assets		12,169	12,585
		706,677,942	712,478,454
Current assets			
Inventories	9	5,116,386	5,130,498
Trade and other accounts receivable	10	5,481,301	5,627,598
Advances to suppliers	11	1,435,434	744,873
Prepayment for income tax		2,155,587	961,849
VAT recoverable and other prepaid taxes	12	8,900,443	9,504,898
Other current assets	13	5,071,290	7,883,154
Bank deposits	14	32,370,126	25,424,203
Cash and cash equivalents	15	42,994,707	33,278,843
		103,525,274	88,555,916
Non-current assets held for sale	16	1,590,663	2,406,231
		105,115,937	90,962,147
Total assets		811,793,879	803,440,601

The accounting policy and explanatory notes on pages 8 through 38 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

<i>In thousands of Tenge</i>	Note	31 March 2019 (unaudited)	31 December 2018 (audited)
Equity and liabilities			
Equity			
Share capital		61,937,567	61,937,567
Treasury shares repurchased from shareholders		(9,549)	(9,549)
Asset revaluation reserve	17	234,939,621	243,588,977
Foreign currency translation reserve	17	38,876,351	39,572,764
Other capital reserves		(72,146)	(72,146)
Retained earnings		302,497,433	280,398,586
Total equity		638,169,277	625,416,199
Non-current liabilities			
Employee benefit obligations	18	13,343,475	12,940,911
Lease liabilities	22	3,405,632	-
Deferred tax liabilities	33	65,604,371	67,394,342
Provision for asset retirement and land recultivation obligation	24	21,564,668	21,109,397
Deferred income	19	8,271,512	8,423,897
		112,189,658	109,868,547
Current liabilities			
Employee benefit obligations	18	600,476	663,463
Income tax payable		1,326,340	1,348,926
Trade and other accounts payable	20	7,647,677	12,957,514
Advances received	21	20,305,768	20,660,210
Lease liabilities	22	1,696,325	-
Other taxes payable	23	6,670,744	6,056,874
Provisions	24	3,125,575	1,635,604
Other current liabilities	25	20,062,039	24,833,264
		61,434,944	68,155,855
Total liabilities		173,624,602	178,024,402
Total equity and liabilities		811,793,879	803,440,601
Book value per ordinary share (in Tenge)	17	1,642	1,608

Signed and approved for issue on 29 May 2019.

General Director (Chairman of the Management Board)



Dossanov D.G.

Chief Accountant



Sarmagambetova M.K.

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of Tenge</i>	Note	For the three months ended 31 March (unaudited)	
		2019	2018
Revenue	26	59,821,007	52,343,028
Cost of sales	27	(35,583,911)	(34,134,213)
Gross profit		24,237,096	18,208,815
General and administrative expenses	28	(5,269,007)	(3,361,256)
Other operating income	29	165,833	299,512
Other operating expenses	30	(969,474)	(169,128)
Operating profit		18,164,448	14,977,943
Net foreign exchange loss		(366,781)	(826,669)
Finance income	31	620,827	756,214
Finance costs	32	(900,709)	(613,716)
Share in income of joint ventures	6	4,214,097	5,338,852
Profit before income tax		21,731,882	19,632,624
Income tax expense	33	(3,668,921)	(3,516,321)
Net profit for the period		18,062,961	16,116,303
Earnings per share (in Tenge)	17	47	42

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

<i>In thousands of Tenge</i>	Note	For the three months ended 31 March (unaudited)	
		2019	2018
Other comprehensive income			
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods, net</i>			
Exchange difference from translation of foreign operations of the Group		(696,413)	(850,705)
Total other comprehensive loss to be reclassified to profit or loss in subsequent periods		(696,413)	(850,705)
<i>Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods</i>			
(Impairment)/revaluation of property, plant and equipment of the Group, net	3	(4,738,675)	28,507,189
Income tax effect	33	947,735	(5,701,438)
		(3,790,940)	22,805,751
Reversal of provision for asset retirement and land reclamation obligation of the Group			
	24	-	105,862
Income tax effect	33	-	(21,172)
		-	84,690
Charge of provision for asset retirement and land reclamation obligation of the joint ventures			
		-	(180,238)
Income tax effect		-	36,048
	6	-	(144,190)
Total other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods, net		(3,790,940)	22,746,251
Total other comprehensive (loss)/income for the period, net of tax		(4,487,353)	21,895,546
Total comprehensive income for the period, net of tax		13,575,608	38,011,849

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General Director (Chairman of the Management Board)



Dossanov D.G.

Chief Accountant



Sarmagambetova M.K.

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In thousands of Tenge</i>	Note	For the three months ended 31 March (unaudited)	
		2019	2018
Cash flows from operating activities			
Profit before income tax		21,731,882	19,632,624
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortization	27, 28	13,802,364	13,116,895
Share in income of joint ventures	6	(4,214,097)	(5,338,852)
Charge of other current provisions	24	1,497,039	126,675
Impairment of non-current assets held for sale	30	960,745	–
Finance costs	32	900,709	613,716
Finance income	31	(620,827)	(756,214)
Unrealized foreign exchange loss		366,781	937,914
Employee benefits obligations, current service costs	27, 28	136,097	126,412
(Reversal)/charge of expected credit losses, net	28	(125,903)	126,376
Revision of estimates on provision for asset retirement and land reclamation obligation	29	–	(172,438)
Others		1,043	(17,508)
Operating cash flows before working capital changes		34,435,833	28,395,600
(Increase)/decrease in operating assets			
Inventories		(204,916)	(836,307)
Trade and other accounts receivable		231,834	1,504,312
Advances to suppliers		(693,027)	(2,440,301)
VAT recoverable and other prepaid taxes		258,094	(184,420)
Other current assets		2,815,163	2,990,666
Increase/(decrease) in operating liabilities			
Trade and other accounts payable		(2,648,454)	(182,533)
Advances received		(353,838)	580,036
Other taxes payable		582,139	(99,574)
Other current and non-current liabilities and employee benefit obligations		(4,903,221)	(4,503,675)
Cash generated from operating activities		29,519,607	25,223,804
Income taxes paid		(5,520,532)	(4,759,800)
Interest received		552,376	927,251
Net cash flows from operating activities		24,551,451	21,391,255

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In thousands of Tenge</i>	Note	For the three months ended 31 March (unaudited)	
		2019	2018
Cash flows from investing activities			
Placement of bank deposits		(13,974,360)	(3,201,000)
Withdrawal of bank deposits		7,009,689	10,370,016
Purchase of property, plant and equipment		(6,753,434)	(14,260,684)
Proceeds from bonds redemption	8	14,986	-
Proceeds from disposal of property, plant and equipment		10,207	-
Purchase of intangible assets		-	(4,729)
Net cash flows used in investing activities		(13,692,912)	(7,096,397)
Cash flows from financing activities			
Payment of lease liabilities	22	(1,079,519)	-
Net cash flows used in financing activities		(1,079,519)	-
Net change in cash and cash equivalents		9,779,020	14,294,858
Net foreign exchange difference		(62,137)	(253,750)
Change in allowance for expected credit losses		(1,019)	-
Cash and cash equivalents at the beginning of the period		33,278,843	40,870,527
Cash and cash equivalents at the end of the period	15	42,994,707	54,911,635

Signed and approved for issue on 29 May 2019.

General Director (Chairman of the Management Board)



Dossanov D.G.

Chief Accountant



Sarmagambetova M.K.

