

**National Maritime Shipping Company  
Kazmortransflot LLP**

Separate financial statements

*For the year ended 31 December 2018  
with independent auditor's report*

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Independent auditor’s report

**Separate financial statements**

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## Independent auditor's report

To the Management and Participant of "National maritime shipping company "Kazmortransflot"  
Limited Liability Partnership

### **Qualified Opinion**

We have audited the separate financial statements of "National maritime shipping company "Kazmortransflot" Limited Liability Partnership (hereinafter, the "Company"), which comprise the separate statement of financial position as at 31 December 2018, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, except for the matter described in the Basis for qualified opinion section of our report, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2018 and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for qualified opinion**

In the presence of indications of impairment as at 31 December 2017, the Company did not estimate the recoverable amount of "Building" group of property, plant and equipment with a carrying value of 556,275 thousand tenge and investment property with a carrying value of 2,160,087 thousand tenge, which represents a departure from IAS 36 "Impairment of assets". As at 31 December 2018 the Company estimated the recoverable amount of "Building" group of property, plant and equipment and investment property and recognized impairment loss on investment property for 1,276,295 thousand tenge, while the recoverable amount of "Building" group of property, plant and equipment exceeded its carrying balance. The whole amount of impairment loss was recognized in the separate statement of comprehensive income for the year ended 31 December 2018. The effects of this departure from IFRS on the separate statement of comprehensive income for the years ended 31 December 2018 and 2017 and carrying value of investment property as of 31 December 2017 have not been determined.

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 separate financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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 qualified opinion.



### ***Responsibilities of management for the separate financial statements***

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

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

### ***Auditor's responsibilities for the audit of the separate financial statements***

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



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

*Ernst & Young LLP*



Dinara Malayeva  
Auditor

Audit Qualification Certificate  
No. МФ-0000323 dated 25 February 2016

050060, Republic of Kazakhstan, Almaty  
Al-Farabi ave., 77/7, Esentai Tower

26 February 2019



Gulmira Turmagambetova  
General Director  
Ernst & Young LLP

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

## SEPARATE STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

<i>In thousands of tenge</i>	Note	31 December 2018	31 December 2017*
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	49,233,273	35,377,709
Investment property	6	485,441	2,160,087
Intangible assets	7	108,753	129,760
Advances paid for non-current assets	8	-	5,671,945
VAT recoverable		-	226,957
Restricted cash	14	1,704,807	666,233
Other non-current assets	9	29,275	48,681
		<b>51,561,549</b>	<b>44,281,372</b>
<b>Current assets</b>			
Inventories	10	239,734	302,745
Income tax prepaid		291,445	284,728
Loans issued	11	1,139,546	1,149,198
Trade and other accounts receivable	12	7,672,757	1,734,723
Other current assets	13	291,482	142,372
Short-term bank deposits	14	-	398,796
Cash and cash equivalents	15	1,515,841	2,211,586
		<b>11,150,805</b>	<b>6,224,148</b>
<b>Total assets</b>		<b>62,712,354</b>	<b>50,505,520</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Charter capital	16	11,575,721	11,575,721
Retained earnings		10,675,592	6,796,838
<b>Total equity</b>		<b>22,251,313</b>	<b>18,372,559</b>
<b>Non-current liabilities</b>			
Non-current portion of finance lease liabilities	17	4,513,425	3,145,398
Long-term advances received for operating lease	18	4,468,540	10,572,730
Contract liabilities	19	3,572,331	7,347,152
Provisions	3	36,275	47,674
Other non-current liabilities		-	38,621
Deferred income tax liabilities	28	2,651,228	459,218
		<b>15,241,799</b>	<b>21,610,793</b>
<b>Current liabilities</b>			
Current portion of finance lease liabilities	17	1,976,175	1,090,819
Short-term advances received for operating lease	18	9,534,906	3,524,243
Contract liabilities	19	6,877,191	2,449,051
Trade and other accounts payable	20	3,880,155	1,863,693
Financial guarantee obligation	29	1,893,585	1,490,919
Other current liabilities	21	1,057,230	103,443
		<b>25,219,242</b>	<b>10,522,168</b>
<b>Total liabilities</b>		<b>40,461,041</b>	<b>32,132,961</b>
<b>Total equity and liabilities</b>		<b>62,712,354</b>	<b>50,505,520</b>

\* Certain amounts in this column do not conform to 2017 financial statements, since they comprise reclassifications that are detailed in Note 2.

General Director

Acting Deputy General Director in Economics and Finance  
Chief Accountant

M.K. Ormanov

A.M. Nagayev

The notes on pages 5 to 40 are an integral part of these separate financial statements.

**SEPARATE STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2018

<i>In thousands of tenge</i>	Note	2018	2017
Revenue from contracts with customers	22	14,046,651	9,342,604
Rental income	23	12,161,132	229,212
<b>Revenue</b>		<b>26,207,783</b>	<b>9,571,816</b>
Cost of services rendered	24	(14,079,777)	(8,637,369)
<b>Gross profit</b>		<b>12,128,006</b>	<b>934,447</b>
General and administrative expenses	25	(1,962,573)	(1,098,132)
Selling expenses		(58,123)	(16,312)
Other operating income	26	1,420,765	1,273,497
Other operating expenses	26	(463,034)	(558,351)
<b>Operating profit</b>		<b>11,065,041</b>	<b>535,149</b>
Finance income	27	43,885	52,342
Finance costs	27	(1,106,127)	(142,245)
Foreign exchange loss, net		(328,217)	(75,939)
Loss on impairment of property, plant and equipment		(2,297,380)	-
Dividend income		11,866	15,712
<b>Profit before taxation</b>		<b>7,389,068</b>	<b>385,019</b>
Income tax expenses	28	(3,510,314)	(299,329)
<b>Profit for the year</b>		<b>3,878,754</b>	<b>85,690</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>3,878,754</b>	<b>85,690</b>

General Director

*M.K. Ormanov*Acting Deputy General Director in Economics and Finance  
Chief Accountant*A.M. Nagayev*



## SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

<i>In thousands of tenge</i>	Note	2018	2017
<b>Operating activities</b>			
Cash receipts from customers		24,540,641	22,315,237
Cash payments to suppliers		(11,222,366)	(6,418,479)
Cash payments to employees		(1,098,362)	(1,120,569)
Cash payments to budget and other		(1,417,720)	(737,987)
Transfer to cash restricted in use		(882,515)	-
Interest received		35,696	52,342
Interest paid		(190,825)	-
Income tax paid		(1,394,000)	(49,800)
<b>Net cash flows from operating activities</b>		<b>8,370,549</b>	<b>14,040,744</b>
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment		51,249	-
Proceeds from repayment of loans issued		190,212	-
Purchase of intangible assets		(23,106)	(15,102)
Loans issued		-	(1,102,675)
Dividends received		12,061	15,129
Purchase of property, plant and equipment		(9,093,830)	(13,371,423)
Bank deposits, net		644,240	1,136,968
<b>Net cash flows used in investing activities</b>		<b>(8,219,174)</b>	<b>(13,337,103)</b>
<b>Financing activities</b>			
Repayment of finance lease		(849,598)	-
Repayment of loans		-	(787,075)
Dividends paid		-	(100,000)
<b>Net cash flows used in financing activities</b>		<b>(849,598)</b>	<b>(887,075)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(698,223)</b>	<b>(183,434)</b>
Net foreign exchange difference on cash and cash equivalents		2,478	(51,061)
Cash and cash equivalents as at 1 January 2018		2,211,586	2,446,081
<b>Cash and cash equivalents as at 31 December 2018</b>	15	<b>1,515,841</b>	<b>2,211,586</b>

General Director



  
M.K. Osmanov
Acting Deputy General Director in Economics and Finance  
Chief Accountant

  
A.M. Nagayev

## SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

<i>In thousands of tenge</i>	Charter capital	Retained earnings	Total
As at 1 January 2017	11,575,721	6,811,148	18,386,869
Profit for the year	-	85,690	85,690
<b>Total comprehensive income for the year</b>	-	85,690	85,690
Dividends (Note 16)	-	(100,000)	(100,000)
As at 31 December 2017	11,575,721	6,790,838	18,372,559
Profit for the year	-	3,878,754	3,878,754
<b>Total comprehensive income for the year</b>	-	3,878,754	3,878,754
As at 31 December 2018	11,575,721	10,675,592	22,251,313

General Director



M.K. Ormanov

Acting Deputy General Director in Economics and Finance  
Chief Accountant

A.M. Nagayev



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS****For the year ended 31 December 2018****1. GENERAL INFORMATION**

JSC National Maritime Shipping Company “Kazmortransflot” was incorporated pursuant to the resolution of Government of the Republic of Kazakhstan dated 4 December 1998 and registered on 29 December 1998. On 21 October 2013 based on the decision of the Board of Directors, National Maritime Shipping Company “Kazmortransflot” JSC was reorganized into National Maritime Shipping Company “Kazmortransflot” Limited Liability Partnership (hereinafter, the “Company”). The Company was established for the purpose of forming a national marine trade fleet of the Republic of Kazakhstan and organisation of international marine shipping of domestic goods using own resources.

The Company’s sole participant is National Company KazMunayGas JSC (“NC KMG” or the “Parent”). The controlling shareholder of NC KMG is Sovereign Wealth Fund Samruk-Kazyna JSC with a 90% ownership share (hereinafter, the “SWF Samruk-Kazyna”), which is controlled by the Government of the Republic of Kazakhstan, 10% of which belongs to the National Bank of Kazakhstan.

The Company’s principal business activities are marine shipping of Kazakhstani crude oil from Aktau port to international markets as well as provision of support fleet services.

The Company’s own fleet comprised of five oil tankers (“Almaty”, “Astana”, “Atyrau”, “Oral” and “Aktobe”) and marine support fleet comprising five tug-boats and eight dump barges.

The legal address of the Company is Building 70, Microdistrict 14, Aktau 130000, Republic of Kazakhstan.

