

National Maritime Shipping Company
“Kazmortransflot” LLP

Separate financial statements

For the year ended 31 December 2020
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

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 2020, 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, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2020 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 opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the separate financial statements* section of our report. We are independent of the Company 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 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 December 2016

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

3 March 2021



Rustamzhan Sattarov
General Director
Ernst & Young LLP


State Audit License for audit activities on
the territory of the Republic of Kazakhstan:
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Ministry of Finance of the Republic of
Kazakhstan on 15 July 2005

SEPARATE STATEMENT OF FINANCIAL POSITION

At 31 December 2020

<i>In thousands of tenge</i>	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	5	17,565.846	27,816.845
Investment property	6	500.248	637.546
Intangible assets	7	83.377	85.045
Advances paid for non-current assets		-	22.537
Restricted cash	8	211.455	2,159.410
Other non-current assets		42.397	41.599
		18,403.323	30,762.982
Current assets			
Inventories	9	177.949	249.278
Income tax prepaid		1,429.131	88.301
Trade and other accounts receivable	10	8,020.296	4,375.887
Other current assets	11	2,746.938	578.978
Restricted cash	8	1,596.457	-
Cash and cash equivalents	13	3,699.966	3,621.168
		17,670.737	8,913.612
Assets available for sale	12	-	6,329.437
Total assets		36,074.060	46,006.031
Equity and liabilities			
Equity			
Charter capital	14	11,575.721	11,575.721
Retained earnings		15,756.338	11,312.550
Total equity		27,332.059	22,888.271
Non-current liabilities			
Non-current portion of lease liabilities	15	-	2,698.228
Long-term advances received for operating lease	16	-	59.548
Contract liabilities	17	-	72.101
Provisions		50.077	49.279
Other non-current liabilities		-	90.965
Deferred income tax liabilities	26	2,909.229	2,129.681
		2,959.306	5,099.802
Current liabilities			
Current portion of lease liabilities	15	1,003.019	2,141.607
Short-term advances received for operating lease	16	6.806	4,907.225
Contract liabilities	17	27.549	4,800.157
Trade and other payables	18	4,093.198	3,253.591
Financial guarantee obligation	28	-	2,003.093
Other current liabilities	19	652.123	912.285
		5,782.695	18,017.958
Total liabilities		8,742.001	23,117.760
Total equity and liabilities		36,074.060	46,006.031

General Director

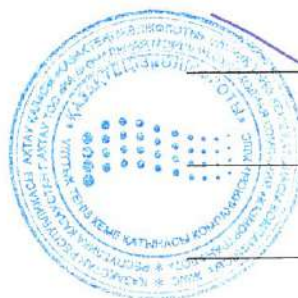

A. Y. Orzhanov

Deputy General Director for Economy and Finance


R. G. Suleimenov

Chief Accountant


A. O. Bekzhanova



The notes 1-30 are an integral part of these separate financial statements.

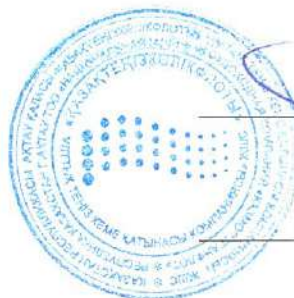
SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

<i>In thousands of Tenge</i>	Note	2020	2019*
Revenue from contracts with customers	20	14.806.213	17.366.214
Rental income	21	14.896.843	20.352.200
Revenue		29.703.056	37.718.414
Cost of services rendered	22	(12.943.229)	(20.070.068)
Gross revenue		16.759.827	17.648.346
General and administrative expenses	23	(2.158.892)	(2.017.218)
Selling expenses		(25.690)	(24.045)
Impairment loss	5,6	(10.491.086)	(12.605.466)
Other operating income	24	515.889	854.819
Other operating expenses	24	(181.382)	(32.261)
Operating profit		4.418.666	3.824.175
Finance income	25	104.738	99.216
Finance costs	25	(253.367)	(852.951)
Net foreign exchange difference		254.724	(142.565)
Dividend income	28	1.727.806	-
Profit before taxes		6.252.567	2.927.875
Income tax expense	26	(1.808.779)	(1.872.917)
Profit for the year		4.443.788	1.054.958
Total comprehensive income for the year, net of tax		4.443.788	1.054.958

* Certain amounts in this column do not conform to 2019 financial statements, since they comprise reclassifications that are detailed in Note 2.