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In thousands of Tenge</i>	Share capital	Treasury shares repurchased from shareholders	Asset revaluation reserve	Foreign currency translation reserve	Other capital reserves	Retained earnings	Total
As at 31 December 2018 (audited)	61,937,567	(9,549)	243,588,977	39,572,764	(72,146)	280,398,586	625,416,199
Change in accounting policy (Notes 4, 6, 22 and 33)	-	-	-	-	-	(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 period	-	-	-	-	-	18,062,961	18,062,961
Other comprehensive loss	-	-	(3,790,940)	(696,413)	-	-	(4,487,353)
Total comprehensive income/(loss) for the period	-	-	(3,790,940)	(696,413)	-	18,062,961	13,575,608
Amortization of revaluation reserve for revalued property, plant and equipment	-	-	(4,858,416)	-	-	4,858,416	-
As at 31 March 2019 (unaudited)	61,937,567	(9,549)	234,939,621	38,876,351	(72,146)	302,497,433	638,169,277
As at 31 December 2017 (audited)	61,937,567	(9,549)	226,395,595	33,068,230	(623,415)	278,922,619	599,691,047
Change in accounting policy (Notes 6, 10, 14 and 15)	-	-	-	-	-	(64,542)	(64,542)
As at 1 January 2018 (restated)	61,937,567	(9,549)	226,395,595	33,068,230	(623,415)	278,858,077	599,626,505
Net profit for the period	-	-	-	-	-	16,116,303	16,116,303
Other comprehensive income/(loss)	-	-	22,746,251	(850,705)	-	-	21,895,546
Total comprehensive income/(loss) for the period	-	-	22,746,251	(850,705)	-	16,116,303	38,011,849
Amortization of revaluation reserve for revalued property, plant and equipment	-	-	(5,854,842)	-	-	5,854,842	-
As at 31 March 2018 (unaudited)	61,937,567	(9,549)	243,287,004	32,217,525	(623,415)	300,829,222	637,638,354

Signed and approved for issue on 29 May 2019.

General Director (Chairman of the Management Board)



Dossanov D.G.

Chief Accountant

Sarmagambelova M.K.

The accounting policy and explanatory notes on pages 8 through 38 form an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2019

1. GENERAL INFORMATION

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 NOTC” CJSC shares to TNG, and, as a result, “KazTransOil NOTC” CJSC was re-registered and renamed “KazTransOil” Closed Joint Stock Company.

On 31 May 2004, in accordance with the requirements of Kazakhstani legislation, Closed Joint Stock Company “KazTransOil” was re-registered as “KazTransOil” Joint Stock Company (hereinafter – Company).

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

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

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

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

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

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

The Company’s head office is located in Nur-Sultan, Kazakhstan, at 20 Turan Avenue. The Company has production facilities, which are located in Mangystau, Atyrau, Western-Kazakhstan, Aktubinsk, Karaganda, Pavlodar, Turkestan, North – Kazakhstan regions of Republic of Kazakhstan and in Shymkent, also the Company has a branch, which is located in Almaty (Research and Development Centre) and representative offices in Russian Federation (Moscow, Omsk and Samara).

The Company is the national operator of the Republic of Kazakhstan on the main oil pipeline. The Group operates network of main oil pipelines of 5,378 km and water pipelines of 1,945 km. Also the Group is engaged in transportation, storage, loading, transshipment and transfer of crude oil to other related pipeline systems. 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 – CRNMPCandCR). CRNMPCandCR is responsible for approving the methodology for calculating the tariff and tariff rates, which serve as a base for receiving major part of the Group’s revenue in domestic market of the Republic of Kazakhstan.

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 is excluded from the regulation of natural monopolies.

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

1. GENERAL INFORMATION (continued)

From 1 October 2015 order of CRNMPCandCR dated 21 August 2015 approved the maximum tariffs for pumping oil on the domestic market for 2015-2019 in the amount of:

- In 2015 – 3,225.04 Tenge per ton for 1,000 kilometers without VAT;
- In 2016 – 3,547.46 Tenge per ton for 1,000 kilometers without VAT;
- In 2017 – 3,902.13 Tenge per ton for 1,000 kilometers without VAT;
- In 2018 – 4,292.40 Tenge per ton for 1,000 kilometers without VAT;
- In 2019 – 4,721.72 Tenge per ton for 1,000 kilometers without VAT*.

* *The rate came into effect on 1 January 2019.*

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

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

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

Tariffs for transportation of Russian oil to Republic of Uzbekistan through the territory of Republic of Kazakhstan is 25.12 US Dollars per ton.

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

These interim condensed 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 29 May 2019.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES**Basis of preparation**

These interim condensed consolidated financial statements for the three months ended 31 March 2019 have been prepared in accordance with International Financial Reporting Standards (hereafter –IFRS) IAS 34 *Interim Financial Reporting*.

These interim condensed 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 these interim condensed consolidated financial statements.

Interim condensed consolidated financial statements do not include all information and disclosures required for annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

The interim condensed consolidated financial statements are presented in Tenge and all values are rounded to the nearest thousand, except for the book value of ordinary shares, earnings per share and when otherwise indicated. 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” LLP 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (continued)

New and amended standards and interpretations applied by the Group

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

Some amendments are applied for the first time in 2019. The nature and the impact of each new standard and amendment are described below:

IFRS 16 Leases

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

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

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

a) Nature of the effect of adoption of IFRS 16

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

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

Leases previously accounted for as operating leases

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (continued)

New and amended standards and interpretations applied by the Group (continued)

IFRS 16 Leases (continued)

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

Leases previously accounted for as operating leases (continued)

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

<i>In thousands of Tenge</i>	1 January 2019
Assets (unaudited)	
Right-of-use assets (Note 4)	4,983,284
Investments in joint ventures (Note 6)	(398,494)
Total assets	4,584,790
Liabilities (unaudited)	
Lease liabilities (Note 22)	5,513,329
Deferred tax liabilities (Note 33)	(106,009)
Total liabilities	5,407,320
Share capital (unaudited)	
Retained earnings	(822,530)
Total	(822,530)

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

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

b) Summary of new accounting policies

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

Right-of-use assets

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (continued)

New and amended standards and interpretations applied by the Group (continued)

IFRS 16 Leases (continued)

b) Summary of new accounting policies (continued)

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

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

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

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

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

- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*;
- Amendments to IFRS 9: *Prepayment Features with Negative Compensation*;
- Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*;
- Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures*;
- Annual improvements 2015-2017 cycle:
 - IFRS 3 *Business Combinations*;
 - IFRS 11 *Joint Arrangements*;
 - IAS 12 *Income Taxes*;
 - IAS 23 *Borrowing Costs*.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (continued)

Seasonality of operations

The Group's operating costs are subject to seasonal fluctuations, with higher expenses for materials and repair, maintenance and other services usually expected in the latter part of the year. These fluctuations are mainly due to the pipeline repairs that are performed mainly during the second half of the year. Purchase of inventory is mainly made in the first half of the year.