The accompanying separate financial statements of the Company were approved for issue by the General Director, acting Deputy General Director on Economy and Finance / Chief Accountant on 26 February 2019.

These separate financial statements were issued in addition to the consolidated financial statements of the Company and its subsidiaries (hereinafter, the “Group”) for the same reporting period. The consolidated financial statements of the Group were approved for issue by the General Director, acting Deputy General Director on Economy and Finance / Chief Accountant on 26 February 2019.

**2. BASIS OF PREPARATION AND CHANGES IN THE COMPANY’S ACCOUNTING POLICY**

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

The separate financial statements are prepared under the historical cost basis, except as described in the accounting policies and the notes to the separate financial statements. All values in these separate financial statements are rounded to the nearest thousands, except when otherwise indicated.

The preparation of the separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in *Note 4*. These estimates are based on information available as of the date of the separate financial statements. Actual results, therefore, could differ from these estimates in the future.

**Investments in subsidiaries**

As at 31 December 2018 and 31 December 2017, the Company had interest ownership in the following subsidiaries:

Company	Principal activities	Place of registration	Ownership share	
			31 December 2018	31 December 2017
Kazmortransflot Ltd	Marine shipping of Kazakhstani crude oil from Aktau port to international markets in the Caspian sea, marine shipping of crude oil in Black Sea and Mediterranean Sea	Isle of Man	100%	100%
Kazmortransflot UK Ltd	Operates as Agent Company, which provides services to the Company and receives income in accordance with the commercial management agreement	United Kingdom	100%	100%
Altai Shipping Ltd	Marine shipping of crude oil and oil products to international markets and leasing out of own tanker	Marshall Islands	100%	100%
Alatau Shipping Ltd	Marine shipping of crude oil and oil products to international markets and leasing out of own tanker	Marshall Islands	100%	100%

In these separate financial statements, investments of the Company in its subsidiaries are accounted for at cost.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****2. BASIS OF PREPARATION AND CHANGE IN THE COMPANY’S ACCOUNTING POLICY (continued)****New and amended standards and interpretations**

The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these accounting standards are described below.

In 2018, some other amendments to the existing standards and interpretations were also applied, which are effective for annual periods beginning on or after 1 January 2018 and which did not affect the separate financial statements of the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 from 1 January 2018 using a modified retrospective method of adoption. According to this transition method, the standard can be applied either to all contracts at the date of its initial application, or only to those contracts that are not executed at that date. The Company decided to apply the standard to all contracts as at 1 January 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

The effect of adopting IFRS 15 as at 1 January 2018 was, as follows:

<i>In thousands of tenge</i>	<b>References</b>	<b>Increase/ (decrease)</b>
Property, plant and equipment	(a)	432,591
<b>Total assets</b>		<b>432,591</b>
Long-term advances received	(b)	(7,347,151)
Short-term advances received	(b)	(2,449,051)
Contract liabilities (non-current)	(a)	7,357,399
Contract liabilities (current)	(a)	2,871,394
<b>Total liabilities</b>		<b>432,591</b>
<b>Total equity adjustments</b>		
Retained earnings		–

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****2. BASIS OF PREPARATION AND CHANGE IN THE COMPANY’S ACCOUNTING POLICY (continued)****New and amended standards and interpretations (continued)***IFRS 15 Revenue from Contracts with Customers (continued)*

The following are the amounts by which the items in the financial statements as at 31 December 2018 changed as a result of the application of IFRS 15. The application of IFRS 15 did not have a significant effect on the Company’s other comprehensive income or cash flows from operating, investing and financing activities. The first column shows the amounts calculated in accordance with IFRS 15, and the second column shows the amounts determined as if IFRS 15 were not applied.

<i>In thousands of tenge</i>	References	Amounts as per		Increase/ (decrease)
		IFRS 15	Previous IFRS	
<b>Separate statement of comprehensive income for the year ended 31 December 2018</b>				
Revenue from contracts with customers	(a)	14,046,651	–	14,046,651
Revenue		–	13,624,308	(13,624,308)
<b>Revenue</b>		<b>26,207,783</b>	<b>25,785,440</b>	<b>422,343</b>
Cost of services rendered	(b)	(14,079,777)	(14,042,457)	(37,320)
<b>Gross profit</b>		<b>12,128,006</b>	<b>11,742,983</b>	<b>385,023</b>
Finance costs	(a)	(606,345)	–	(606,345)
<b>Profit before taxation</b>		<b>7,389,068</b>	<b>7,610,390</b>	<b>(221,322)</b>
Income tax expenses	(b)	(3,510,314)	(3,653,964)	143,650
<b>Profit for the year</b>		<b>3,878,754</b>	<b>3,956,426</b>	<b>(77,672)</b>

<i>In thousands of tenge</i>	References	Amounts as per		Increase/ (decrease)
		IFRS 15	Previous IFRS	
<b>Separate statement of financial position as at 31 December 2018</b>				
Property, plant and equipment	(a)	49,233,273	48,736,344	496,929
<b>Total non-current assets</b>		<b>51,561,549</b>	<b>51,064,620</b>	<b>496,929</b>
<b>Total current assets</b>		<b>11,150,805</b>	<b>11,150,805</b>	<b>–</b>
<b>Total assets</b>		<b>62,712,354</b>	<b>62,215,425</b>	<b>496,929</b>
Retained earnings	(a), (b)	10,675,592	10,753,264	(77,672)
<b>Total equity</b>		<b>22,251,313</b>	<b>22,328,985</b>	<b>(77,672)</b>
Deferred income tax liabilities	(b)	2,651,228	2,794,878	(143,650)
Long-term advances received		–	3,113,285	(3,113,285)
Contract liabilities	(a)	3,572,331	–	3,572,331
<b>Total non-current liabilities</b>		<b>15,241,799</b>	<b>14,926,403</b>	<b>315,396</b>
Short-term advances received		–	6,617,986	(6,617,986)
Contract liabilities	(a)	6,877,191	–	6,877,191
<b>Total current liabilities</b>		<b>25,219,242</b>	<b>24,960,037</b>	<b>259,205</b>
<b>Total equity and liabilities</b>		<b>62,712,354</b>	<b>62,215,425</b>	<b>496,929</b>



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

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**2. BASIS OF PREPARATION AND CHANGE IN THE COMPANY’S ACCOUNTING POLICY (continued)****New and amended standards and interpretations (continued)***IFRS 15 Revenue from Contracts with Customers (continued)*

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the separate statement of financial position as at 31 December 2018 and the separate statement of comprehensive income for the year ended 31 December 2018 are described below:

*(a) Long-term advance payments received from customers*

Since 2016, the Company has provided shipbuilding management and transportation services for newly built vessels. Before the adoption of IFRS 15, the Company presented these advances as deferred revenue in the separate statement of financial position and no interest was accrued on the long-term advances received. Under IFRS 15, the Company concluded that there was a significant financing component for those contracts where the customer elected to pay the transaction price when the contract was signed. The amount received for such contracts was considered the discounted transaction price that take into consideration the significant financing component.

Upon the adoption of IFRS 15, the above adjustments were made such that current and non-current contract liabilities increased by 422,343 thousand tenge and 10,248 thousand tenge, respectively, reflecting the adjustment on the promised amount of consideration, plus the interest, with an increase in fixed assets by the same amount, which represents the capitalization of borrowing costs according to IAS 23.

In addition, as at 1 January 2018, the Company reclassified 2,449,051 thousand tenge from short-term advances received to contract liabilities (short-term) and 7,347,151 thousand tenge from long-term advances received to contract liabilities (long-term).

*(b) Other adjustments*

In addition to the adjustments described above, other items of the primary financial statements such as deferred taxes, by the amount of the significant financing component, fixed assets by the additional amortization of capitalized borrowing costs and retained earnings, respectively were adjusted as necessary.

*IFRS 9 Financial Instruments*

IFRS 9 *Financial Instruments* supersedes IAS 39 *Financial Instruments: Recognition and Measurement* and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 brings together all three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Company applied IFRS 9 prospectively as at the date of initial recognition, 1 January 2018. At the same time, the Company did not restate the comparative information, which was presented in accordance with IAS 39. As a result of applying IFRS 9, it did not have a significant impact on the current classification and assessment and impairment of financial instruments used by the Company. The Company does not have a hedging relationship; accordingly, this part of the new standard did not affect the separate financial statements of the Company.

*IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

The Company applied this clarification from 1 January 2018; however, since the Company’s current activities comply with the interpretation requirements, it did not affect its separate financial statements.

*Transfers of Investment Property – Amendments to IAS 40*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use. The Company applied these amendments from 1 January 2018, but it did not have a significant impact on its separate financial statements.



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

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**2. BASIS OF PREPARATION AND CHANGE IN THE COMPANY’S ACCOUNTING POLICY (continued)****New and amended standards and interpretations (continued)***Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions*

The IASB issued amendments to IFRS 2 *Share-based Payments* where three main aspects are reviewed: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are not required to restate information for the previous periods however retrospective application is permitted if amendments are applied to all three aspects and other criteria are met.

These amendments did not have any effect on the separate financial statements of the Company as the Company does not have share-based payments.

*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4*

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing IFRS 17 *Insurance Contracts*, which will replace IFRS 4. The amendments provide two options for entities that issue insurance contracts: temporary exemption from applying IFRS 9 and overlay approach. These amendments are not applicable to the Company.

*Amendments to IAS 28 Investments in Associates and Joint Ventures – clarification that the decision to evaluate investees at fair value through profit or loss should be taken separately for each investment*

The amendments clarify that an entity specializing on venture investments, or a similar entity, may elect, at initial recognition on an investment-by-investment basis, to measure an investment in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate’s or joint venture’s interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which:

- a) The date of initial recognition of the associate or joint venture, which are investment entities;
- b) The date on which the associate or joint venture becomes an investment entity; and
- c) The date on which the associate or joint venture, which are investment entities, first become parents.

These amendments do not have any impact on the separate financial statements of the Company.