General Director



A. Y. Orzhanov
 A. Y. Orzhanov

Deputy General Director for Economy and Finance

R. G. Suleimenov
 R. G. Suleimenov

Chief Accountant

A. O. Bekzhanova
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SEPARATE STATEMENT OF CASH FLOWS

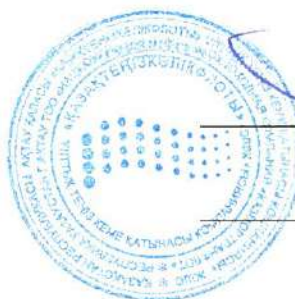
For the year ended 31 December 2020

<i>In thousands of Tenge</i>	Note	2020	2019
Operating activities			
Cash receipts from customers		19,891,765	29,614,226
Cash payments to suppliers		(13,553,490)	(18,289,349)
Cash payments to employees		(1,205,302)	(1,394,751)
Cash payments to budget and other		(3,273,173)	(3,072,765)
Transfers of cash from the Escrow account / (to the Escrow account)		512,507	(456,167)
Interest received		67,416	60,172
Interest paid	15	(788,053)	(358,021)
Income tax paid		(2,370,060)	(2,170,950)
Net cash flows from operating activities		(718,390)	3,932,395
Investing activities			
Proceeds from sale of property, plant and equipment and other non-current assets		5,648,365	1,246,960
Proceeds from repayment of loans issued		-	1,131,383
Purchase of intangible assets		(23,411)	(20,846)
Dividends received		86,072	-
Purchase of property, plant and equipment		(89,935)	(1,396,819)
Net cash flows from investing activities		5,621,091	960,678
Financing activities			
Repayment of finance lease	15	(4,070,602)	(2,279,410)
Repayment of guarantee liabilities	15	(1,383,084)	-
Dividends paid	15	-	(418,000)
Net cash flows used in financing activities		(5,453,686)	(2,697,410)
Net (decrease) / increase in cash and cash equivalents		(550,985)	2,195,663
Net foreign exchange difference on cash and cash equivalents		629,783	(90,336)
Cash and cash equivalents as at 1 January		3,621,168	1,515,841
Cash and cash equivalents as at 31 December	13	3,699,966	3,621,168

General Director

Deputy General Director for Economy and Finance

Chief Accountant



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R. G. Suleimenov

A. O. Bekzhanova

SEPARATE STATEMENT OF CHANGES IN EQUITY

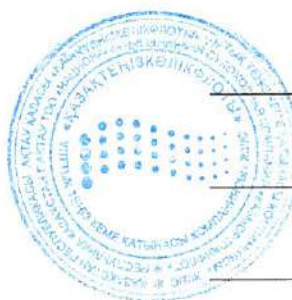
For the year ended 31 December 2020

<i>In thousands of Tenge</i>	Charter capital	Retained earnings	Total
At 1 January 2019	11.575.721	10.675.592	22.251.313
Profit for the year	-	1.054.958	1.054.958
Total comprehensive income for the year	-	1.054.958	1.054.958
Dividends paid	-	(418.000)	(418.000)
At 31 December 2019	11.575.721	11.312.550	22.888.271
Profit for the year	-	4.443.788	4.443.788
Total comprehensive income for the year	-	4.443.788	4.443.788
At 31 December 2020	11.575.721	15.756.338	27.332.059

General Director

Deputy General Director for Economy and Finance

Chief Accountant



[Signature]

 A. Y. Orzhanov

[Signature]

 R. G. Suleimenov

[Signature]

 A. O. Bekzhanova

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

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, marine shipping of dry cargoes as well as provision of support fleet services.

The Company’s own fleet consists of three oil tankers (“Almaty”, “Astana”, “Aktau”), three self-propelling barges (“Barys”, “Berkut” and “Sunkar”) and marine support fleet comprising three 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, Deputy General Director on Economy and Finance / Chief Accountant on 3 March 2021.

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, Deputy General Director on Economy and Finance and Chief Accountant on 21 February 2021.

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.

Going concern

The separate financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the year ended 31 December 2020, the Company received a profit in the amount of 4,443,788 thousand tenge (for the year ended 31 December 2020: 1,054,958 thousand tenge). As at 31 December 2020, the Company’s current assets exceeded its current liabilities by 11,888,042 thousand tenge (as at 31 December 2019: the Company’s current liabilities exceeded its current assets by 2,774,909 thousand tenge).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION AND CHANGE IN THE COMPANY’S ACCOUNTING POLICY (continued)

Going concern (continued)

The management believes that the Company will continue its activity in accordance with the principle of going concern, and in making such a judgement, the management took into account current intentions of the Company and its financial position. In particular, the following factors were reviewed in estimating the ability of the Company to continue its activities in accordance with the going concern principle:

- The Company has sufficient cash to support any downturn;
- The Company has taken actions to preserve liquidity;
- Consideration of the organization’s business model and related risks.
- In the next 12 months, the Company intends to conclude bareboat charter agreements using the Berkut and Sunkar vessels, as well as to complete the modernization of the Barys vessel for container shipping.

Investment in subsidiaries

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

Company	Principal activities	Place of registration	Ownership interest	
			31 December 2020	31 December 2019
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 Group and receives income in accordance with the commercial management agreement	Great Britain	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.

New standards, interpretations and amendments thereof

In 2020, certain standards and amendments to standards and interpretations were applied for the first time, which are effective for annual periods beginning on or after 1 January 2020 and have no impact on the Company’s separate financial statements. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective

Amendments to IFRS 3 Definition of a Business

The amendments to IFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments did not have any impact on the Company’s separate financial statements, but may be applicable in the future if the Company enters into a business combination transaction.

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)

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

The amendments to IFRS 7, IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the Company’s separate financial statements, as it does not have hedge relationship based on the interest rates.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the separate financial statements of the Company, nor is there expected to be any future impact.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The *Conceptual Framework* is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the *Conceptual Framework* is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which develop their accounting policies based on the *Conceptual Framework*.

The revised *Conceptual Framework* includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. Revision of this document had no impact on the separate financial statements of the Company.

Amendments to IFRS 16 COVID-19-Related Rent Concessions

On 28 May 2020, the IASB issued *Covid-19-Related Rent Concessions* – amendment to IFRS 16 *Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment is effective for annual periods beginning on or after 1 June 2020. Early adoption is permitted. The amendment had no impact on the Company’s separate financial statements.