Foreign currency translation

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 three months ended 31 March 2019 and 2018 are as follows:

<i>Tenge</i>	For the three months ended 31 March	
	2019	2018
US Dollars	378.04	323.15
Russian Rubles	5.73	5.68
Euro	429.41	397.36
Georgian Lari	142.40	131.00

As at 31 March 2019 and 31 December 2018 the currency exchange rates of KASE are:

<i>Tenge</i>	31 March 2019	31 December 2018
US Dollars	380.04	384.20
Russian Rubles	5.87	5.52
Euro	425.95	439.37
Georgian Lari	141.81	144.44

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. PROPERTY, PLANT AND EQUIPMENT

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

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
At revalued amount as at 31 December 2018 (audited)	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	(173,160)	-	(65,857)	(346,028)	(220,204)	-	(5,844)	(13,609)	(824,702)
Additions	-	-	-	-	10,866	-	14,009	4,706,737	4,731,612
Disposals	-	(2,761)	(33,428)	(29,920)	(365,666)	-	(47,017)	(1,200)	(479,992)
Impairment (through revaluation reserve)	-	-	-	-	-	(4,738,675)	-	-	(4,738,675)
Transfers to non-current assets held for sale (Note 16)	-	-	(339,156)	-	-	-	-	-	(339,156)
Transfers to intangible assets (Note 5)	-	-	-	-	-	-	-	(47,433)	(47,433)
Transfers from construction in progress	-	20,950	278,971	182,920	1,944,140	-	94,701	(2,521,682)	-
Transfers and reclassifications	-	-	(120,551)	-	118,325	-	2,225	-	-
At revalued amount as at 31 March 2019 (unaudited)	21,577,248	234,969,015	23,341,003	111,494,560	184,191,177	156,235,819	20,958,367	38,524,908	791,292,097
Accumulated depreciation and impairment as at 31 December 2018 (audited)	-	(35,420,503)	(5,469,079)	(17,643,196)	(51,697,315)	-	(10,682,006)	(304,732)	(121,216,831)
Foreign currency translation	-	-	16,668	63,878	51,288	-	2,429	-	134,263
Depreciation charge	-	(3,848,232)	(725,352)	(1,639,770)	(5,848,902)	-	(1,230,434)	-	(13,292,690)
Disposals	-	856	27,820	13,608	358,959	-	46,646	-	447,889
Transfers to non-current assets held for sale (Note 16)	-	-	189,978	-	-	-	-	-	189,978
Accumulated depreciation and impairment as at 31 March 2019 (unaudited)	-	(39,267,879)	(5,959,965)	(19,205,480)	(57,135,970)	-	(11,863,365)	(304,732)	(133,737,391)
As at 31 March 2019 (unaudited)									
At revalued amount	21,577,248	234,969,015	23,341,003	111,494,560	184,191,177	156,235,819	20,958,367	38,524,908	791,292,097
Accumulated depreciation and impairment	-	(39,267,879)	(5,959,965)	(19,205,480)	(57,135,970)	-	(11,863,365)	(304,732)	(133,737,391)
Net book value	21,577,248	195,701,136	17,381,038	92,289,080	127,055,207	156,235,819	9,095,002	38,220,176	657,554,706
As at 31 December 2018 (audited)									
At revalued amount	21,750,408	234,950,826	23,621,024	111,687,588	182,703,715	160,974,494	20,900,293	36,402,095	792,990,443
Accumulated depreciation and impairment	-	(35,420,503)	(5,469,079)	(17,643,196)	(51,697,315)	-	(10,682,006)	(304,732)	(121,216,831)
Net book value	21,750,408	199,530,323	18,151,945	94,044,392	131,006,400	160,974,494	10,218,287	36,097,363	671,773,612

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 March 2019 the initial cost and corresponding accumulated depreciation of fully depreciated, but still in use property, plant and equipment still in use were 2,399,194 thousand Tenge (31 December 2018: 1,158,467 thousand Tenge);

Due to significant changes in the oil price on domestic market, the fair value of the Group's technological oil as at 31 March 2019 was reduced for the amount of 4,738,675 thousand Tenge. Oil price as at 31 March 2019 was 61,160 Tenge per ton (31 December 2018: 63,015 tenge per ton), the volume of oil in pipelines, included in property, plant, and equipment, amounted 2,555 thousand tons (31 December 2018: 2,555 thousand tons);

The depreciation and amortization for three months ended 31 March 2019 included in the cost of construction in progress amounted to 7,622 thousand Tenge (for three months ended 31 March 2018: 8,844 thousand Tenge).

4. RIGHT-OF-USE ASSETS

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

<i>In thousands of Tenge</i>	Right-of-use assets:				Total
	Land	Transportation assets	Buildings and constructions	Machinery, equipment and transfer devices	
Net book value as at 31 December 2018 (audited)	–	–	–	–	–
Change in accounting policy (Note 2)	97,419	4,512,445	373,420	–	4,983,284
Additions (Note 22)	–	–	–	341,652	341,652
Amortization charge	(2,771)	(313,702)	(12,843)	(18,213)	(347,529)
Net book value as at 31 March 2019 (unaudited)	94,648	4,198,743	360,577	323,439	4,977,407
As at 31 March 2019 (unaudited)					
At cost	131,814	6,106,397	399,633	341,652	6,979,496
Accumulated amortization	(37,166)	(1,907,654)	(39,056)	(18,213)	(2,002,089)
Net book value	94,648	4,198,743	360,577	323,439	4,977,407

5. INTANGIBLE ASSETS

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

<i>In thousands of Tenge</i>	Licenses	Software	Right for land use	Other	Total
Net book value as at 31 December 2018 (audited)	385,291	1,242,087	5,232,792	31,129	6,891,299
Transfers from construction in progress (Note 3)	22,548	24,885	–	–	47,433
Amortization charge	(24,891)	(98,024)	(45,743)	(1,109)	(169,767)
Foreign currency translation	(1,453)	–	(85,403)	–	(86,856)
Net book value as at 31 March 2019 (unaudited)	381,495	1,168,948	5,101,646	30,020	6,682,109
As at 31 March 2019 (unaudited)					
At cost	1,039,894	5,516,559	9,011,493	93,276	15,661,222
Accumulated amortization and impairment	(658,399)	(4,347,611)	(3,909,847)	(63,256)	(8,979,113)
Net book value (unaudited)	381,495	1,168,948	5,101,646	30,020	6,682,109
As at 31 December 2018 (audited)					
At cost	1,021,657	5,499,098	9,160,850	93,276	15,774,881
Accumulated amortization and impairment	(636,366)	(4,257,011)	(3,928,058)	(62,147)	(8,883,582)
Net book value (audited)	385,291	1,242,087	5,232,792	31,129	6,891,299

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. INVESTMENTS IN JOINT VENTURES

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

<i>In thousands of Tenge</i>	KCP	MunaiTas	Total
As at 31 December 2018 (audited)	10,513,603	19,487,720	30,001,323
Change in accounting policy (Note 2)	(398,494)	–	(398,494)
Share in income of joint ventures	3,850,043	364,054	4,214,097
As at 31 March 2019 (unaudited)	13,965,152	19,851,774	33,816,926

Investments in joint ventures as at 31 March 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	KCP	MunaiTas	Total
As at 31 December 2017 (audited)	14,331,613	17,405,373	31,736,986
Change in accounting policy	(3,844)	(226)	(4,070)
Share in income of joint ventures	4,872,130	466,722	5,338,852
Share in other comprehensive loss of joint venture	(144,190)	–	(144,190)
As at 31 March 2018 (unaudited)	19,055,709	17,871,869	36,927,578

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

<i>In thousands of Tenge</i>	KCP			
	31 March 2019 (unaudited)		31 December 2018 (audited)	
	50%	100%	50%	100%
Assets and liabilities of joint ventures				
Current assets	15,241,683	30,483,366	18,224,069	36,448,138
Non-current assets	106,861,434	213,722,868	108,058,909	216,117,818
Current liabilities	(18,587,502)	(37,175,004)	(20,594,902)	(41,189,804)
Non-current liabilities	(89,550,463)	(179,100,926)	(95,174,473)	(190,348,946)
Net assets / net book value of investment	13,965,152	27,930,304	10,513,603	21,027,206
Additional information				
Cash and cash equivalents	5,356,633	10,713,266	8,754,456	17,508,912
Current portion of long-term bank loans	(14,096,522)	(28,193,044)	(15,411,861)	(30,823,722)
Long-term bank loans	(81,713,178)	(163,426,356)	(89,400,397)	(178,800,794)
Short-term lease liabilities	(163,141)	(326,282)	–	–
Long-term lease liabilities	(950,009)	(1,900,018)	–	–