*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – deletion of a number of short-term exemptions for first-time adopters*

Short-term exemptions provided for by E3-E7 (IFRS 1) have been deleted because they served their intended purpose. This amendment is not applicable to the Company.

**Standards issued but not yet effective**

New standards, amendments and interpretations issued but not yet effective up to the date of issuance of the Company’s separate financial statements are listed below. The Company intends to adopt these standards, amendments and interpretations if applicable, when they become effective.

*IFRS 16 Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 established principles for the recognition, measurement, presentation, and disclosure of leases and requires lessees to record all leases using a single accounting model in a similar way to accounting for finance leases provided by IAS 17. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****2. BASIS OF PREPARATION AND CHANGE IN THE COMPANY’S ACCOUNTING POLICY (continued)****Standards issued but not yet effective (continued)***IFRS 16 Leases (continued)*

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today’s accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Company plans to apply IFRS 16 using a modified retrospective approach as of the effective date of the standard. The Company elected to apply the standard to contracts that were previously identified as lease contracts in accordance with IAS 17 and IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease in accordance with IAS 17 and IFRIC 4.

The Company elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

In 2018, the Company has performed a preliminary impact assessment of IFRS 16. Total expected effect of adopting IFRS 16 is presented below:

Effect on the statement of financial position (increase/(decrease)) as at 31 December 2018:

<i>In thousands of tenge</i>	<b>31 December 2018</b>
<b>Assets</b>	
Property, plant and equipment (right-of-use assets)	519,194
<b>Liabilities</b>	
Lease liabilities	674,227
Deferred income tax liabilities	(31,006)
<b>Net effect on equity</b>	<b>(124,027)</b>

Effect on the income statement (increase/(decrease)) for 2018:

<i>In thousands of tenge</i>	<b>2018</b>
Amortization expenses (included in cost)	366,491
Operating lease expenses (included in cost)	(478,678)
<b>Operating profit</b>	<b>112,187</b>
Finance costs	97,389
Foreign exchange loss, net	107,639
<b>Profit before taxation</b>	<b>(92,841)</b>
Income tax expenses	(18,568)
<b>Profit for the year</b>	<b>(74,273)</b>

In connection with the adoption of IFRS 16, the Company’s operating profit will increase, but interest expenses will also increase. This is due to a change in the accounting treatment for expenses under lease agreements that were classified as operating leases in accordance with IAS 17.



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

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**2. BASIS OF PREPARATION AND CHANGE IN THE COMPANY’S ACCOUNTING POLICY (continued)****Standards issued but not yet effective (continued)***IFRS 17 Insurance 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 replaces 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 entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. There are several scope exceptions. 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 annual periods beginning on or after 1 January 2021, with early application permitted. 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 Company.

*IFRIC Interpretation 23 Uncertainty over Income Tax Treatments*

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

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

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual periods beginning on or after 1 January 2019. Certain exemptions are allowed on transition. The Company will adopt the interpretation when it becomes effective. As the Company is an international organization and operates in a complicated tax environment, application of the interpretation may have an impact on its separate financial statements. In addition, the Company may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

*Prepayment Features with Negative Compensation – Amendments to IFRS 9*

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

These amendments are applied retrospectively and become effective for annual periods beginning on 1 January 2019. Early application is allowed. The Company will adopt these amendments when they become effective.



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

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**2. BASIS OF PREPARATION AND CHANGE IN THE COMPANY’S ACCOUNTING POLICY (continued)****Standards issued but not yet effective (continued)***Amendments to IAS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors’ interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Company will adopt these amendments when they become effective.

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

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

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

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

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019. Early application is allowed. The Company does not expect that these amendments will have an effect on its financial statements.

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

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

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

The amendments are applied retrospectively and are effective for annual periods beginning on or after 1 January 2019. Early application is allowed. Since the Company does not have such long-term investments in its associate and joint venture, the amendments will not have an impact on its separate financial statements.

*Annual IFRS improvements, 2015-2017 cycle (issued in December 2017)*

These improvements comprise the following amendments:

*IFRS 3 Business Combinations*

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

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Early application is allowed. The amendments are currently not applicable to the Company but may apply to future transactions.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****2. BASIS OF PREPARATION AND CHANGE IN THE COMPANY’S ACCOUNTING POLICY (continued)****Standards issued but not yet effective (continued)***Annual IFRS improvements, 2015-2017 cycle (issued in December 2017) (continued)**IAS 12 Income Taxes*

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

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Company’s current practice is in line with these amendments, the Company does not expect any effect on its separate financial statements.

*IAS 23 Borrowing Costs*

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

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Early application is allowed. Since the Company’s current practice is in line with these amendments, the Company does not expect any effect on its separate financial statements.

**Comparative information**

Certain amounts in the separate statement of financial position as at 31 December 2017, the separate statement of comprehensive income for the year ended 31 December 2017 have been reclassified in accordance with the format of presentation adopted in 2018.

The Company separated advances paid, deferred expenses, payables to employees from trade and other receivables and included them within other current assets. The Company also included other tax prepayments within other current assets. The Company separated payables to employees from trade and other payables and included them within other current liabilities together with other taxes payable. The Company separated advances received for operating leases from long-term and short-term advances received:

<i>In thousands of tenge</i>	<b>Initial presentation</b>	<b>The amount of reclassification</b>	<b>Presentation as amended</b>
<b>Separate statement of financial position as at 31 December 2017</b>			
<b>Current assets</b>			
Trade and other accounts receivable	1,797,879	(63,156)	1,734,723
Other taxes prepaid	79,216	(79,216)	-
Other current assets	-	142,372	142,372
<b>Non-current liabilities</b>			
Contract liabilities	17,919,882	(10,572,730)	7,347,152
Long-term advances received for operating lease	-	10,572,730	10,572,730
<b>Current liabilities</b>			
Contract liabilities	5,973,294	(3,524,243)	2,449,051
Short-term advances received for operating lease	-	3,524,243	3,524,243
Trade and other accounts payable	1,949,178	(85,485)	1,863,693
Other taxes payable	17,958	(17,958)	-
Other current liabilities	-	103,443	103,443

The change did not affect net income, movements in equity for the period, or the Company’s cash flows from operating, investing and financing activities.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****2. BASIS OF PREPARATION AND CHANGE IN THE COMPANY'S ACCOUNTING POLICY (continued)****Comparative information (continued)**

The Company separated lease income from total revenue and disclosed it in a separate line in the consolidated statement of comprehensive income:

<i>In thousands of tenge</i>	<b>Initial presentation</b>	<b>The amount of reclassification</b>	<b>Presentation as amended</b>
<b>Separate statement of comprehensive income for the year ended 31 December 2017</b>			
Revenue	9,571,816	(229,212)	9,342,604
Income from lease	–	229,212	229,212

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Foreign currency translation**

The separate financial statements are presented in tenge, which is the Company's functional and presentation currency.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Any exchange gains and losses arising from assets and liabilities denominated in foreign currencies subsequent to the date of the underlying transaction are credited or charged to the separate statement of 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.

Weighted average currency exchange rates established by the National Bank of the Republic of Kazakhstan are used as official currency exchange rates in the Republic of Kazakhstan.

The following exchange rates of major foreign currencies against the Kazakhstan tenge have been used in the preparation of these separate financial statements:

<b>Exchange rate as at</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
US Dollar	<b>384,2</b>	332,33
Euro	<b>439,37</b>	398,23
Great Britain Pound (GBP)	<b>488,13</b>	448,61

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the initial estimate of any decommissioning obligation, if any. Such cost includes the cost of replacement of equipment parts and borrowing costs in case of long-term construction projects if capitalization criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company 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 property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the separate statement of comprehensive income as incurred. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Property, plant and equipment (continued)**

Depreciation of property, plant and equipment is computed on a straight-line basis over the estimated useful life of the asset as follows:

	<b>Useful lives (in years)</b>
Buildings	8-50
Machinery and equipment	3-30
Vehicles	3-30
Other	3-20

The expected useful lives, residual lives and depreciation methods of property, plant and equipment are reviewed on an annual basis and, if necessary, respective changes are accounted for prospectively.

The carrying amount of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Cost related to repairs and renewals are charged when incurred and included either in cost of sales or general and administrative expenses, depending on the function of property, plant and equipment, unless they qualify for capitalisation.

**Provision for mineral deposit recovery**

Provision for mineral deposit recovery is recognized in relation to future liquidation and recovery of production assets at the end of their useful lives.

In accordance with the Ainazar field subsurface use contract the Company is obliged to liquidate consequences of its operations including removal or dismantlement of constructions and equipment on the contractual area. Provision for mineral raw materials field recovery is estimated on the basis of current judicial and constructive requirements, level of technologies and prices.

Since actual expenses for recovery may differ from their estimations due to changes in requirements and interpretations of legislation, technologies, prices and other condition, and these expenses will be incurred at a distant date, the carrying amount of provision is reviewed and adjusted on a regular basis in order to account such changes. As at 31 December 2018 the carrying amount of the provision for recovery of mineral raw materials field was 36,275 thousand tenge (31 December 2017: 47,674 thousand tenge).

**Investment properties**

Investment properties are measured initially at cost, including transaction costs less accumulated depreciation and impairment. When significant parts of investment property are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciate them appropriately. All other repair and maintenance costs are recognised in the separate statement of comprehensive income as incurred.

Depreciation of investment property is calculated on the basis of the straight-line method over the estimated useful lives of buildings and structures from 8 to 50 years.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the separate statement of comprehensive income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in the nature of use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the net book value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Intangible assets**

Intangible assets are stated at initial cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised on a straight-line basis over 2-15 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the 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 recognized in the separate statement of comprehensive income in the expense category consistent with the function of the intangible assets.

**Inventories**

Inventories are valued at the lower of cost or net realisable value. Cost of inventory is determined based on FIFO method (first-in, first-out).

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.

**Lease**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

*Company as a lessee*

The lease is classified at the commencement date of the lease as a finance or operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected directly in the statement of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

*Company as a lessor*

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**Taxes***Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax law used to compute the amount are those that are enacted or substantially enacted by the reporting date.