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 financial statements are listed below. The Company intends to adopt these standards, amendments and interpretations if applicable, when they become effective.

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 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 insurance contracts with direct participation terms (the variable fee approach).
- A simplified approach (the premium allocation approach) is mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

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

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

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

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

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations – Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the *Framework for the Preparation and Presentation of Financial Statements*.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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

In May 2020, the IASB issued *Property, Plant and Equipment – Proceeds before Intended Use*, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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)

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (continued)

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

These amendments are not expected to have an impact on the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – a subsidiary adopting International Financial Reporting Standards for the first time

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment becomes effective for annual periods beginning on or after 1 January 2022. Early adoption is permitted.

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

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

The amendment becomes effective for annual periods beginning on or after 1 January 2022. Early adoption is permitted. The Company will apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the Company first applies the amendment.

The amendment is not expected to have a material impact on the Company.

Amendment to IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 *Agriculture*. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Early adoption is permitted.

The amendment is not expected to have a material impact on the Company.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION AND CHANGE IN THE COMPANY’S ACCOUNTING POLICY (continued)

Reclassification of comparative information

For the year ended 31 December 2019, an impairment loss of 12,605,466 thousand tenge was reclassified within operating profit in the separate statement of comprehensive income in accordance with the presentation format adopted in 2020.

Separate statement of comprehensive income of the Company for the year ended 31 December 2019

<i>In thousands of tenge</i>	As previously presented	Reclassification	As adjusted
Impairment loss	-	(12,605,466)	(12,605,466)
Operating profit	16,429,641	(12,605,466)	3,824,175
Impairment loss	(12,605,466)	12,605,466	-
Profit before tax	2,927,875	-	2,927,875

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 Kazakhstani stock exchange (“KASE”) 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:

Exchange rate as at	31 December 2020	31 December 2019
US dollar	420.91	382.59
Euro	516.79	429.00
Great Britain Pound (GBP)	574.88	503.41

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:

	Useful lives (in years)
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 2020 the carrying amount of the provision for recovery of mineral raw materials field was 50,077 thousand tenge (31 December 2019: 49,279 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)

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.

Non-current assets held for sale

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

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

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

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

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

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

Dividends

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. The distribution is approved by the shareholders. A corresponding amount is recognised directly in equity. When distributing assets other than cash (non-cash assets) as dividends to their owners, the obligation to distribute non-cash assets as dividends to their owners is measured at the fair value of the assets to be distributed.

Lease

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease (continued)

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognizes the right-of-use assets at the commencement date of the lease (that is, the date on which the underlying asset becomes available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any

lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Right-of-use assets are recognized within property, plant and equipment and are not separately recorded in the statement of financial position.

Lease liabilities

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (for example, a change in future payments due to a change in the index or rate used to determine such payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and lease of assets of low value

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. contracts that, at the commencement date, have a lease term of 12 months or less and do not contain an option to purchase an underlying asset). The Company also applies the recognition exemption for leases of low value assets. Lease payments on short-term leases and lease of assets of low value are recognised as expense 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. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the separate statement of comprehensive income due to its operating nature. 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

Deferred tax

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes (continued)

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.

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated to project future cash flows after the fifth year.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

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 amortised cost is the most relevant for the Company, and accordingly it applies to all current financial assets of the Company.

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 include 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 recognition, such financial assets are measured at amortised cost using the effective interest rate method (EIR), and are subject to impairment. 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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 of consideration 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).

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 short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term high-liquid deposits with a maturity of 3 months or less, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

For the purpose of the separate statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management. 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Initial recognition and measurement (continued)

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

The Company's financial liabilities include trade and other payables, 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 classified to this category as at the date of initial recognition and solely subject to criteria of IAS 9. 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 liabilities 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 expected credit losses from probable default of the borrower for which the Company is the guarantor, and the amount of the liability recognized less accumulated depreciation.

Derecognition

A financial liability is derecognised in the separate 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 separate 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and expense recognition (continued)

Revenue from contracts with customers (continued)

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 receivables

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.

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 an 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 asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)

An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- It is 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 the 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 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.

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 it's carrying value may be impaired, the Company estimates the asset's recoverable amount. When analyzing 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, buildings) and investment property of the Company for impairment as at 31 December 2020.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ASSUMPTIONS (continued)

Impairment of non-current assets (continued)

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.
- Fixed assets – office building (administrative part).
- Fixed assets – service fleet: eight dump barges KMG 101-108.
- Fixed assets – self-propelled barges MCV Sunkar, Berkut and Barys.
- Fixed assets – oil tanker “Aktau”.

Investment property – office building

As at 31 December 2020 the recoverable amount of the investment property amounted to 500,248 thousand tenge. It has been determined based on a value in use calculation using cash flow projections from financial budgets 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 14.28%, 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. The Company recognized impairment of investment property in the amount of 126,947 thousand tenge for the year ended 31 December 2020 (*Note 6*).

Fixed assets – office building (administrative part)

The recoverable amount of an administrative part of the office building was determined by applying the ratio of the percentage of impairment of investment property to its value before impairment. According to the analysis, the percentage of impairment of investment property is 70%. The Company recognized an impairment of an administrative part of the building in the amount of 67,477 thousand tenge for the year ended 31 December 2020 (*Note 5*).