<i>In thousands of Tenge</i>	MunaiTas			
	31 March 2019 (unaudited)		31 December 2018 (audited)	
	51%	100%	51%	100%
Assets and liabilities of joint ventures				
Current assets	9,042,746	17,730,875	9,688,754	18,997,557
Non-current assets	15,013,447	29,438,131	14,019,921	27,490,041
Current liabilities	(1,426,580)	(2,797,216)	(1,634,263)	(3,204,437)
Non-current liabilities	(2,777,839)	(5,446,743)	(2,586,692)	(5,071,945)
Net assets / net book value of investment	19,851,774	38,925,047	19,487,720	38,211,216
Additional information				
Cash and cash equivalents	8,772,109	17,200,214	9,485,812	18,599,631
Short-term lease liabilities	(105,688)	(207,231)	–	–
Long-term lease liabilities	(209,431)	(410,649)	–	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. INVESTMENTS IN JOINT VENTURES (continued)

<i>In thousands of Tenge</i>	KCP			
	For the three months ended 31 March (unaudited)			
	2019		2018	
	50%	100%	50%	100%
Information on profit or loss and other comprehensive income of joint ventures for the period				
Revenue	9,258,502	18,517,004	7,657,246	15,314,492
Income from continuing operations for the period	3,850,043	7,700,086	4,872,130	9,744,260
Income/(loss) from discontinuing operations for the period	-	-	-	-
Other comprehensive loss	-	-	(144,190)	(288,380)
Total comprehensive income	3,850,043	7,700,086	4,727,940	9,455,880
Dividends	-	-	-	-
Additional information				
Depreciation and amortization	(1,609,204)	(3,218,408)	(1,573,589)	(3,147,178)
Interest income	24,009	48,018	19,989	39,978
Interest expense	(1,412,000)	(2,824,000)	(1,462,795)	(2,925,590)
Income on exchange differences	999,974	1,999,948	3,758,622	7,517,244
Income tax expense	(1,055,708)	(2,111,416)	(1,214,745)	(2,429,490)

<i>In thousands of Tenge</i>	MunaiTas			
	For the three months ended 31 March (unaudited)			
	2019		2018	
	51%	100%	51%	100%
Information on profit or loss and other comprehensive income of joint ventures for the period				
Revenue	945,357	1,853,641	1,086,436	2,130,267
Income from continuing operations for the period	364,054	713,831	466,722	915,141
Income/(loss) from discontinuing operations for the period	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	364,054	713,831	466,722	915,141
Dividends	-	-	-	-
Additional information				
Depreciation and amortization	(235,854)	(462,459)	(235,317)	(461,406)
Interest income	157,189	308,214	140,204	274,910
Income tax expense	(90,012)	(176,494)	(117,995)	(231,363)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

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

<i>In thousands of Tenge</i>	31 March 2019 (unaudited)	31 December 2018 (audited)
Advances to third parties for property, plant and equipment and construction services	831,347	838,835
Advances to related parties for property, plant and equipment and construction services (Note 35)	21,666	16,118
	853,013	854,953
Less: impairment	(737,330)	(744,818)
Total	115,683	110,135

Movement in allowance for impairment of advances to suppliers for property, plant and equipment a is as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2019	2018
At the beginning of the period (audited)	744,818	661,754
Used when write-off advances	–	(10,018)
Foreign currency translation	(7,488)	(25,520)
At the end of the period (unaudited)	737,330	626,216

8. INVESTMENTS IN BONDS

Investments in bonds are presented as “Special financial company DSFK” LLP bonds which carry coupon interest of 0.01% per annum and mature in 15 years.

In the current reporting period the issuer repurchased 14,986 thousand bonds at a price of 1 Tenge per 1 bond. The Group also revised the fair value of bonds based on the discount rate of 13.1% and as a result, recognized income from revision of bond’s fair value in the amount of 46,800 thousand Tenge (Note 31). Thus, the book value of the investments in bonds as at 31 March 2019 was 860,251 thousand Tenge (as at 31 December 2018: 828,437 thousand Tenge).

9. INVENTORIES

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

<i>In thousands of Tenge</i>	31 March 2019 (unaudited)	31 December 2018 (audited)
Spare parts	2,257,245	2,358,692
Fuel	1,253,298	1,012,002
Construction materials	551,500	549,851
Chemical reagents	388,022	383,129
Overalls	233,372	345,834
Goods	58,957	98,814
Other	373,992	382,176
Total	5,116,386	5,130,498

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. TRADE AND OTHER ACCOUNTS RECEIVABLE

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

<i>In thousands of Tenge</i>	31 March 2019 (unaudited)	31 December 2018 (audited)
Trade accounts receivable from third parties	6,584,718	7,163,458
Trade accounts receivable from related parties (Note 35)	2,655,138	2,420,294
Other accounts receivable from third parties	768,583	725,594
Other accounts receivable from related parties (Note 35)	2,079	19,761
	10,010,518	10,329,107
Less: allowance for expected credit losses	(4,529,217)	(4,701,509)
Total	5,481,301	5,627,598

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

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2019	2018
At the beginning of the period (audited)	4,701,509	3,444,446
Change in accounting policy	-	27,623
(Reversal)/charge for the period, net (Note 28)	(125,903)	126,376
Foreign currency translation	(46,389)	(85,875)
At the end of the period (unaudited)	4,529,217	3,512,570

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

<i>In thousands of Tenge</i>	31 March 2019 (unaudited)	31 December 2018 (audited)
Tenge	4,441,224	4,935,286
US Dollars	1,033,328	673,886
Russian Ruble	2,189	1,905
Other currency	4,560	16,521
Total	5,481,301	5,627,598

11. ADVANCES TO SUPPLIERS

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

<i>In thousands of Tenge</i>	31 March 2019 (unaudited)	31 December 2018 (audited)
Advances to related parties (Note 35)	741,510	225,799
Advances to third parties	694,586	519,721
	1,436,096	745,520
Less: impairment	(662)	(647)
Total	1,435,434	744,873

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. VAT RECOVERABLE AND OTHER PREPAID TAXES

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

<i>In thousands of Tenge</i>	31 March 2019 (unaudited)	31 December 2018 (audited)
VAT recoverable	8,430,354	9,021,244
Other taxes prepaid	470,089	483,654
Total	8,900,443	9,504,898

13. OTHER CURRENT ASSETS

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

<i>In thousands of Tenge</i>	31 March 2019 (unaudited)	31 December 2018 (audited)
Due for oil transportation coordination services	4,563,583	7,653,717
Prepaid insurance	311,794	128,906
Due from employees	67,238	13,986
Deferred expenses	65,208	47,357
Other	63,467	39,188
Total	5,071,290	7,883,154

14. BANK DEPOSITS

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

<i>In thousands of Tenge</i>	31 March 2019 (unaudited)	31 December 2018 (audited)
Short-term bank deposits – US Dollar	32,303,400	25,357,200
Long-term bank deposits – Tenge	2,598,797	2,802,206
Accrued interest on deposits – US Dollar	66,241	41,315
Accrued interest on deposits – Tenge	22,250	53,150
Less: allowance for expected credit losses	(43,960)	(51,592)
Total	34,946,728	28,202,279

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

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2019	2018
At the beginning of the period (audited)	27,462	–
Change in accounting policy	–	264
Reversal for the period (<i>Note 31</i>)	(5,697)	(75)
At the end of the period (unaudited)	21,765	189

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. BANK DEPOSITS (continued)

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

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2019	2018
At the beginning of the period (audited)	24,130	–
Change in accounting policy	–	31,251
Reversal for the period (Note 31)	(1,935)	(2,903)
At the end of the period (unaudited)	22,195	28,348

As at 31 March 2019 bank deposits comprised the following:

- US Dollar denominated short-term deposits with maturity from 3 to 12 months, with interest from 0.4% to 0.7% per annum (as at 31 December 2018: from 0.5% to 0.7% per annum), maturing in June 2019 (as at 31 December 2018: maturing from January to June 2019);
- Restricted long-term bank deposits with interest from 2% to 3.5% per annum maturing in 2028 and in 2024, respectively (as at 31 December 2018: from 2% to 3.5% per annum maturing in 2029 and in 2027, respectively), arranged for the purpose of preferential lending rates for the Company's employees for the purchase of residential property.