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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Taxes (continued)***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 separate 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, at the time of the transaction, affects neither net profit nor taxable profit or loss; and
- 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, carryforward of unused tax assets 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 carryforward of unused tax assets and unused tax losses can be utilized:

- 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 and, at the time of the transaction, affects neither net profit nor taxable profit or loss; and
- 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 utilized.

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. Unrecognized deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit 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 period 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 directly in equity is recognised 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 income taxes relate to the same taxable entity and the same taxation authority.

*Value added tax (VAT)*

Value added tax related to sales is payable to tax authorities on delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on sales and purchases on a net basis. VAT related to sales and purchases is recognised in the separate statement of financial position on a net basis.

**Impairment of non-financial assets**

The Company 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 Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal or its value in use. The 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 costs of disposal, recent market transactions are taken into account. 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 companies or other available fair value indicators.



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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Impairment of non-financial assets (continued)**

Impairment losses of continuing operations are recognised in the separate statement of comprehensive income in expense categories consistent with the intended purpose of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount.

A 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 exceed 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 in the separate statement of comprehensive income unless the asset is carried at a revalued amount. In this case, the reversal is treated as a revaluation increase.

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

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, 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 Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or 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 Company'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 Company commits to purchase or sell the asset.

Financial assets of the Company comprise cash and cash equivalents, cash restricted in use, short-term bank deposits, trade and other accounts receivable.

***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.

The category of financial assets measured at amortized cost is most relevant to the Company, and therefore applies to all current financial assets of the Company.



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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial assets (continued)***Subsequent measurement (continued)**Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Company. The Company 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 (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables.

*Trade and other accounts receivable*

Trade and other accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are measured at amortised cost using the effective interest rate method, and impairment requirements are applied to them. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the separate statement of comprehensive income. The losses arising from impairment are recognised in the separate statement of comprehensive income in general and administrative costs.

***Derecognition***

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company 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 Company 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 that the Company could be required to repay.

**Impairment of financial assets**

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

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

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

**Cash and cash equivalents**

Cash and cash equivalents in the separate statement of financial position comprise cash at banks and on hand, and time deposits with a maturity of 3 (three) months or less.

Balances restricted within 12 (twelve) months after the reporting date are recorded as a separate item within non-current assets.

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

Financial liabilities within the scope of IAS 9 are classified 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 Company 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, borrowings, and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, finance lease liabilities and financial guarantee obligation.

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification, as described below:

*Financial liabilities at fair value through profit or loss*

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

Gains or losses on liabilities held for trading are recognised in the separate statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liabilities as at fair value through profit or loss.

*Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the separate statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the separate statement of comprehensive income.

*Financial guarantee contracts*

Financial guarantee agreements issued by the Company represent agreements requiring payments to reimburse for losses incurred by the owner of this agreement due to the inability of the debtor to make a timely payment in accordance with the terms and conditions of the debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.



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

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

A financial liability is derecognised in the consolidated statement of financial position 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 through the consolidated statement of comprehensive income.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the separate statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**Fair value of financial instruments**

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

For financial instruments not traded at an active market, the fair value is determined by using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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) 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 – techniques for which all inputs that relate to the lower hierarchy level which have a significant effect on the fair value are not observable.

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

**Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company 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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as finance costs.

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Revenue and expense recognition***Revenue from contracts with customers*

The Company's activities are related to the provision of cargo transportation services, support fleet services, as well as transportation management services. Revenue under contracts with customers is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, irrespective of the period of payment. Revenue is measured at fair value of consideration received or receivable, taking into account payment terms defined in a contract and net of taxes or duties. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

The Company provides freight transportation, support fleet and transportation management services, which are either provided separately or included in a comprehensive agreement. The Company recognizes revenue from these services based on the degree of completeness of a particular operation, assessed proportionally to the share of actually provided services in the total scope of services to be provided under the contract, as the buyer simultaneously receives and consumes benefits provided by the Company.

The Company recognizes revenue from services rendered on transportation of crude oil and other goods upon the fact of transportation services implementation, based on the volumes of goods, accepted and agreed by all transaction parties, and fixed tariffs, established in the contracts between the Company and freighters.

*Lease element in contracts with customers*

The Company may enter into an agreement involving one or several interrelated operations, which in its legal form is not a lease agreement, but transfers the right to use the asset in exchange for a payment or a series of payments. The Company may transfer such a right to use the asset to another organization along with related services.

The Company separates payments related to the lease element and related to other elements of the agreement, based on the relative fair value of all elements.

*Significant financing component*

Generally, the Company receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The Company also received long-term advance payments from customers in case of transportation management services. To reflect the significant component of financing, the transaction price under such agreements is discounted using the rate that would be applied for a separate financing operation between the Company and its customers at the time of signing the agreement.

*Trade accounts receivable*

Trade receivables represent the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

*Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

*Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.



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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Revenue and expense recognition (continued)***Expenses*

Expenses are accounted for at the time the actual flow of the related goods or services occur, regardless of whether payment is made, and are reported in the separate financial statements in the period to which they relate.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualified asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the receipt of borrowing of funds.

**Current versus non-current classification**

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

- Expected to be realised or intended to 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 Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and non-current liabilities.

**4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ASSUMPTIONS**

The Company uses estimates and judgements, which exert an influence on assets and liabilities stated in the separate financial statements during the next financial year. Estimates and judgements are subject to constant critical analysis and are based on the past experience of the management and other factors including expectations regarding future events, which, as deemed, are reasonable in the existing circumstances. The management also uses certain judgements, except for those requiring estimates, in the process of application of accounting policies. Judgements that have the most significant effect on amounts recognised in the separate financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

**Useful life of property, plant and equipment**

The Company assessed useful lives of items of property, plant and equipment using professional judgement based on the experience regarding similar assets. Future economic benefits related to these assets will mainly flow as a result of their use. However, other factors, such as technical or commercial obsolescence, as well as equipment deterioration often result in a decrease in economic benefits associated with these assets. The Management assesses the remaining useful lives of property, plant and equipment based on the current condition of the assets, and subject to the accounting period during which these assets will bring economic benefits to the Company. At that, the following major factors are taken into account: (a) the expected life of assets; (b) the expected physical wear, which depends on the performance characteristics and maintenance program; and (c) the obsolescence of assets subject to technological and commercial review as a result of changes in the market conditions.

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

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**4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ASSUMPTIONS (continued)****Impairment of non-current assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, also in cases when circumstances indicate that its carrying value may be impaired, the Company estimates the asset's recoverable amount. When analysing indicators of impairment, the Company, among other factors, takes into account the demand for transportation of oil and cargo, and the lease of tugboats and barges in the Caspian Sea.

The management tested fixed assets (vehicles – marine vessels) and investment property of the Company for impairment as at 31 December 2018.

The Company carried out a test for impairment of assets for which indicators of potential impairment were identified. The Company divided these assets into the following cash-generating units:

- Investment property – office building;
- Property, plant and equipment – support fleet: tugboats “Irtysk”, “Ural”, “Yessil”, “Tobol”, eight self-unloading barges of KMG 101-108.

*Investment property – office building*

As at 31 December 2018 the recoverable amount of the investment property amounted to 485,441 thousand tenge. It has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows were calculated to reflect the stability of the leased premises and the gradual increase in rental payments. The discount rate applied to the cash flow projections is 16.66%, and cash flows beyond the five-year period are extrapolated using a 5% growth rate that is consistent with the long-term average growth rate of the industry. As a result of this analysis, in the current year, management recognized an impairment loss in the amount of 1,276,295 thousand tenge.

*Support fleet*

In view of the idle support fleet and a decrease in demand in the Caspian Sea, the management of the Company has fully impaired the carrying value of the service fleet in the amount of 1,021,085 thousand tenge as at 31 December 2018. As at 31 December 2018, the Company does not see clear prospects for operating the support fleet.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****5. PROPERTY, PLANT AND EQUIPMENT**

The movements in property, plant and equipment were as follows:

<i>In thousands of tenge</i>	Land	Buildings	Machinery and equipment	Motor vehicles	Other	Constructi on in progress	Total
<b>Cost</b>							
<b>As at 1 January 2017</b>	2,362	644,234	2,314,995	19,033,778	231,454	86,236	22,313,059
Additions	-	-	-	4,613,792	15,067	19,210,520	23,839,379
Disposals	-	-	-	-	(489)	-	(489)
Transfer	-	-	(1,637)	65,278	1,637	(65,278)	-
<b>As at 31 December 2017</b>	2,362	644,234	2,313,358	23,712,848	247,669	19,231,478	46,151,949
Additions	-	-	-	2,172,034	26,903	15,185,125	17,384,062
Disposals	-	-	-	(218,555)	(14,686)	-	(233,241)
Transfer from investment property (Note 6)	-	381,043	-	-	-	-	381,043
Transfer from construction in progress	-	-	-	34,352,174	-	(34,352,174)	-
<b>As at 31 December 2018</b>	2,362	1,025,277	2,313,358	60,018,501	259,886	64,429	63,683,813
<b>Accumulated depreciation and impairment</b>							
<b>As at 1 January 2017</b>	-	(20,593)	(1,556,968)	(7,581,694)	(150,557)	(36,413)	(9,346,225)
Accruals	-	(13,073)	(187,312)	(1,199,516)	(28,603)	-	(1,428,504)
Disposals	-	-	-	-	489	-	489
<b>As at 31 December 2017</b>	-	(33,666)	(1,744,280)	(8,781,210)	(178,671)	(36,413)	(10,774,240)
Accruals	-	(14,318)	(180,410)	(2,631,138)	(35,204)	-	(2,861,070)
Disposals	-	-	-	218,555	14,595	-	233,150
Transfer from investment property (Note 6)	-	(27,295)	-	-	-	-	(27,295)
Impairment charge	-	-	(364,558)	(656,527)	-	-	(1,021,085)
<b>As at 31 December 2018</b>	-	(75,279)	(2,289,248)	(11,850,320)	(199,280)	(36,413)	(14,450,540)
<b>Net book value</b>							
<b>As at 31 December 2017</b>	2,362	610,568	569,078	14,931,638	68,998	19,195,065	35,377,709
<b>As at 31 December 2018</b>	2,362	949,998	24,110	48,168,181	60,606	28,016	49,233,273

The Company has an office building in Aktau, Kazakhstan, the initial cost of which amounted to 2,864,351 thousand tenge. The Company uses part of the building, whose net book value as at 31 December 2018 amounts to 898,459 thousand tenge for own needs (as at 31 December 2017: 556,275 thousand tenge). During the year, the Company occupied parking spaces in the underground parking, as a result of which a part of the net book value in the amount of 353,748 thousand tenge was transferred to fixed assets.