Support fleet

In view of the idle service 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 2018. As at 31 December 2020, the Company does not see clear prospects for operating the support fleet.

Self-propelled barges MCV Sunkar, Berkut and Barys

In connection with the termination of the TCO Future Growth Project (FGP) contract, the Company performed impairment testing of self-propelled barges Sunkar, Berkut and Barys as at 31 December 2020 by determining the value in use.

With regard to the Sunkar and Berkut vessels, the Company has taken into account the cash flows from the expected project with the Blue Water Shipping Company, which implies the conclusion of bareboat charter agreements using these vessels starting from 2021 to 2028. However, as a result of the analysis, the recoverable amounts of Sunkar and Berkut turned out to be lower than their carrying amounts by 3,933,492 thousand tenge and 1,326,704 thousand tenge, respectively.

With regard to the Barys vessel, the Company has taken into account the cash flows from the FGP operation, as well as the Company’s plans to refocus the vessel on container shipping in cooperation with the ALE International Association “Trans-Caspian International Transport Route”. As a result of the analysis, the recoverable amount of Barys was lower than the carrying amount by 5,036,466 thousand tenge.

To determine the value in use, the Company accounted for cash flows in US dollars, as the main cash flows for these vessels are denominated in US dollars. The Company discounted future cash flows at the rate of 11.30%, which has been adjusted to reflect the current market assessment of the risks specific to the Company, and was estimated based on the weighted average cost of capital for the industry. Further changes to the discount rate may be necessary in the future to reflect changing risks for the industry and changes to the weighted average cost of capital. A possible increase in the discount rate by 1% would result in an additional impairment loss for Barys in the amount of 253,352 thousand tenge.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ASSUMPTIONS (continued)

Impairment of non-current assets (continued)

Oil tanker "Aktau"

As at 31 December 2020, the recoverable amount of the Aktau tanker corresponded to the carrying amount. Accordingly, the Company has not accrued any impairment losses for the Aktau tanker. It has been determined based on the tanker's value in use calculation using cash flow projections from financial budgets of the Company. The cash flow projections were based on the useful life of the tanker until 2031. The projected cash flows were calculated in order to reflect the gradual drop in oil transportation volumes due to the obsolescence of the tanker. The discount rate applied to the cash flow projections is 11.30%. The cash flows in the forecast period were recorded with consideration of expected price changes adjusted for inflation. This analysis in the current year showed that the tanker's recoverable amount exceeded its carrying amount, despite the fact that the main significant assumptions used in the valuation model are the volumes of oil transported. The volume of oil transportation has been decreasing since 2026, taking into account the technical capabilities of the tanker. A decrease in the volume of oil transportation within the allowable limits of 10% will result in an impairment loss in the amount of 461,775 thousand tenge.

5. PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipment for the year ended 31 December 2020 is presented as follows:

<i>In thousands of tenge</i>	Land	Buildings	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Cost							
At 1 January 2019	2,362	1,025,277	2,313,358	60,018,501	259,886	64,429	63,683,813
Additions	-	6,763	158,528	1,465,531	6,884	52,712	1,690,418
Transfer from/(to) investment property (Note 6)	-	97,881	-	-	-	(32,670)	65,211
Transfer to assets held for sale	-	-	-	(12,818,328)	(36,531)	-	(12,854,859)
Transfers	-	16,830	-	-	-	(16,830)	-
At 31 December 2019	2,362	1,146,751	2,471,886	48,665,704	230,239	67,641	52,584,583
Additions	-	-	180,588	1,641,960	38,371	244,892	2,105,811
Disposals	-	(403)	(8,213)	(1,402,490)	(9,953)	-	(1,421,059)
Transfer from/(to) investment property (Note 6)	-	(5,135)	-	-	-	-	(5,135)
Transfer to assets held for sale	-	-	(988)	(1,517,708)	(354)	-	(1,519,050)
At 31 December 2020	2,362	1,141,213	2,643,273	47,387,466	258,303	312,533	51,745,150
Accumulated depreciation and impairment							
At 1 January 2019	-	(75,279)	(2,289,248)	(11,850,320)	(199,280)	(36,413)	(14,450,540)
Accruals	-	(22,952)	(3,757)	(3,778,132)	(34,687)	-	(3,839,528)
Transfer from investment property (Note 6)	-	(1,981)	-	-	-	-	(1,981)
Transfer to assets held for sale	-	-	-	6,321,872	32,948	-	6,354,820
Impairment charge	-	(618,982)	(153,367)	(12,058,160)	-	-	(12,830,509)
At 31 December 2019	-	(719,194)	(2,446,372)	(21,364,740)	(201,019)	(36,413)	(24,767,738)
Accruals	-	(12,342)	(1,300)	(1,737,137)	(37,768)	-	(1,788,547)
Disposals	-	403	3,664	1,209,392	9,953	-	1,223,412
Transfer to assets held for sale	-	-	-	1,517,708	-	-	1,517,708
Impairment charge	-	(67,477)	-	(10,296,662)	-	-	(10,364,139)
At 31 December 2020	-	(798,610)	(2,444,008)	(30,671,439)	(228,834)	(36,413)	(34,179,304)
Carrying amount							
At 31 December 2019	2,362	427,557	25,514	27,300,964	29,220	31,228	27,816,845
At 31 December 2020	2,362	342,603	199,265	16,716,027	29,469	276,120	17,565,846

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company has an office building in Aktau, Kazakhstan, the initial cost of which amounted to 2,914,984 thousand tenge. The Company uses part of the building, whose net book value as at 31 December 2020 amounts to 291,284 thousand tenge for own needs (as at 31 December 2019: 372,851 thousand tenge). As a result of the revision of the area occupied for own needs, part of the net book value in the amount of 5,135 thousand tenge was transferred from property, plant and equipment to investment property.