15. CASH AND CASH EQUIVALENTS

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

<i>In thousands of Tenge</i>	31 March 2019 (unaudited)	31 December 2018 (audited)
Time deposits with banks – Tenge	30,340,182	27,107,538
Current accounts with banks – US Dollars	7,069,483	2,468,302
Current accounts with banks – Tenge	4,777,684	3,202,253
Current accounts with banks – Lari	760,460	461,040
Current accounts with banks – Russian Ruble	36,859	31,447
Current accounts with banks – Euro	21,662	8,452
Other current accounts with banks	11,925	21,567
Cash on hand	373	1,146
Allowance for expected credit losses	(23,921)	(22,902)
Total	42,994,707	33,278,843

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

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2019	2018
At the beginning of the period (audited)	22,902	5,784
Change in accounting policy	–	1,334
(Reversal)/charge for the period (Note 31)	(382)	1,004
Foreign currency translation	1,401	(42)
At the end of the period (unaudited)	23,921	8,080

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. NON-CURRENT ASSETS HELD FOR SALE

As at 31 March 2019, non-current assets held for sale are represented by property of the administrative – residential building in Pavlodar and individual vehicles with the carrying value of 1,590,663 thousand Tenge (as at 31 December 2017: 2,406,231 thousand Tenge).

During the reporting period, the Group classified certain vehicles with the carrying value of 149,178 thousand Tenge as non-current assets held for sale (*Note 3*), since their recovery is planned to be through sale rather than through continuing use.

These assets are recognized and valued at the lower of their carrying amount and fair value less costs to sell and are available for immediate sale in their present condition.

Based on the offer on purchase the property of an administrative-residential building in Pavlodar, the Group recognized the impairment of the carrying value of this asset to fair value less costs to sell in the amount of 945,900 thousand Tenge. In addition, due to the presence of indications of impairment for some vehicles, the Group estimated the fair value of these assets in the current reporting period, and as a result, recognized the impairment in the amount of 14,845 thousand Tenge. Thus, the total amount of recognized impairment for the period amounted to 960,745 thousand Tenge (*Note 30*).

Management of the Group expects to complete the sale of the above assets during 2019.

In addition, during the 3 month of 2019, the Group sold certain vehicles with the carrying value of 4,001 thousand Tenge, the net amount of income from the sale of which amounted to 1,652 thousand Tenge (*Note 29*).

17. EQUITY

Asset revaluation reserve

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

<i>In thousands of Tenge</i>	31 March 2019 (unaudited)	31 December 2018 (audited)
Revaluation reserve for PPE of the Group	206,800,185	215,013,525
Share in the asset revaluation reserve of the joint ventures	28,139,436	28,575,452
Total	234,939,621	243,588,977

The change in the revaluation reserve of the Group's property, plant and equipment for the three month period ended 31 March 2019 is due to the impairment of technological oil (*Note 3*) and the depreciation of this reserve.

Foreign currency translation reserve

As at 31 March 2019 foreign currency translation reserve was equal to 38,876,351 thousand Tenge (as at 31 December 2018: 39,572,764 thousand Tenge). Change in foreign currency translation reserve is due to the translation of the operations of the foreign subsidiaries.

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 of the Group by the weighted average number of ordinary shares outstanding during the period.

Because 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. EQUITY (continued)

Earnings per share (continued)

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

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2019	2018
Net profit for the period attributable to ordinary equity holders of the Parent of the Group	18,062,961	16,116,303
Weighted average number of ordinary shares for basic earnings per share	384,628,099	384,628,099
Basic earnings per share, in relation to profit for the period attributable to ordinary equity holders of the Company, as a Parent of the Group (in Tenge)	47	42

Book value per ordinary share

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

<i>In thousands of Tenge</i>	31 March 2019 (unaudited)	31 December 2018 (audited)
Total assets	811,793,879	803,440,601
Less: intangible assets (Note 5)	(6,682,109)	(6,891,299)
Less: total liabilities	(173,624,602)	(178,024,402)
Net assets for calculation of book value per ordinary share	631,487,168	618,524,900
Number of ordinary shares	384,628,099	384,628,099
Book value per ordinary share (in Tenge)	1,642	1,608

18. EMPLOYEE BENEFIT OBLIGATIONS

The Company 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 March 2019 and 31 December 2018 are as follows:

<i>In thousands of Tenge</i>	31 March 2019 (unaudited)	31 December 2018 (audited)
Non-current portion of employee benefit obligations	13,343,475	12,940,911
Current portion of employee benefit obligations	600,476	663,463
Total	13,943,951	13,604,374

Changes in the present value of employee benefit obligations for the three months ended 31 March 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2019	2018
Employee benefit obligations at the beginning of the period (audited)	13,604,374	13,340,926
Interest cost (Note 32)	280,469	277,539
Current services cost (Note 27, 28)	136,097	126,412
Benefits paid	(76,989)	(184,196)
Employee benefit obligations at the end of the period (unaudited)	13,943,951	13,560,681

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. DEFERRED INCOME

As at 31 March 2019 deferred income represents a guarantee of the Group in the amount of 8,271,512 thousand Tenge (as at 31 December 2018: 8,423,897 thousand Tenge), ensuring the provision of individual BSP assets for long-term lease to a counterparty ("Batumi International Container Terminal" LLC).

The change in the amount of these liabilities as at 31 March 2019 is due to amortization of liabilities for the period.

20. TRADE AND OTHER ACCOUNTS PAYABLE

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

<i>In thousands of Tenge</i>	31 March 2019 (unaudited)	31 December 2018 (audited)
Accounts payable to third parties for goods and services	5,403,940	10,209,574
Accounts payable to related parties for goods and services (Note 35)	1,650,300	2,062,160
Other accounts payable to third parties	587,791	682,590
Other accounts payable to related parties (Note 35)	5,646	3,190
Total	7,647,677	12,957,514

As at 31 March 2019 trade and other accounts payable included payables to related and third parties, related to the construction-in-progress in the amount of 2,116,070 thousand Tenge (as at 31 December 2018: 4,655,943 thousand Tenge).

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

<i>In thousands of Tenge</i>	31 March 2019 (unaudited)	31 December 2018 (audited)
Tenge	6,930,840	12,207,766
US Dollars	153,458	244,584
Euro	34,851	34,206
Russian Roubles	5,972	3,770
Other currency	522,556	467,188
Total	7,647,677	12,957,514

21. ADVANCES RECEIVED

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

<i>In thousands of Tenge</i>	31 March 2019 (unaudited)	31 December 2018 (audited)
Advances received from related parties (Note 35)	12,576,067	13,198,088
Advances received from third parties	7,729,701	7,462,122
Total	20,305,768	20,660,210

22. LEASE LIABILITIES

<i>In thousands of Tenge</i>	31 March 2019 (unaudited)	31 December 2018 (audited)
Non-current portion of obligations	3,405,632	—
Current portion of obligations	1,696,325	—
Total	5,101,957	—

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. LEASE LIABILITIES (continued)

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

In thousands of Tenge

As at 31 December 2018	–
Change in accounting policy (Note 2)	5,513,329
Additions for the period (Note 4)	341,652
Amortization of discount on obligations (Note 32)	164,969
Transfer from trade and other payables	161,526
Payments for the period	(1,079,519)
As at 31 March 2019	5,101,957