The Company leases out to related parties a part of the building, the net book value of which amounts to 485,441 thousand tenge as at 31 December 2018. This part of the building was classified by the Company as investment property less accrued impairment in the amount of 1,276,295 thousand tenge as at 31 December 2018 (Note 6).

During 2018, the Company put into operation three self-propelled barges No. 852 – Barys, No. 853 – Berkut and No. 854 – Sunkar, the initial value of which amounted to 34,352,174 thousand tenge. According to the Company’s estimate, the useful life of these vessels is 15 years.

As at 1 January 2018, the Company capitalized interest on the contract liability within fixed assets in the amount of 432,591 thousand tenge, at the date of transition to IFRS 15. Also, in 2018, the Company capitalized interest in the amount of 101,658 thousand tenge within fixed assets during the period of construction of vessels No. 852 – Barys, No. 853 – Berkut and No. 854 – Sunkar.

In 2018, the Company capitalized customs duty associated with the transportation of three self-propelled barges in the amount of 1,648,484 thousand tenge within fixed assets (in 2017: nil).

The vehicles include tugboats EMBA, TALAS and IRGIZ used by the Company under a finance lease agreement concluded with Islamic Bank “Al Hilal” JSC. As at 31 December 2018, the carrying amount of these vessels was 5,973,138 thousand tenge (as at 31 December 2017: 4,165,915 thousand tenge). Purchases of property, plant and equipment during the year comprised IRGIZ tugboat under finance lease agreement in the amount of 2,084,038 thousand tenge (2017: EMBA and TALAS tugboats in the amount of 4,236,524 thousand tenge). Tugboats serve as collateral for the relevant obligations under finance lease agreements.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****5. PROPERTY, PLANT AND EQUIPMENT (continued)**

In 2018, the Company performed a test for the impairment of fixed assets (marine vessels). As a result of the test for impairment, the Company recognized impairment of tugboats Irtysh, Ural, Yessil, Tobol and eight self-unloading barges of KMG 101-108 in the amount of 1,021,085 thousand tenge (in 2017: nil).

As at 31 December 2018 property, plant and equipment with the cost of 1,817,898 thousand tenge were fully depreciated (as at 31 December 2017: 1,802,774 thousand tenge).

**6. INVESTMENT PROPERTY**

The movements in investment property for the year ended 31 December 2018 were as follows:

*In thousands of tenge*

<b>Initial cost</b>	
As at 1 January 2017	2,277,770
Additions	-
<b>As at 31 December 2017</b>	<b>2,277,770</b>
Additions	963
Transfer to property, plant and equipment (Note 5)	(381,043)
<b>As at 31 December 2018</b>	<b>1,897,690</b>
<b>Accumulated depreciation</b>	
As at 1 January 2017	(72,127)
Accrual	(45,556)
<b>As at 31 December 2017</b>	<b>(117,683)</b>
Accrual	(45,566)
Transfer to property, plant and equipment (Note 5)	27,295
Impairment charge	(1,276,295)
<b>As at 31 December 2018</b>	<b>(1,412,249)</b>
<b>Net book value</b>	
<b>As at 31 December 2017</b>	<b>2,160,087</b>
<b>As at 31 December 2018</b>	<b>485,441</b>

Investment property of the Company comprises a part of a new office building built in May 2015 by Taymas Construction Company LLP in Aktau, Republic of Kazakhstan.

<i>In thousands of tenge</i>	2018	2017
Profit from investment property	228,931	229,212
Direct operating expenses (including repair and technical maintenance), which resulted in deriving of lease income (included within cost)	(188,393)	(174,162)
<b>Profit from investment property</b>	<b>40,538</b>	<b>55,050</b>

As at 31 December 2018 and 2017, the fair value of investment property approximates its carrying amount.

The Company does not impose any restrictions on the sale of its investment property. The Company also has no contractual obligations for the acquisition, construction or improvement of investment property.

As a result of the impairment test, the Company recognized impairment in the amount of 1,276,295 thousand tenge (2017: nil) (Note 4).



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****7. INTANGIBLE ASSETS**

Movement of intangible assets for the year ended 31 December 2018 is presented as follows:

<i>In thousands of tenge</i>	<b>Computer software</b>	<b>Other</b>	<b>Total</b>
<b>Cost</b>			
<b>As at 1 January 2017</b>	323,351	134,255	457,606
Additions	14,375	–	14,375
Transfers and reclassifications	–	644	644
Disposals	(630)	(683)	(1,313)
<b>As at 31 December 2017</b>	337,096	134,216	471,312
Additions	18,699	3,107	21,806
Disposals	(773)	–	(773)
<b>As at 31 December 2018</b>	355,022	137,323	492,345
<b>Accumulated depreciation</b>			
<b>As at 1 January 2017</b>	(221,016)	(76,548)	(297,564)
Accruals	(38,011)	(6,607)	(44,618)
Disposals	630	–	630
<b>As at 31 December 2017</b>	(258,397)	(83,155)	(341,552)
Accruals	(35,960)	(6,080)	(42,040)
<b>As at 31 December 2018</b>	(294,357)	(89,235)	(383,592)
<b>Net book value</b>			
<b>As at 31 December 2017</b>	78,699	51,061	129,760
<b>As at 31 December 2018</b>	60,665	48,088	108,753

**8. ADVANCES PAID FOR NON-CURRENT ASSETS**

On 28 July 2016, the Company in a consortium with Blue Water Shipping signed an agreement with Tengizchevroil (TCO) for the transportation of modules for the Future Growth Project (FGP). The Company entered into an agreement with Vard Group AS for the construction of three self-propelled barges No. 852, No. 853 and No. 854, worth USD 24,4 million each. In this connection, the Company classified FGP advances as long-term advances. The terms of payment included advance payments of 20%, 30%, 25% and 25%, depending on the amount of performed work negotiated in the contract. TCO reimbursed the costs of construction of self-propelled barges, in turn, the Company worked with Vard Group AS on a prepayment basis.

According to the agreement with TCO, the costs of construction of self-propelled barges are fully reimbursed by the future provision of services for managing the transportation of structural modules and leasing out of newly built self-propelled barges to TCO. Thus, the Company received advances from TCO, and paid an advance to Bue Bulkens Limited for supervision and to Vard Group AS for the construction of self-propelled barges.

Construction of self-propelled barges No. 852, No. 853 was completed in August 2017, and vessel No. 854 was completed in January 2018. During 2018, the Company put all three vessels into service after they were delivered to Kazakhstan. Accordingly, advances paid for non-current assets were utilized against the vessels supplied.

**9. OTHER NON-CURRENT ASSETS**

Other non-current assets are as follows:

<i>In thousands of tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Investments in subsidiaries (Note 2)	7,590	16,801
Other	21,685	31,880
	<b>29,275</b>	<b>48,681</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****10. INVENTORIES**

As at 31 December 2018 and 31 December 2017 inventory is presented as follows:

<i>In thousands of tenge</i>	<b>31 December 2018</b>	31 December 2017
Fuel	79,583	130,468
Spare parts	46,797	53,615
Limestone	4,486	4,486
Other materials	108,868	114,176
	<b>239,734</b>	<b>302,745</b>

**11. LOANS ISSUED**

<i>In thousands of tenge</i>	<b>31 December 2018</b>	31 December 2017
Altai Shipping Ltd	569,773	574,599
Alatau Shipping Ltd	569,773	574,599
	<b>1,139,546</b>	<b>1,149,198</b>

In March 2017, the Company issued interest-free loans to its subsidiaries Altai Shipping Ltd and Alatau Shipping Ltd each in the amount of 1,750 thousand US dollars (equivalent of 581,578 thousand tenge). The loan is repayable in March 2019. The Company discounted these loans at the market rate of 5.6%, and the discount was recognized as an increase in investment in subsidiaries in 2017.

**12. TRADE AND OTHER ACCOUNTS RECEIVABLE**

As at 31 December 2018 and 31 December 2017 trade and other accounts receivable are presented as follows:

<i>In thousands of tenge</i>	<b>31 December 2018</b>	31 December 2017
Trade accounts receivable	7,294,850	1,733,334
Other accounts receivable	482,259	57,844
Less: allowance for expected credit losses	(104,352)	(56,455)
	<b>7,672,757</b>	<b>1,734,723</b>

Trade receivables resulted from the recognition of revenue from contracts with customers in accordance with IFRS 15.

The main portion of other receivables comprises insurance claim payment from Standard Club UK Ltd. on the insured event of damage caused to the Federal State Unitary Enterprise "Rosmorport" in the amount of 400,774 thousand tenge. Insurance proceeds are denominated in USD dollars.

As at 31 December 2018 and 31 December 2017, trade and other accounts receivable are expressed in the following currencies:

<i>In thousands of tenge</i>	<b>31 December 2018</b>	31 December 2017
US dollars	7,384,130	1,577,974
Tenge	288,627	156,749
	<b>7,672,757</b>	<b>1,734,723</b>

The average maturity of accounts receivable is 30 days. In 2018 and 2017, interest on unpaid balances were not accrued.