The Company leases out to related parties a part of the building, the net book value of which amounts to 500,248 thousand tenge as at 31 December 2020. This part of the building was classified by the Company as investment property as at 31 December 2020 (Note 6).

In 2020, the Company performed a test for the impairment of fixed assets (marine vessels). As a result of the impairment test, self-propelled barges Berkut, Sunkar and Barys were impaired by 10,296,662 thousand tenge (in 2019: 11,837,435 thousand tenge). The administrative part of the office building is impaired by 67,477 thousand tenge (2019: 618,982 thousand tenge).

As at 31 December 2020, the cost of fully depreciated but still in use property, plant and equipment amounted to 2,195,282 thousand tenge (as at 31 December 2019: 1,685,450 thousand tenge).

The following is the carrying amount of recognized right-of-use assets and its movements during the period as recorded in property, plant and equipment:

The vehicles include EMBA, TALAS and IRGIZ tugboats used by the Company under a lease contract with Al Hilal Islamic Bank JSC. The tugboats act as security for the related lease obligations and are classified as right-of-use assets from 1 January 2019. In 2020, the obligations for the EMBA and TALAS tugboats were extinguished, as a result of which these tugboats were transferred to property, plant and equipment.

Also, under lease contracts concluded with KMG Systems & Services LLP and Kazmortrasflot Ltd, the warehouse and the Aktau tanker are classified as right-of-use assets from 1 January 2019. In May 2020, the Aktau tanker was removed from the list of right-of-use assets due to the expiration of the lease contract. In August 2020, the Company accepted the Aktau tanker as property, plant and equipment against payment of dividends from Kazmortrasflot Ltd by restructuring the Aktau tanker at a fair value of 1,641,960 thousand tenge.

<i>In thousands of tenge</i>	Buildings	Vehicles	Total
Cost			
At 1 January 2019	-	6,320,562	6,320,562
Recognition of an asset in connection with adopting IFRS 16	6,763	720,394	727,157
Additions	-	703,245	703,245
At 31 December 2019	6,763	7,744,201	7,750,964
Disposals	-	(1,402,489)	(1,402,489)
Transfer to property, plant and equipment	-	(4,250,624)	(4,250,624)
At 31 December 2020	6,763	2,091,088	2,097,851
Accumulated depreciation			
At 1 January 2019	-	(347,424)	(347,424)
Accruals	(2,254)	(849,231)	(851,485)
Impairment charge	-	(352,499)	(352,499)
At 31 December 2019	(2,254)	(1,549,154)	(1,551,408)
Accrual	(2,254)	(675,925)	(678,179)
Disposals	-	1,208,313	1,208,313
Transfer to property, plant and equipment	-	737,372	737,372
At 31 December 2020	(4,508)	(279,394)	(283,902)
Net book value			
At 31 December 2019	4,509	6,195,047	6,199,556
At 31 December 2020	2,255	1,811,694	1,813,949

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

6. INVESTMENT PROPERTY

The movements in investment property for the year ended 31 December 2020 were as follows:

In thousands of tenge

Cost	
At 1 January 2019	1,897,690
Transfer from property, plant and equipment (Note 5)	32,670
Transfer to property, plant and equipment (Note 5)	(97,881)
At 31 December 2019	1,832,479
Transfer from property, plant and equipment (Note 5)	5,135
At 31 December 2020	1,837,614
Accumulated depreciation and impairment	
At 1 January 2019	(1,412,249)
Depreciation charge	(9,708)
Transfer to property, plant and equipment (Note 5)	1,981
Reversal of impairment	225,043
At 31 December 2019	(1,194,933)
Depreciation charge	(15,486)
Impairment	(126,947)
At 31 December 2020	(1,337,366)
Carrying amount	
At 31 December 2019	637,546
At 31 December 2020	500,248

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

<i>In thousands of tenge</i>	2020	2019
Income from investment property (Note 21)	200,305	208,304
Direct operating expenses (including repair and technical maintenance), which resulted in deriving of lease income (included within cost)	(155,427)	(191,696)
Profit from investment property	44,878	16,608

As at 31 December 2020 and 2019, 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 carried out at 31 December 2020, the Company recognized an impairment in the amount of 126,947 thousand tenge (2019: reversal of impairment of 225,043 thousand tenge).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

7. INTANGIBLE ASSETS

Movement of intangible assets for the year ended 31 December 2020 is presented as follows:

<i>In thousands of tenge</i>	Computer software	Other	Total
Cost			
At 1 January 2019	355,022	137,323	492,345
Additions	16,454	4,392	20,846
Disposal	(10,962)	-	(10,962)
At 31 December 2019	360,514	141,715	502,229
Additions	16,119	2,532	18,651
At 31 December 2020	376,633	144,247	520,880
Accumulated depreciation			
At 1 January 2019	(294,357)	(89,235)	(383,592)
Depreciation charge	(34,504)	(10,050)	(44,554)
Disposal	10,962	-	10,962
At 31 December 2019	(317,899)	(99,285)	(417,184)
Depreciation charge	(14,493)	(5,826)	(20,319)
At 31 December 2020	(332,392)	(105,111)	(437,503)
Net book value			
At 31 December 2019	42,615	42,430	85,045
At 31 December 2020	44,241	39,136	83,377