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

	For three months ended 31 March 2019 (unaudited)
<i>In thousands of Tenge</i>	
Right-for use assets amortization (Note 4)	347,529
Unwinding of discount on obligations (Note 32)	164,969
Low value assets lease expenses (Notes 27 and 28)	14,609
Total	527,107

23. OTHER TAXES PAYABLE

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

	31 March 2019 (unaudited)	31 December 2018 (audited)
<i>In thousands of Tenge</i>		
Personal income tax	3,498,555	3,773,442
Withholding tax at the source of payment to non-residents	1,127,579	1,146,069
VAT payable	1,019,854	12,092
Social tax	501,606	671,697
Property tax	168,358	118,004
Other taxes	354,792	335,570
Total	6,670,744	6,056,874

24. PROVISIONS

Movements in provisions for the three months ended 31 March 2019 and 2018 are as follows:

Short-term provisions

	Tax provisions (BOT)	Provision on compensating tariff (Company)	Sponsorship (Company)	Other provisions	Total
<i>In thousands of Tenge</i>					
As at 31 December 2018 (audited)	192,484	1,046,994	–	396,126	1,635,604
Charge for the period	–	–	1,200,000	297,039	1,497,039
Foreign currency translation	(3,224)	–	–	(3,844)	(7,068)
As at 31 March 2019 (unaudited)	189,260	1,046,994	1,200,000	689,321	3,125,575

Pursuant to the instructions of the Head of state from 29 September 2018 and the decision of the Management Board of KMG from 11 February 2019, as well as the decision of the Board of Directors of the Company from 29 January 2019, the Company in the reporting period recognised expenses due to sponsorship for the construction of the facility in Turkestan for the total amount of 2,200,000 thousand Tenge (Note 28) of which 1,200,000 thousand tenge was recognized as a reserve. On 18 February 2019, the Company made the first tranche of financing in the amount of 1,000,000 thousand Tenge.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. PROVISIONS (continued)

Short-term provisions (continued)

In addition, in accordance with the act of verification CRNMPCandCR and the subsequent decision of the judicial authorities the Company as at 31 March 2019 recognized other provisions on payment of administrative fines in the amount of 297,039 thousand Tenge (Note 28).

Long-term provisions

Asset retirement and land reclamation obligation

The movement of provision for asset retirement and land reclamation obligation for the three months ended 31 March 2019 and 2018 is as follows:

<i>In thousands of Tenge</i>	2019	2018
As at 1 January (audited)	21,109,397	15,347,322
Unwinding of discount on asset retirement and land reclamation obligation (Note 32)	455,271	336,177
Revision of estimates and through profit and loss (Note 29)	-	(172,438)
Revision of estimates through other comprehensive income	-	(105,862)
As at 31 March (unaudited)	21,564,668	15,405,199

Discount rate as at 31 March 2019 and 31 December 2018 was 8.91% (as at 31 March 2018 – 9.06% and as at 31 December 2017 - 9.05%). Inflation rate as at 31 March 2019 and 31 December 2018 was 5.47% (as at 31 March 2018 – 5.56% and as at 31 December 2017 - 5.55%).

25. OTHER CURRENT LIABILITIES

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

<i>In thousands of Tenge</i>	31 March 2019 (unaudited)	31 December 2018 (audited)
Accounts payable for oil transportation coordination services to related parties (Note 35)	7,338,585	8,437,279
Salaries and other compensations	6,473,728	10,279,349
Accounts payable for oil transportation coordination services to third parties	4,719,547	4,319,474
Accounts payable to pension fund	638,453	817,336
Current portion of deferred income from third parties	572,963	579,231
Other accruals	318,763	400,595
Total	20,062,039	24,833,264

Salaries and other compensation include current salary payable, remunerations based on the year results, and vacation payments payable. The decrease in this liabilities in the reporting period is due to the payment of remuneration for the year.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**26. REVENUE**

Revenue for the three months ended 31 March 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March 2019 (unaudited)			
	Oil transportation and related services	Oil transshipment	Others	Total
Crude oil transportation	50,400,027	–	–	50,400,027
Pipeline operation and maintenance services	3,944,317	–	–	3,944,317
Water transportation	1,812,538	–	–	1,812,538
Fees for undelivered oil volumes	1,175,419	–	–	1,175,419
Seaport services	–	–	1,162,473	1,162,473
Oil transshipment and railway shipment	–	972,319	–	972,319
Oil transportation coordination services	175,513	–	–	175,513
Oil storage services	23,446	–	–	23,446
Other	32,848	–	122,107	154,955
Total for segments	57,564,108	972,319	1,284,580	59,821,007
Geographic regions of customers				
Kazakhstan	51,687,263	–	–	51,687,263
Russia	5,876,845	–	–	5,876,845
Georgia	–	402,990	1,284,580	1,687,570
Others	–	569,329	–	569,329
Total revenue under contracts with customers	57,564,108	972,319	1,284,580	59,821,007
Timing of revenue recognition				
At a point in time	53,619,791	972,319	1,284,580	55,876,690
Over time	3,944,317	–	–	3,944,317
Total revenue under contracts with customers	57,564,108	972,319	1,284,580	59,821,007

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**26. REVENUE (continued)**

<i>In thousands of Tenge</i>	For three months ended 31 March 2018 (unaudited)			
	Oil transportation and related services	Oil transshipment	Others	Total
Crude oil transportation	44,468,542	–	–	44,468,542
Pipeline operation and maintenance services	2,693,056	–	–	2,693,056
Water transportation	1,744,245	–	–	1,744,245
Fees for undelivered oil volumes	1,214,697	–	–	1,214,697
Seaport services	–	–	1,120,361	1,120,361
Oil transshipment and railway shipment	–	729,673	–	729,673
Oil transportation coordination services	173,908	–	–	173,908
Oil storage services	22,403	–	–	22,403
Other	30,726	–	145,417	176,143
Total for segments	50,347,577	729,673	1,265,778	52,343,028
Geographic regions of customers				
Kazakhstan	46,715,738	–	–	46,715,738
Russia	3,332,307	–	–	3,332,307
Georgia	–	357,404	1,265,778	1,623,182
Others	299,532	372,269	–	671,801
Total revenue under contracts with customers	50,347,577	729,673	1,265,778	52,343,028
Timing of revenue recognition				
At a point in time	47,654,521	729,673	1,265,778	49,649,972
Over time	2,693,056	–	–	2,693,056
Total revenue under contracts with customers	50,347,577	729,673	1,265,778	52,343,028

For the three months ended 31 March 2019 the revenue from the three major customers amounted to 13,276,579 thousand Tenge, 8,296,927 thousand Tenge and 3,909,118 thousand Tenge, respectively (for the three months ended 31 March 2018: 12,179,257 thousand Tenge, 7,010,274 thousand Tenge and 3,376,343 thousand Tenge, respectively).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. COST OF SALES

Cost of sales for the three months ended 31 March 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2019	2018
Depreciation and amortization	13,443,715	12,526,271
Personnel cost	11,391,357	11,185,341
Taxes other than income tax	2,129,283	2,005,137
Electric energy	1,804,876	1,915,351
Security services	1,305,005	1,206,815
Repair and maintenance	1,196,466	1,204,130
Materials and fuel	1,068,597	758,786
Gas expense	963,996	1,203,294
Food and accommodation	502,047	403,140
Railway services	321,712	66,892
Air surveillance services	232,315	285,859
Business trip expenses	160,377	162,040
Insurance	154,292	72,836
Post-employment benefits (Note 18)	126,747	121,263
Communication services	109,185	59,641
Obligatory social medical insurance	99,836	89,839
Environmental protection	84,288	31,973
Outstaffing services	80,384	87,300
Transportation services	45,428	371,935
Asset lease (Note 22)	3,606	51,703
Other	360,399	324,667
Total	35,583,911	34,134,213