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

Movements in the allowance for expected credit losses are as follows:

<i>In thousands of tenge</i>	2018	2017
<b>Allowance for expected credit losses as at 1 January</b>	<b>56,455</b>	<b>53,887</b>
Charge for the year	18,201	6,611
Write-off for the year	(3,539)	(3,929)
Foreign exchange difference	33,235	(114)
<b>Allowance for expected credit losses as at 31 December</b>	<b>104,352</b>	<b>56,455</b>

The ageing analysis of trade and other receivables is as follows:

<i>In thousands of tenge</i>	Total	Neither past due nor impaired	Past due, but not impaired				
			31-60 days	61-90 days	91-120 days	121-360 days	More than 361 days
2018	7,672,757	7,357,977	93,139	18,489	12,949	190,203	-
2017	1,734,723	1,038,974	330,879	124,429	118,542	49,907	71,992

**13. OTHER CURRENT ASSETS**

As at 31 December 2018 and 31 December 2017 other current assets were presented as follows:

<i>In thousands of tenge</i>	31 December 2018	31 December 2017
Other taxes prepaid	198,202	79,216
Advances paid	53,926	28,814
Deferred expenses	35,699	22,892
Due from employees	3,655	11,450
	<b>291,482</b>	<b>142,372</b>

**14. SHORT-TERM BANK DEPOSITS**

As at 31 December 2018 and 31 December 2017 short-term bank deposits were presented as follows:

Bank name	Currency	Date of placement	Maturity date	Interest rate	31 December 2018	31 December 2017
Islamic bank Al Hilal JSC	US dollar	4 August 2017	13 July 2018	2.93%	-	332,330
Tsesnabank JSC	US dollar	12 December 2017	4 April 2018	3.00%	-	66,466
					-	398,796

Interest income accrued in 2018 amounted to 43,885 thousand tenge (2017: 52,342 thousand tenge) (Note 27).

**Restricted cash**

As at 31 December 2018 cash restricted in use in the amount of 1,704,807 thousand tenge (as at 31 December 2017: 666,233 thousand tenge) (equivalent to 2 million US dollars) comprises a deposit with an estimated profit of 3.02% per annum placed with Islamic Bank “Al Hilal” JSC in the amount of 768,400 thousand tenge (2 million US dollars) mandatory under the finance lease agreement and Escrow account at Altyn Bank JSC (SB “Halyk Bank of Kazakhstan” JSC) in the amount of 935,407 thousand tenge (2,435 thousand US dollars) opened as collateral for the proper performance of its obligations under the Consortium Agreement with Blue Water LLC Shipping Kazakhstan.

The remaining portion of cash restricted in use in the amount of 1,000,000 tenge represents a liquidation fund for the restoration of the Ainazar limestone quarry.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****15. CASH AND CASH EQUIVALENTS**

As at 31 December 2018 and 31 December 2017, cash and cash equivalents were as follows:

<i>In thousands of tenge</i>	<b>31 December 2018</b>	31 December 2017
Current accounts with banks – US dollars	1,361,816	436,622
Current accounts with banks in tenge	137,121	1,608,252
Current accounts with banks in euro	14,924	162,186
Current accounts with banks in other foreign currency	1,980	4,526
	<b>1,515,841</b>	<b>2,211,586</b>

**16. CHARTER CAPITAL**

As at 31 December 2018 and 2017 the charter capital was fully paid and was presented as follows:

<i>In thousands of tenge</i>	<b>Ownership, %</b>	<b>Amount</b>
NC KMG	100	11,575,721
	<b>100</b>	<b>11,575,721</b>

During 2018 the Company did not declare or pay any dividends to the Parent (2017: 100,000 thousand tenge).

**17. FINANCE LEASE LIABILITIES**

As at 31 December 2018 and 31 December 2017 finance lease liabilities are presented as follows:

<i>In thousands of tenge</i>	<b>31 December 2018</b>	31 December 2017
<b>Minimum lease payments</b>		
Within one year	2,136,311	1,326,288
More than 1 year but less than 5 years	4,888,542	3,427,118
<b>Total minimum lease payments</b>	<b>7,024,853</b>	<b>4,753,406</b>
Less finance costs	(535,253)	(517,189)
<b>Present value of minimum lease payments</b>	<b>6,489,600</b>	<b>4,236,217</b>
<b>Present value of minimum lease payments</b>		
Within one year	1,976,175	1,090,819
More than 1 year but less than 5 years	4,513,425	3,145,398
<b>Present value of minimum lease payments</b>	<b>6,489,600</b>	<b>4,236,217</b>

In July 2017, the Company entered into a finance lease agreement with Islamic Bank Al Hilal JSC to receive vehicles represented by EMBA, TALAS and IRGIZ tugboats used by the Company to provide services for TCO. According to the contract for the payment of rental payments, there is a grace period until July 2018. The finance lease term expires on 4 August 2021.

**Change in liabilities resulting from financing activities**

As at 31 December, changes in liabilities resulting from financing activities comprised the following:

<i>In thousands of tenge</i>	1 January 2018	Cash flows	Interest paid	Change in the foreign exchange difference	Other	31 December 2018
Finance lease liabilities	4,236,217	(849,598)	(190,825)	841,035	2,452,771	6,489,600
	4,236,217	(849,598)	(190,825)	841,035	2,452,771	6,489,600

  

<i>In thousands of tenge</i>	1 January 2017	Cash flows	Interest paid	Change in the foreign exchange difference	Other	31 December 2017
Dividends payable	-	(100,000)	-	-	100,000	-
Finance lease liabilities	-	-	-	260	4,235,957	4,236,217
	-	(100,000)	-	260	4,335,957	4,236,217

The column “Other” includes the effect of accrual of declared dividends, the effect of accrued but not yet paid interest. Also, it includes recognition of new finance lease agreements.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****18. ADVANCES RECEIVED FOR OPERATING LEASE**

Advances received for operating leases are a part of the prepayment received from TCO for the lease of newly built Barys, Berkut and Sunkar self-propelled barges. In fact, this part of the prepayment was spent to build these vessels and it is assumed that the advance will be closed against the proceeds from the operating lease of these vessels. In 2018, in accordance with the contract with TCO for the transportation of structural modules, the Company transferred the vessels for an operating lease for a minimum rental period of 850 days for each vessel.

**19. CONTRACT LIABILITIES**

As at 31 December 2018 and 31 December 2017, contract liabilities were presented as follows:

<i>In thousands of tenge</i>	<b>31 December 2018</b>	31 December 2017
Advances received for building models transportation management services	<b>9,731,271</b>	9,796,203
Financial component on advances received for transportation management services	<b>718,251</b>	-
	<b>10,449,522</b>	9,796,203
Current	<b>6,877,191</b>	2,449,051
Non-current	<b>3,572,331</b>	7,347,152

Advances received for structural modules transportation management services are part of the prepayment received from TCO for structural modules transportation management services. In fact, this part of the prepayment was spent to build self-propelled barges and it is assumed that the advance will be closed against the income from the structural modules transportation management services.

In 2018, in accordance with the contract with TCO for the transportation of construction modules, the Company started providing these services immediately after it transferred the self-propelled barges for operating lease to TCO. The period of transportation management services is 850 days for each vessel.

**20. TRADE AND OTHER ACCOUNTS PAYABLE**

As at 30 June 2018 and 31 December 2017 trade and other accounts payable are presented as follows:

<i>In thousands of tenge</i>	<b>31 December 2018</b>	31 December 2017
Trade payables	<b>3,384,270</b>	1,498,990
Trade accounts payable to subsidiaries	<b>101,846</b>	347,876
Other payables	<b>394,039</b>	16,827
	<b>3,880,155</b>	1,863,693

The main portion of other payables comprises payables for damages caused to the Federal State Unitary Enterprise (FSUE) "Rosmorport" in the amount of 381,039 thousand tenge. The payables are denominated in Russian roubles. These payables are covered by an insurance certificate provided by Standard Club UK Ltd.

As at 31 December 2018 and 31 December 2017, trade accounts payable are expressed in the following currencies:

<i>In thousands of tenge</i>	<b>31 December 2018</b>	31 December 2017
US dollar	<b>3,438,427</b>	1,627,808
Tenge	<b>436,354</b>	207,303
Euro	<b>1,385</b>	3,089
Other	<b>3,989</b>	25,493
	<b>3,880,155</b>	1,863,693

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****21. OTHER CURRENT LIABILITIES**

As at 31 December 2018 and 31 December 2017, other current liabilities were as follows:

<i>In thousands of tenge</i>	<b>31 December 2018</b>	31 December 2017
VAT payable	595,539	-
Amounts due to employees	441,641	85,485
Other taxes payable	20,050	17,958
	<b>1,057,230</b>	<b>103,443</b>

**22. REVENUE FROM CONTRACTS WITH CUSTOMERS**

Revenue for the years ended 31 December comprised the following:

<i>In thousands of tenge</i>	<b>2018</b>	2017
<b>Type of services</b>		
Revenue from management of transportation of structural modules	7,397,557	-
Revenue from crude oil transportation	4,151,848	5,317,862
Revenue from fleet lease services	1,207,690	1,037,728
Revenue from monitoring and elimination of open oil spill	836,719	2,838,652
Interest income from contract liabilities	422,343	-
Other	30,494	148,362
	<b>14,046,651</b>	<b>9,342,604</b>

Proceeds from transportation of crude oil are related to the provision of marine transportation services in the Caspian Sea. The main buyers of this service during 2018 were Belvion Group Ltd and SOCAR LOGISTIC DMCC.

In 2018, the Company started providing structural modules transportation management services upon agreement with TCO. These services include management and operational and technical management services for leased self-propelled barges, as well as crewing arrangements.

Revenue from provision of support fleet services is represented by the Company's activities on providing services of towing vessels, supply vessels, and barges for the transportation of goods.

Also, in 2018, the Company rendered oil spill response services to Zhambyl Petroleum LLP. The Company acted in a consortium with KMG Systems & Services LLP and RSE on the right of economic management “Professional militarized emergency response service”.

Revenues from all services of the Company, except for crude oil transportation services, are recognized over a period of time. Revenue from crude oil transportation services is recognized as transportation services are provided, based on the volumes accepted and agreed by all transaction parties, and fixed tariffs, established in the contracts between the Company and freighters.