8. RESTRICTED CASH

As at 31 December 2020 cash restricted in use in the amount of 1,807,912 thousand tenge (as at 31 December 2019: 2,159,410 thousand tenge) comprises a deposit with an estimated profit of 3.02% per annum placed with Islamic Al Hilal Bank JSC in the amount of 841,074 thousand tenge (2 million US dollars), mandatory under the finance lease contract, as well as an escrow account with Altyn Bank JSC (SB Halyk Bank of Kazakhstan JSC) in the amount of 965,838 thousand tenge (2,295 thousand US dollars) opened as financial security for the proper fulfillment of its obligations under the Consortium Agreement with Blue Water Shipping Kazakhstan LLP, of which 210,455 thousand tenge (500 thousand US dollars) are repayable in the 1st quarter of 2022.

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.

<i>In thousands of tenge</i>	Currency	Date of elimination of restrictions	Interest rate	31 December 2020	31 December 2019
Altyn Bank JSC	US dollars	March 2022	-	965,838	1,393,230
Islamic Bank Al Hilal JSC	US dollars	August 2021	3.02%	841,074	765,180
Halyk Bank Kazakhstan JSC	Tenge	January 2029	4%	1,000	1,000
Less current portion				(1,596,457)	-
				211,455	2,159,410

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

9. INVENTORIES

As at 31 December 2020 and 31 December 2019 inventory is presented as follows:

<i>In thousands of tenge</i>	31 December 2020	31 December 2019
Fuel	99,523	91,154
Spare parts	63,444	38,634
Limestone	4,486	4,486
Other materials	128,265	115,004
Provision for inventory	(117,769)	-
	177,949	249,278

Movements in the provision for inventories were as follows:

<i>In thousands of tenge</i>	2020	2019
At 1 January	-	-
Charge	119,964	-
Write-off	(2,195)	-
At 31 December	117,769	-

10. TRADE AND OTHER ACCOUNTS RECEIVABLE

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

<i>In thousands of tenge</i>	31 December 2020	31 December 2019
Trade accounts receivable	8,585,661	4,430,908
Other accounts receivable	103,585	110,900
Less: provision for expected credit losses	(668,950)	(165,921)
	8,020,296	4,375,887

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

As at 31 December 2020 and 31 December 2019, trade and other accounts receivable are expressed in the following currencies:

<i>In thousands of tenge</i>	31 December 2020	31 December 2019
US dollars	7,838,425	4,025,012
Tenge	181,871	350,745
Other currencies	-	130
	8,020,296	4,375,887

The average maturity of accounts receivable is 30 days. In 2020 and 2019, interest on unpaid balances were not accrued.

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

<i>In thousands of tenge</i>	2020	2019
Provision for expected credit losses as at 1 January	165,921	104,352
Charge for the year	498,811	60,804
Foreign exchange difference	4,218	765
Provision for expected credit losses as at 31 December	668,950	165,921

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

10. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)

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

31 December 2020	Current	Past due			Over 120 days	Total
		31-60 days	61-90 days	91-120 days		
Percentage of expected credit losses	0.44%	1.28%	1.66%	18.31%	21.05%	
Estimated total gross carrying value at default	3,756,941	669,336	992,258	2,224,593	1,046,118	8,689,246
Expected credit losses	16,396	8,552	16,504	407,323	220,175	668,950

31 December 2019	Current	Past due			Over 120 days	Total
		31-60 days	61-90 days	91-120 days		
Percentage of expected credit losses	0.32%	0.31%	0.25%	16.02%	44.71%	
Estimated total gross carrying value at default	3,983,221	27,416	103,455	134,314	293,402	4,541,808
Expected credit losses	12,879	85	258	21,511	131,188	165,921

11. OTHER CURRENT ASSETS

As at 31 December 2020 and 31 December 2019 other current assets were presented as follows:

<i>In thousands of tenge</i>	31 December 2020	31 December 2019
Advances paid	2,249,949	478,984
VAT prepaid	354,625	75
Other taxes prepaid	96,881	29,857
Deferred expenses	43,175	65,452
Due from employees	2,308	4,610
	2,746,938	578,978

12. ASSETS HELD FOR SALE

Due to the lack of a sufficient cargo base for the oil tanker fleet in the region, taking into account economic feasibility, in 2019 the Company decided to sell the Aktobe, Atyrau, Oral tankers, which are under operating lease from SOCAR LOGISTICS DMMC. The tenders were held in December 2019 in order to sell the tankers. As a result, a buyer was determined, the contract with which was concluded in 2020. According to the tender results, the purchase price of the tankers is 6,438,724 thousand tenge, which is more than the carrying amount of these tankers. Accordingly, the Company recognized the assets held for sale presented only by these tankers at their carrying amount as at 31 December 2019.

Also, the Company received advances for the sale of tankers as at 31 December 2019 in the amount of 951,212 thousand tenge (*Note 16*). These tankers were transferred to their new owner, ARROW STAR HOLDING LIMITED, in the third quarter of 2020.