The increase in depreciation and amortization expenses is primarily associated with a significant commissioning of objects of construction in progress at the end of 2018.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three months ended 31 March 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	For three months ended	
	31 March (unaudited)	
	2019	2018
Charity expenses	2,207,939	7,756
Personnel costs	1,703,149	1,784,578
Depreciation and amortization	358,649	590,624
Administrative fines (Note 24)	297,039	–
Office maintenance	128,058	92,925
(Reversal)/charge of allowance for expected credit losses, net (Note 10)	(125,903)	126,376
Taxes other than income tax	80,499	120,852
Repair and maintenance	74,237	114,691
Business trip expenses	72,426	55,149
Social sphere expenses	71,340	52,104
Outstaffing services	51,839	42,011
Communication services	39,528	25,449
Write-off of VAT recoverable	31,369	46,917
Information services	30,129	26,259
Consulting services	27,796	10,855
Training	19,029	14,075
Bank costs	17,374	20,721
Materials and fuel	16,757	31,345
Insurance and security	16,306	27,398
Asset lease (Note 22)	11,003	10,312
Obligatory social medical insurance	10,213	7,439
Post-employment benefits (Note 18)	9,350	5,149
Advertising expenses	4,120	4,924
Transportation services	4,024	37,583
Other	112,737	105,764
Total	5,269,007	3,361,256

The increase in charity expenses is associated with the sponsorship for the construction of a facility in the city of Turkestan (Note 24).

29. OTHER OPERATING INCOME

Other operating income for the three months ended 31 March 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	For three months ended	
	31 March (unaudited)	
	2019	2018
Income from fines and penalties	79,560	61,747
Amortization of deferred revenue	60,926	–
Income from disposal of inventories, net	12,423	29,282
Income from sale of non-current assets held for sale, net (Note 16)	1,652	–
Revision of estimates on provision for asset retirement and land reclamation obligation (Note 24)	–	172,438
Other income	11,272	36,045
Total	165,833	299,512

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. OTHER OPERATING EXPENSES

Other operating expenses for the three months ended 31 March 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2019	2018
Impairment of non-current assets held for sale (Note 16)	960,745	–
Loss on disposal of property, plant and equipment, net	1,253	6,985
Other expenses	7,476	162,143
Total	969,474	169,128

31. FINANCE INCOME

Finance income for the three months ended 31 March 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2019	2018
Interest income on bank deposits and current accounts	561,932	750,510
Income from revision of bond's fair value (Note 8)	46,800	–
Reversal of allowance for expected credit losses of cash and cash equivalents and bank deposits, net (Notes 14 and 15)	8,014	1,974
Unwinding of discount on loans to employees	210	348
Other finance income	3,871	3,382
Total	620,827	756,214

32. FINANCE COSTS

Finance costs for the three months ended 31 March 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2019	2018
Unwinding of discount on asset retirement and land reclamation obligation reserve (Note 24)	455,271	336,177
Interest cost on employee benefit obligations (Note 18)	280,469	277,539
Unwinding of discount on lease liabilities (Note 22)	164,969	–
Total	900,709	613,716

33. INCOME TAX EXPENSE

Income tax expenses for the three months ended 31 March 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2019	2018
Current income tax expense	4,488,811	3,378,791
Adjustments of the past periods	(83,663)	97,965
Deferred income tax (benefit)/expense	(736,227)	39,565
Income tax expense	3,668,921	3,516,321

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. INCOME TAX EXPENSE (continued)

Movement in deferred tax liabilities for the three months ended 31 March 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	2019	2018
As at January 1 (audited)	67,394,342	63,123,255
Charged to other comprehensive income	(947,735)	5,722,610
Charged to profit and loss	(736,227)	39,565
Changes in accounting policy (Note 2)	(106,009)	-
As at 31 March (unaudited)	65,604,371	68,885,430

34. SEGMENT INFORMATION

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

- oil transportation and related services;
- oil transshipment;
- other segments.

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, water transportation 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 provided by PTL represent transshipment of oil and oil-products services through railway from Azerbaijanian-Georgian border to terminal in Batumi. This type of activity is directly related to oil transshipment, and therefore is not shown as a separate segment.

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 terminal, and also passenger terminal services.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. SEGMENT INFORMATION (continued)

Management analyses its operating segments by segment profit. The following tables present information on revenue, profit or loss for the three month periods ended 31 March 2019 and 2018, assets and liabilities for the segments of the Group as at 31 March 2019 and 31 December 2018, respectively:

<i>In thousands of Tenge</i>	For the three months ended 31 March 2019 (unaudited)				For the three months ended 31 March 2018 (unaudited)			
	Oil transportation and related services (Kazakhstan)	Oil trans-shipment (Georgia)	Other	Total segments	Oil transportation and related services (Kazakhstan)	Oil trans-shipment (Georgia)	Other	Total segments
Revenue								
External customers	57,564,108	972,319	1,284,580	59,821,007	50,347,577	729,673	1,265,778	52,343,028
Total revenue	57,564,108	972,319	1,284,580	59,821,007	50,347,577	729,673	1,265,778	52,343,028
Financial results								
Depreciation and amortization	(13,062,918)	(506,574)	(232,872)	(13,802,364)	(12,358,461)	(541,276)	(217,158)	(13,116,895)
Interest income	540,384	2,268	19,280	561,932	745,340	2,908	2,262	750,510
Share in income of joint ventures	4,214,097	-	-	4,214,097	5,338,852	-	-	5,338,852
Impairment of property, plant and equipment intangible assets through profit and loss	-	-	-	-	(757)	-	-	(757)
Income tax expense	(3,668,921)	-	-	(3,668,921)	(3,482,713)	(646)	(32,962)	(3,516,321)
Segment profit for the period	18,437,006	(684,040)	309,995	18,062,961	17,017,252	(1,101,942)	200,993	16,116,303
	As at 31 March 2019 (unaudited)				As at 31 December 2018 (audited)			
Total assets	744,119,777	51,464,257	16,209,845	811,793,879	735,182,860	51,206,176	17,051,565	803,440,601
Total liabilities	155,081,344	7,679,468	10,863,790	173,624,602	159,972,764	6,973,998	11,077,640	178,024,402

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. 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 agreed terms 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 three months ended 31 March 2019 and 31 March 2018 and the related balances as at 31 March 2019 and 31 December 2018:

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

<i>In thousands of Tenge</i>	Note	31 March 2019 (unaudited)	31 December 2018 (audited)
Non-current advances given to related parties for property, plant and equipment			
Non-current advances to entities under common control of KMG		21,666	16,118
Total non-current advances given to related parties for property, plant and equipment	7	21,666	16,118

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

<i>In thousands of Tenge</i>	Notes	31 March 2019 (unaudited)	31 December 2018 (audited)
Trade and other accounts receivable from related parties			
Trade accounts receivable from joint ventures of the Company		999,187	994,993
Trade accounts receivable from entities under common control of KMG		836,761	607,582
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		819,190	817,719
Total trade accounts receivable from related parties	10	2,655,138	2,420,294
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group		2,079	19,761
Total other accounts receivable from related parties	10	2,079	19,761
Less: allowance for expected credit losses		(3,366)	(7,295)
Total trade and other accounts receivable from related parties		2,653,851	2,432,760

Advances provided to related parties are as follows:

<i>In thousands of Tenge</i>	Notes	31 March 2019 (unaudited)	31 December 2018 (audited)
Advances paid to related parties			
Advances paid to entities under common control of KMG		533,855	210,957
Advances paid to entities under common control of Samruk-Kazyna Group		207,655	14,842
Total advances paid to related parties	11	741,510	225,799

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. RELATED PARTY TRANSACTIONS (continued)