During 2018, the Company recognized revenue in respect of the amounts included in the contract liabilities at the beginning of the year in the amount of 3,970,322 thousand tenge (2017: nil).

**23. RENTAL INCOME**

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

<i>In thousands of tenge</i>	<b>2018</b>	2017
Income from transfer of self-propelled barges to operating lease	10,645,264	-
Income from transfer of tankers to operating lease	1,286,937	-
Income from investment property (Note 6)	228,931	229,212
	<b>12,161,132</b>	<b>229,212</b>

In 2018, the Company transferred its self-propelled barges to TCO for operating lease. Direct operating expenses (including repair and maintenance reflected in the cost of services rendered), which led to the receipt of rental income for 2018 amounted to 4,140,144 thousand tenge (2017: nil).

In 2018, the Company leased out five tankers to SOCAR LOGISTICS DMMC for operating lease. The lease term amounts to three years, however, according to the agreement, SOCAR LOGISTICS DMSC may extend the lease for another two years. Direct operating expenses (including repair and maintenance reflected in the cost of services rendered), which led to the receipt of rental income from tankers for 2018 amounted to 542,352 thousand tenge (2017: nil).



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****24. COST OF SERVICES RENDERED**

Cost of services rendered for the years ended 31 December comprised the following:

<i>In thousands of tenge</i>	2018	2017
Lease of self-propelled barges	4,140,144	-
Transportation of crude oil	3,855,671	5,149,234
Management of transportation of structural modules	2,877,049	-
Expenses for support fleet and monitoring of open oil spill response	2,375,958	3,264,071
Lease of tankers	542,352	-
Maintenance of investment property	258,066	223,076
Other	30,537	988
	<b>14,079,777</b>	<b>8,637,369</b>

<i>In thousands of tenge</i>	2018	2017
Technical maintenance and management of tankers	4,906,617	1,004,207
Lease of fleet	3,387,696	2,198,444
Depreciation and amortisation	2,876,276	1,443,406
Fuel and other materials	572,131	359,468
Salary and related taxes	542,477	514,571
Port charges	492,045	393,937
Freight of tankers	479,633	450,107
Maintenance of investment property	206,001	174,162
Insurance expenses	193,461	195,352
Other taxes excluding income tax	61,993	72,531
Agency services for ships	44,153	25,376
Other	317,294	925,728
	<b>14,079,777</b>	<b>8,637,369</b>

**25. GENERAL AND ADMINISTRATIVE EXPENSES**

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

<i>In thousands of tenge</i>	2018	2017
Salary and related taxes	724,530	662,861
Other taxes	404,808	22,058
Provision for bonuses to management	262,136	-
Professional services	84,339	38,184
Business trips	78,975	74,306
Depreciation and amortization	72,390	74,567
Lease	56,672	9,272
Repair and maintenance	39,722	31,892
Social expenses	38,981	24,480
Membership contributions	30,789	22,188
Materials	20,554	16,779
Bank fees	12,413	8,712
Insurance	9,392	9,385
Telecommunication services	5,443	4,424
Trainings	4,827	6,058
Representation expenses	2,496	8,408
Other	114,106	84,558
	<b>1,962,573</b>	<b>1,098,132</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****26. OTHER OPERATING INCOME/(EXPENSES)**

Other operating income/(expenses) for the years ended 31 December 2018 and 2017 are as follows:

<i>In thousands of tenge</i>	2018	2017
Reimbursement of expenses	1,308,660	1,145,004
Income from fines and penalties	63,705	108,059
Other	48,400	20,434
	<b>1,420,765</b>	<b>1,273,497</b>
Other services from third parties	(410,699)	(451,319)
Other	(52,335)	(107,032)
	<b>(463,034)</b>	<b>(558,351)</b>

**27. FINANCE INCOME/(COSTS)**

Finance income/(expenses) for the years ended 31 December 2018 and 2017 are as follows:

<i>In thousands of tenge</i>	2018	2017
Interest income (Note 14)	43,885	52,342
	<b>43,885</b>	<b>52,342</b>
Interest on revenue generating contracts	(606,345)	-
Finance costs on finance lease liabilities	(346,068)	-
Finance costs of finance guarantee obligations	(153,714)	(104,235)
Finance costs on loans received	-	(32,081)
Finance costs of amortization of other non current liabilities	-	(5,929)
	<b>(1,106,127)</b>	<b>(142,245)</b>

**28. INCOME TAX**

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

<i>In thousands of tenge</i>	2018	2017
Current income tax expense	1,079,552	-
Adjustment with respect to current income tax for prior periods	238,752	-
Deferred tax expense	2,192,010	246,472
Adjustment of deferred tax for prior period	-	52,857
	<b>3,510,314</b>	<b>299,329</b>

A reconciliation of income tax expenses applicable to income before taxation at the official income tax rate, with the income tax expenses benefit for the years ended 31 December is out below:

<i>In thousands of tenge</i>	2018	2017
<b>Profit before taxation</b>	<b>7,389,068</b>	<b>385,019</b>
Statutory tax rate	20%	20%
<b>Income tax expense at the statutory rate</b>	<b>1,477,814</b>	<b>77,004</b>
Taxable income of foreign subsidiaries	40,037	531,761
Adjustment of deferred tax for prior period	238,752	-
Adjustment of deferred tax for prior period	-	52,857
Non-taxable income from vessels registered in RK	(275,632)	(375,206)
Unrecognised tax assets	-	(33,069)
Changes in tax legislation (Note 31)	1,716,895	-
Loss on impairment of property, plant and equipment	204,217	-
Income on dividends received	(2,373)	(3,142)
Other non-deductible expenses	110,604	49,124
<b>Income tax expenses/(benefit)</b>	<b>3,510,314</b>	<b>299,329</b>



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****28. INCOME TAX (continued)**

Movement of deferred tax for the years ended 31 December is presented as follows:

<i>In thousands of tenge</i>	31 December 2018	Origination and reversal of temporary differences in the statement of comprehensive income	31 December 2017	Origination and reversal of temporary differences in the statement of comprehensive income	31 December 2016
<b>Deferred tax assets</b>					
Contract liabilities	1,529,937	1,529,937	-	-	-
Allowance for expected credit losses	20,871	9,580	11,291	47	11,244
Provision for bonuses	52,427	52,427	-	(31,734)	31,734
Other accruals	44,556	24,455	20,101	1,858	18,243
<b>Deferred tax assets</b>	<b>1,647,791</b>	<b>1,616,399</b>	<b>31,392</b>	<b>(29,829)</b>	<b>61,221</b>
<b>Deferred tax liabilities</b>					
Property, plant and equipment and investment property	4,299,019	3,808,409	490,610	269,500	221,110
<b>Deferred tax liabilities</b>	<b>4,299,019</b>	<b>3,808,409</b>	<b>490,610</b>	<b>269,500</b>	<b>221,110</b>
<b>Net deferred tax liability</b>	<b>2,651,228</b>	<b>2,192,010</b>	<b>459,218</b>	<b>299,329</b>	<b>159,889</b>

**29. FINANCIAL GUARANTEE OBLIGATION**

In June 2009, the Company issued a financial guarantee for the associate Mangistau Oblast Boat Yard LLP (hereinafter, “Boat Yard”) on the borrowing obtained from European Bank for Reconstruction and Development (the “EBRD”). According to the financial guarantee agreement, the Company is obliged to pay 30% of Boat Yard debt (proportionate to share in equity) in case that the Boat Yard is not able to repay the debt.

As at 31 December 2012 the Boat Yard failed to pay interest and principal to EBRD in time and violated certain obligations associated with the loan. Also, Topaz Energy, which owns a 50% stake in the Boat Yard, has withdrawn from the guarantee agreement. Thus, the share was distributed between the Company and Balykshy LLP in the amount of 30% and 20%, respectively. As a result, the Company owns 60% stake.

As at 31 December 2012 the Boat Yard’s payables to EBRD amounted to USD 11,603,268. On 1 August 2013 the Company sold 30% of interest in the charter capital of Balykshy LLP. According to the terms and conditions of the financial guarantee agreement, the Company is not entitled to transfer the financial guarantee liability to the third parties without the consent of EBRD. As a result, the rights under the guarantee did not transfer to Balykshy LLP and the Company still bears responsibility for a 60% stake.

As at the date of issue of these separate financial statements, the Company did not receive a formal notification from EBRD regarding discharge of the Company from financial guarantee liabilities.

As at 31 December 2018, the financial guarantee liability amounts to 1,893,585 thousand tenge (31 December 2017: 1,490,919 thousand tenge). The Company recognized finance costs related to the accrual of interest in the amount of 153,714 thousand tenge (in 2017: 104,235 thousand tenge) and foreign exchange loss in the amount of 248,953 thousand tenge (2017: foreign exchange loss in the amount of 2,019 thousand tenge).

**30. RELATED PARTIES DISCLOSURE**

Related parties include key management personnel of the Company, entities in which a substantial interest in the voting power is owned, directly or indirectly, by the Company’s key management personnel, NC KMG group companies and other companies under control of SWF Samruk-Kazyna.