Also in 2020, the Company decided to sell the Irtysh and Ural tugs. In September 2020, the tender was held in order to sell the tugboats, as a result of which a buyer was determined – Branch in the Republic of Kazakhstan KM Ship Management LLP. According to the tender results, the purchase price of the tugboats is 96,075 thousand tenge, which is more than the carrying amount of these tugboats. The Company sold Irtysh and Ural tugboats in 2020.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

12. ASSETS HELD FOR SALE (continued)

Also, as a result of the tender in 2020, the Company sold the hangar for the Nurtau motor yacht in the amount of 38,371 thousand tenge, which is more than the carrying amount of the hangar. As a result of the tender, a buyer was determined – Qazaqstan Maritime Crewing Company LLP. The Company sold a hangar for the Nurtau motor yacht in 2020.

In thousands of tenge

Balance at 1 January 2019	-
Transfer from property, plant and equipment	6,500,039
Sold for the year	(170,602)
Balance as at 31 December 2019	6,329,437
Transfer from property, plant and equipment	1,342
Sold for the year	(6,330,779)
Balance as at 31 December 2020	-

13. CASH AND CASH EQUIVALENTS

As at 31 December 2020 and 31 December 2019, cash and cash equivalents were as follows:

<i>In thousands of tenge</i>	31 December 2020	31 December 2019
Cash in bank in US dollars	3,146,336	3,463,732
Cash in bank in tenge	490,681	67,067
Cash in bank in euro	33,380	84,351
Cash in bank in other foreign currencies	29,569	6,018
	3,699,966	3,621,168

Accrued interest income on short-term deposits with maturity of up to 3 months in 2020 amounted to 104,738 thousand tenge (in 2019: 99,216 thousand Tenge) (Note 25).

14. CHARTER CAPITAL

As at 31 December 2020 and 2019 the charter capital was fully paid and was presented as follows:

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

For the year ended 31 December 2020, the Company neither declared nor paid dividends to the Parent (2019: 418,000 thousand tenge).

15. LEASE LIABILITIES

As at 31 December 2020 and 31 December 2019, lease liabilities were presented as follows:

<i>In thousands of tenge</i>	31 December 2020	31 December 2019
Minimum lease payments		
Within one year	1,022,667	2,245,468
More than 1 year but less than 5 years	-	2,822,103
Total minimum lease payments	1,022,667	5,067,571
Less finance costs	(19,648)	(227,736)
Present value of minimum lease payments	1,003,019	4,839,835
Present value of minimum lease payments		
Within one year	1,003,019	2,141,607
More than 1 year but less than 5 years	-	2,698,228
Present value of minimum lease payments	1,003,019	4,839,835

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

15. LEASE LIABILITIES (continued)

In July 2017, the Company entered into a lease contract 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. The lease term expires on 4 August 2021. The Company fulfilled its obligations on lease of the Emba and Talas tugboats ahead of schedule in December 2020. Thus, the tugboats became the property of the Company. Upon expiration of the lease term and fulfillment of all obligations under the IRGIZ tugboat lease agreement, title to it will pass to the Company.

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 2020	Cash flows	Interest paid	Other cash flows	Change in the foreign exchange difference	Other	31 December 2020
Lease liabilities	4,839,835	(4,070,602)	(280,566)	-	328,364	185,988	1,003,019
Financial guarantee	2,003,093	(1,383,084)	(507,487)	(369,164)	325,839	(69,197)	-
	6,842,928	(5,453,686)	(788,053)	(369,164)	654,203	116,791	1,003,019

<i>In thousands of tenge</i>	1 January 2019	Cash flows	Interest paid	Other cash flows	Change in the foreign exchange difference	Other	31 December 2019
Dividends payable	-	(418,000)	-	-	-	418,000	-
Lease liabilities	6,489,600	(2,279,410)	(358,021)	-	(46,336)	1,034,002	4,839,835
Financial guarantee	1,893,585	-	-	-	30,927	78,581	2,003,093
	8,383,185	(2,697,410)	(358,021)	-	(15,409)	1,530,583	6,842,928

Column “Other” includes the effect of accrual of declared dividends, the effect of interest accrued on lease liabilities, recognition of lease liabilities as a result of the application of IFRS 16.

16. 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. In 2020, the lease of Barys and Berkut vessels was completed on 25 July 2020 and 11 August 2020, respectively. The Sunkar vessel is on lease until 4 January 2021.

17. CONTRACT LIABILITIES

As at 31 December 2020 and 31 December 2019, contract liabilities were presented as follows:

<i>In thousands of tenge</i>	31 December 2020	31 December 2019
Financial component on advances received for transportation management services	22,820	467,075
Advances received for building models transportation management services	4,729	3,451,486
Advances received for supply of property, plant and equipment	-	953,697
	27,549	4,872,258
Current	27,549	4,800,157
Non-current	-	72,101

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

17. CONTRACT LIABILITIES (continued)

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.