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

<i>In thousands of Tenge</i>	Notes	31 March 2019 (unaudited)	31 December 2018 (audited)
Trade accounts payable to related parties for goods and services			
Trade accounts payable to entities under common control of Samruk-Kazyna Group		1,154,681	1,334,743
Other payables to entities under common control of KMG		485,162	720,259
Trade accounts payable to joint ventures		10,457	7,158
Total trade accounts payable to related parties for goods and services	20	1,650,300	2,062,160
Other payables to entities under common control of Samruk-Kazyna Group			
Other payables to entities under common control of Samruk-Kazyna Group		4,949	2,493
Group other accounts payable to entities under common control of KMG		697	697
Total other accounts payable to related parties for goods and services	20	5,646	3,190
Total trade and other accounts payable to related parties for goods and services		1,655,946	2,065,350

Advances received from related parties are as follows:

<i>In thousands of Tenge</i>	Notes	31 March 2019 (unaudited)	31 December 2018 (audited)
Advances received from related parties			
Advances from entities under common control of KMG		12,255,894	12,869,915
Advances from entities under common control of Samruk-Kazyna Group		320,173	328,173
Total advances received from related parties	21	12,576,067	13,198,088

Other current liabilities to related parties are as follows:

<i>In thousands of Tenge</i>	Notes	31 March 2019 (unaudited)	31 December 2018 (audited)
Accounts payable for oil transportation coordination services to related parties			
Accounts payable for oil transportation coordination services to entities under common control of KMG		7,338,585	8,437,279
Total accounts payable for oil transportation coordination services to related parties	25	7,338,585	8,437,279
Employee benefits obligation of key management personnel			
Employee benefits obligation of key management personnel		33,236	55,559
Total employee benefits obligation of key management personnel		33,236	55,559
Total other current liabilities to related parties		7,371,821	8,492,838

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. RELATED PARTY TRANSACTIONS (continued)

The following tables provide the total amount of transactions, which have been entered into with related parties during the three months ended 31 March 2019 and 2018:

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2019	2018
Sales to related parties		
Revenue from main activities with entities under common control of KMG	32,014,426	28,577,191
Revenue from main activities with joint ventures of the Company	2,338,547	2,324,901
Revenue from main activities with entities under common control of Samruk-Kazyna Group	1,982,010	881,348
Revenue from other activities with entities under common control of Samruk-Kazyna Group	4,734	–
Revenue from other activities with entities under common control of KMG	3,181	10,725
Total	36,342,898	31,794,165

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

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2019	2018
Purchases from related parties		
Purchases of property, plant and equipment from entities under common control of Samruk-Kazyna Group	3,560,275	281,607
Purchases of services from entities under common control of KMG	1,582,816	1,847,222
Purchases of inventory from entities under common control of KMG	572,539	530,616
Purchases of services from entities under common control of Samruk-Kazyna Group	428,112	700,159
Purchases of property, plant and equipment and intangible assets from entities under common control of KMG	82,066	–
Purchases of services from joint ventures of the Company	20,616	6,750
Purchases of inventory from entities under common control of Samruk-Kazyna Group	45	–
Total	6,246,469	3,366,354

Total accrued compensation to key management personnel for the three months ended 31 March 2019 amounts to 77,800 thousand Tenge (for the three months ended 31 March 2018: 89,836 thousand Tenge). Payments to key personnel consist primarily of payroll costs and remuneration established by contracts and internal provisions of the Company.

36. CONTINGENT LIABILITIES AND COMMITMENTS

Information on contingent liabilities and commitments of the Group is disclosed in the consolidated financial statements for the year ended 31 December 2018. During three months ended 31 March 2019 there were no significant changes, except for the following:

Contractual commitments to acquire property, plant and equipment

As at 31 March 2019, the Group had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 31,578,257 thousand Tenge (31 December 2018: 38,927,686 thousand Tenge).

Share of the Group as at 31 March 2019 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services amounted to 3,562,230 thousand Tenge (31 December 2018: 3,707,759 thousand Tenge).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****36. CONTINGENT LIABILITIES AND COMMITMENTS (continued)****Investment program commitments**

In accordance with the Law of the Republic of Kazakhstan *On Natural Monopolies*, the Company, as a subject of natural monopolies, within the approved maximum tariffs for 2015-2019, has an obligation to execute an investment program aimed at capital construction/reconstruction/overhaul/diagnostics of production facilities for 2015-2019.

As at 31 March 2019, Company's commitments for the execution of the investment program is 48.2 billion Tenge (31 December 2018: 51.8 billion Tenge).

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

By disagreeing with remarks of CRNMPCandCR, on 11 March 2019 the Company filed a lawsuit to the Specialized inter-district economic court of Astana City in relation with the refusal of the CRNMPCandCR to adjust the Company's investment program for 2018-2019. The court hearing is scheduled on 30 April 2019.

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 1,985 million tenge) for using tank wagons and storing cargo related to idle tank wagons in dead ends of BOT, for the period from 1 January 2003 to 10 July 2003. The statement of claim and the appeal of the GR were not satisfied by the courts of first and appeal instances. However, in 2014, the Supreme Court of Georgia satisfied the cassation appeal of the GR and the case was returned to the lower courts for reconsideration. On 16 April 2019, the Tbilisi City Court partially satisfied the claim of the GR in the amount of 8 million lari (equivalent to 1,134 million Tenge). The court decision has not entered into force. BOT does not agree with the decision of the court and intends to appeal against it in accordance with established procedure and, accordingly, the Group did not recognize the provision.

Expropriation of the BSP assets

In accordance with BSP Management Right agreement between BOT and the Georgia Government, the Georgian Government has the right for expropriation of the BSP's assets, 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 US Dollars 1 per ton.

The actual transshipment through the BSP for the first quarter of 2019 amounted to 1.1 million tons (for the first quarter of 2018: 1.2 million tons). In accordance with the agreement, based on actual volumes for the first quarter of 2019, brought to an annual value, the Group has to accrue a reserve of 205 thousand US Dollars (equivalent to 77,498 thousand Tenge). Fines were not accrued, because in the opinion of the management of the Group, the actual transshipment volumes for the first quarter of 2019 do not provide a sufficient basis for charging a fine.

37. 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 funds for the Group's operations. The Group has trade receivables and cash and cash equivalents that arise directly from its operations.

Fair value of financial instruments

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

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

38. SUBSEQUENT EVENTS**Dividends payable**

On 28 May 2019 by the decision of General meeting of shareholders of the Company decided to approve dividends payment at the next meeting of shareholders in the amount of 40,001,322 thousand Tenge (104 Tenge per 1 share) based on the 2018 annual results, 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.

Non-current assets held for sale

On 6 May 2019, the Company sold the property of an administrative building in on terms of installment payments over a ten year period. On 29 April 2019, the Group under the contract received the first tranche in the amount of 282,157 thousand Tenge (the total amount of the contract is 2,821,572 thousand tenge with VAT).

Investment program commitments

According to the results of the court proceeding, the Specialized inter-district economic court of Astana issued a decision on 2 May 2019 to dismiss the claim of the Company. Disagreeing with this decision, on 27 May 2019, the Company filed an appeal to the court of Astana city.

Refund within the framework of compensation of losses to consumers

According to the order of CRNMPCandCR and the subsequent decision of the judicial authorities, the Company recognized a reserve in 2018 in order to compensate consumers for water supply services in the amount of 1,046,994 thousand Tenge (*Note 24*). As part of this reserve, the Company in the period from 17 to 24 May 2019 made a refund to consumers in the amount of 970,174 thousand Tenge and offsetted accounts receivable in the amount of 60,684 thousand Tenge.

Sponsorship

In order to provide sponsorship for the construction of a facility in the city of Turkestan (*Note 24*), on 23 May 2019, the Company made a payment in the amount of 1,200,000 thousand Tenge.