Transactions with related parties are made at terms agreed between the parties that are not necessarily market conditions. Outstanding balances at the year-end are unsecured, non-interest bearing and settlement occurs in cash, except as indicated below. For the year ended 31 December 2018, the Company recorded expected credit losses on receivables related to receivables from related parties in the amount of 20,206 thousand tenge (31 December 2017: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****30. RELATED PARTIES DISCLOSURES (continued)**

Significant related parties' transactions for the years ended 31 December 2018 and 2017, and balances as at 31 December 2018 and 31 December 2017 are as follows:

**Revenue**

<i>In thousands of tenge</i>	2018	2017
<b>Companies controlled by SWF Samruk-Kazyna</b>		
Port Kuryk LLP	17,283	-
Transtelecom JSC	9,633	-
NC Aktau International Sea Trade Port JSC	-	12,969
	<b>29,916</b>	<b>12,969</b>
<b>Companies under control or significant influence of NC KazMunayGas</b>		
Satpayev Operating LLP	-	2,838,652
Tengizchevroil LLP	19,141,256	1,004,806
Other	151,893	185,487
	<b>19,293,149</b>	<b>4,028,945</b>

**Acquisitions**

<i>In thousands of tenge</i>	2018	2017
<b>Companies controlled by SWF Samruk-Kazyna</b>		
NC Aktau International Sea Trade Port JSC	231,907	167,454
MAEC KazAtomProm JSC	21,555	19,589
Port Kuryk LLP	18,171	-
Other	17,146	9,846
	<b>288,779</b>	<b>196,889</b>
<b>Companies under control or significant influence of NC KazMunayGas</b>		
KMG Kashagan B.V.	231,276	-
TenizService LLP	38,408	34,142
Other	17,061	7,980
	<b>286,745</b>	<b>42,122</b>

**Subsidiaries**

Kazmortransflot UK Ltd	2,062,948	2,876,236
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**Dividends from subsidiaries of the Company***Kazmortransflot UK LTD*

During the year ended 31 December 2018, subsidiary of Kazmortransflot UK LTD declared and distributed dividends in the amount of 11,866 thousand tenge (for the year ended 31 December 2017: 15,712 thousand tenge).



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****30. RELATED PARTIES DISCLOSURES (continued)****Trade and other receivables and loans issued**

<i>In thousands of tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Companies controlled by SWF Samruk-Kazyna</b>		
Port Kuryk LLP	192	1,600
Transtelecom LLP	6,123	-
Samruk Energo JSC	-	5,019
Kazpost JSC	94	82
	<b>6,409</b>	<b>5,117</b>
<b>Companies under control or significant influence of NC KazMunayGas</b>		
Tengizchevroil LLP	6,469,691	596,639
Other	22,850	23,854
	<b>6,471,976</b>	<b>620,493</b>
<b>Subsidiaries</b>		
Altai Shipping Ltd	569,773	574,599
Alatau Shipping Ltd	569,773	574,599
	<b>1,139,546</b>	<b>1,149,198</b>

**Trade and other payables, contract liabilities and advances received**

<i>In thousands of tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Companies controlled by SWF Samruk-Kazyna</b>		
NAC KazAtomProm JSC	1,626	1,594
NC KTZh JSC	11,490	1,919
Other	551	-
	<b>13,667</b>	<b>3,513</b>
<b>Companies under control and significant influence of NC KazMunayGas</b>		
Tengizchevroil LLP	24,452,906	23,893,176
KazMunayGas Service LLP	-	11,584
KMG Kashagan B.V.	89,706	-
TenizService LLP	8,548	2,964
Other	254	255
	<b>24,551,414</b>	<b>23,907,979</b>
<b>Subsidiaries</b>		
Kazmortransflot UK Ltd	101,846	347,876

**Compensation to the key management personnel**

As at 31 December 2018, key management personnel consisted of 5 persons (2017: 5 persons). Total compensation to the key management personnel for the year ended 31 December 2018, included in general and administrative expenses in the accompanying separate statement of comprehensive income is 332,797 thousand tenge (for 2017: 105,565 thousand tenge). In 2018, remuneration to key management personnel consists mainly of salaries and bonuses based on the results of the year (2017: salaries and bonuses based on the results of the year).

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****31. COMMITMENTS AND CONTINGENCIES****Taxation**

Kazakhstan’s tax, currency and customs legislation and regulations are subject to ongoing changes and varying interpretations. Management’s interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities. Recent events within Kazakhstan suggest that the tax authorities are taking a more assertive position in interpretation of the legislation and check of tax calculation. As consequence, tax bodies can make a complaint on those deals and methods of the account on which earlier they did not show claims. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five (5) calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including opinions on recording of income and expense and other items in the IFRS separate financial statements.

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 at 31 December 2018. As at 31 December 2018 management of the Company believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Company’s tax, currency and customs positions will be sustained.

During 2016, there were changes in tax legislation affecting the Company, which entered into force on 1 January 2016. In particular, a corporate tax on income from the transportation of cargo by marine vessels registered in the international ship registry of the Republic of Kazakhstan is reduced by 100%. This means that such income is exempt from income tax. In 2016, the Company re-registered its vessels in the international ship registry of the Republic of Kazakhstan. At the time of re-registration, the Company had a vessels related balance of deferred tax liabilities in the amount of 2,001,678 thousand tenge. Due to changes in legislation, the balance of deferred tax liabilities relating to vessels registered in the international ship registry of the Republic of Kazakhstan was written off.

In 2018, the Company leased out these vessels. Since the Company has ceased to receive income from cargo transportation activities by these vessels, the income tax reduction by 100% was no longer applied. In connection with these changes in the applicable legislation, the Company once again recognized the balance of deferred tax liability in the amount of 1,716,895 thousand tenge relating to these vessels.

**Legal claims**

In the ordinary course of business, the Company can be subject to legal actions and complaints. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Company.

The Company assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its separate financial statements only where it is probable that actual events giving rise to liability will occur and the amount of the liability can be reliably estimated. No provision has been made in these separate financial statements as at 31 December 2018 and 2017 for legal actions and claims.

**Environmental issues**

The enforcement of environmental regulation in Kazakhstan is evolving and subject to ongoing changes. Penalties for violations of Kazakhstan’s environmental laws can be severe. Potential liabilities which may arise as a result of stricter enforcement of existing regulations, civil litigation or changes in legislation cannot be reasonably estimated. According to current legislation, management believes that there are no probable or possible environmental liabilities, which could have a material adverse effect on the Company’s operation activities and its separate financial position.

**Future operating lease commitments – Company as lessor**

The Company entered into a number of operating lease agreements for self-propelled barges and tankers. These lease agreements are concluded for periods ranging from 2 to 5 years. The minimum lease payments to be received in future periods under the operating lease agreements as well as contracts with customers containing leases as at 31 December amount to:

<i>In thousands of tenge</i>	2018	2017
Within one year	18,252,134	-
More than 1 year but less than 5 years	20,998,909	-
Over five years	-	-
	<b>39,251,043</b>	<b>-</b>



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

Main financial instruments of the Company comprise of cash and cash equivalents, short-term bank deposits, trade accounts receivable, trade accounts payable, loans obtained, derivative financial instruments and financial guarantee liabilities that arise directly from business operations. The Company did not trade financial instruments.

The Company is exposed to currency risk, credit risk and liquidity risk. The Company’s management oversees the management of these risks.

**Liquidity risk**

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

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This instrument considers the term of settlement of financial investments and financial assets.

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

<i>In thousands of tenge</i>	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
<b>As at 31 December 2018</b>						
Finance lease liabilities	-	1,076,967	1,059,581	4,888,299	-	7,024,847
Financial guarantee obligations	1,893,585	-	-	-	-	1,893,585
Trade and other accounts payable	381,039	3,499,116	-	-	-	3,880,155
	<b>2,274,624</b>	<b>4,576,083</b>	<b>1,059,581</b>	<b>4,888,299</b>	<b>-</b>	<b>12,798,507</b>
<b>As at 31 December 2017</b>						
Finance lease liabilities	-	-	661,232	4,092,174	-	4,753,406
Financial guarantee obligations	1,490,919	-	-	-	-	1,490,919
Trade and other accounts payable	54,409	1,809,284	-	-	-	1,863,693
	<b>1,545,328</b>	<b>1,809,284</b>	<b>661,232</b>	<b>4,092,174</b>	<b>-</b>	<b>8,108,018</b>

**Foreign currency risk**

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of exchange rates changes. The Company’s exposure to foreign currency risk mainly relates to the outstanding loans and the Company’s trade accounts payable denominated in US Dollars and Euro. Thus, changes in currency rates might have a significant effect to the Company’s financial position.

The following table demonstrates the sensitivity to a reasonably possible changes in the US Dollar and Euro exchange rates as at 31 December 2018 and 31 December 2017, with all the variables held constant, of the Company’s profit before income tax (due to changes in the fair value of monetary assets and liabilities).

<i>In thousands of tenge</i>	31 December 2018		31 December 2017	
	Increase/ (decrease) in exchange rate	Effect on profit before tax	Increase/ (decrease) in exchange rate	Effect on profit before tax
US dollars	+14.00%	(32,384)	+10.00%	(351,167)
	-10.00%	23,131	-10.00%	351,167

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

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**32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Credit risk**

Generally, the credit risk arises on cash and cash equivalents and with respect to the clients including unsettled accounts receivable and confirmed transactions. With respect to the banks and financial institutions, only institutions with high rating are accepted. The Company renders its services only to several major clients with stable financial position and appropriate credit story. Carrying amount of cash and cash equivalents and accounts receivable less allowance for expected credit losses represent the maximal amount of credit risk exposure. The Company does not have the policy of assigning internal ratings and establishing credit limits for counterparties.

**Fair value of financial instruments**

Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties according to arm's length conditions, other than in a forced or liquidation sale.

To calculate the fair value of financial instruments, the model of cash flow discounting at current interest rate is used considering the period remaining until repayment for financial instruments with similar terms and credit risk. In case of assets and liabilities for which fair values are disclosed in the financial statements, future cash flows are discounted using the average market rate of financial instruments with similar maturities based on statistics published by the National Bank of the Republic of Kazakhstan (“NBRK”).

As at 31 December 2018 and 2017, the carrying amount of cash and cash equivalents, short-term bank deposits, trade receivables, trade payables, financial guarantee liabilities and derivative financial instruments approximates to their fair values due to their short-term maturity.

**Capital management**

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity structure.

The Company capital management strictly depends on the capital management strategy of the participant. The majority of decisions on capital management are adopted in consultation with the relevant committees of the Participant. To maintain and adjust the structure of the capital the participant may make increase the Company's charter capital and/or authorize the Company to obtain debt financing from the third parties by providing guarantees for all existing external loans.

**33. SUBSEQUENT EVENTS**

In January 2019, the Company received an insurance claim payment on the insured event with FSUE “Rosmorport” (Notes 12, 20) and fully repaid its payables.