18. TRADE AND OTHER PAYABLES

As at 31 December 2020 and 31 December 2019 trade and other accounts payable are presented as follows:

<i>In thousands of tenge</i>	31 December 2020	31 December 2019
Trade accounts payable	4,088,079	3,214,391
Trade accounts payable to subsidiaries	3,073	33,668
Other accounts payable	2,046	5,532
	4,093,198	3,253,591

As at 31 December 2020 and 31 December 2019, trade accounts payable are expressed in the following currencies:

<i>In thousands of tenge</i>	31 December 2020	31 December 2019
US dollars	2,707,770	2,075,873
Tenge	1,347,414	1,169,011
Euro	34,005	6,514
Other	4,009	2,193
	4,093,198	3,253,591

19. OTHER CURRENT LIABILITIES

As at 31 December 2020 and 31 December 2019, other current liabilities were as follows:

<i>In thousands of tenge</i>	31 December 2020	31 December 2019
Due to employees (including a provision for vacations)	349,735	402,685
Other taxes payable	60,573	38,668
VAT payable	4,406	341,759
Other	237,409	129,173
	652,123	912,285

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue for the years ended 31 December comprised the following:

<i>In thousands of tenge</i>	2020	2019
Type of services		
Revenue from management of transportation of structural modules	8,479,621	12,615,691
Revenue from crude oil transportation	2,406,226	1,881,840
Dry cargo transportation	3,186,992	1,385,167
Interest income from contract liabilities	511,017	719,964
Demurrage on oil / cargo transportation	166,986	101,397
Revenue from fleet lease services	-	546,911
Other	55,371	115,244
	14,806,213	17,366,214

Proceeds from transportation of crude oil are related to the provision of marine transportation services in the Caspian sea. The buyer of this service during 2020 was Eurasian Trading and Shipping FZE.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

20. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

In 2018-2020, the Company provided 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. In 2020, the Company continued to provide modules transportation services. In 2020, the Company finished providing the services on the transportation of modules of the Barys and Berkut vessels on 25 July 2020 and 11 August 2020, respectively. In January 2021, the contract for the Sunkar vessel is expected to be completed.

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

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 2020, the Company recognized revenue in respect of the amounts included in the contract liabilities at the beginning of the year in the amount of 4,521,300 thousand tenge (2019: 6,991,009 thousand tenge).

21. RENTAL INCOME

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

<i>In thousands of tenge</i>	2020	2019
Income from transfer of self-propelled barges to operating lease	12,187,299	17,482,561
Income from transfer of tankers to operating lease	1,442,030	2,341,243
Income from transfer of dry cargo to operating lease (bareboat charter)	1,054,998	242,838
Income from investment property (Note 6)	200,305	208,304
Income from transfer of barges to operating lease	12,211	77,254
	14,896,843	20,352,200

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 2020 amounted to 3,472,094 thousand tenge (2019: 7,465,525 thousand tenge).

In 2018, the Company leased out five tankers to SOCAR LOGISTICS DMMC for operating lease. In April 2020, lease of Atyrau, Aktobe and Oral tankers was terminated due to sale. As at 31 December 2020, Almaty and Astana tankers are on lease, for which the lease ends in February 2021. In 2020, direct operating expenses amounted to 303,887 thousand tenge (2019: 1,180,074 thousand tenge).

22. COST OF SERVICES RENDERED

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

<i>In thousands of tenge</i>	2020	2019
Lease of self-propelled barges (Note 21)	3,472,094	7,465,525
Dry cargo operating expenses	2,482,448	2,459,379
Transportation of crude oil	2,018,635	1,806,297
Management of transportation of structural modules	1,914,601	5,289,050
Cargo transportation	1,668,880	-
Rent of vessels for transportation of dry cargo	565,619	264,479
Lease of tankers	303,887	1,180,074
Service fleet costs	298,665	1,346,543
Maintenance of investment property	155,427	191,696
Other	62,973	67,025
	12,943,229	20,070,068

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

22. COST OF SERVICES RENDERED (continued)

<i>In thousands of tenge</i>	2020	2019
Technical maintenance and management of vessels	5,205,956	8,158,800
Depreciation and amortisation	1,769,749	3,817,604
Lease of fleet	1,345,830	3,731,966
Logistics services	835,926	–
Fuel and other materials	784,238	782,527
Port charges	755,914	509,253
Salary and related taxes	449,174	524,124
Repair of property, plant and equipment	447,464	589,993
Insurance expenses	422,475	306,877
Third party services	414,328	425,554
Agency services for ships	164,343	229,123
Maintenance of investment property	138,933	145,365
Other taxes excluding income tax	26,739	63,588
Towing operation services	–	289,725
Other	182,160	495,569
	12,943,229	20,070,068

23. GENERAL AND ADMINISTRATIVE EXPENSES

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

<i>In thousands of tenge</i>	2020	2019
Salary and related taxes	779,887	735,866
Accrual of provision for expected credit losses	498,811	60,804
Professional services	183,914	265,967
Charity	156,927	–
Provision for bonuses to management	123,820	264,883
Repair and maintenance	101,668	126,184
Depreciation and amortisation	54,603	77,540
Membership fees	33,297	34,000
Business trips	30,042	96,931
Insurance	19,767	13,413
Social expenses	18,270	63,814
Other taxes	17,553	166,712
Lease	10,670	9,921
Bank fees	8,483	6,839
Materials	7,998	5,636
Telecommunication services	6,051	6,854
Representation	1,736	3,623
Trainings	8,562	9,314
Other	96,833	68,917
	2,158,892	2,017,218

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

24. OTHER OPERATING INCOME/(EXPENSES)

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

<i>In thousands of tenge</i>	2020	2019
Reimbursement of expenses	368,289	681,767
Income from write-off of interest on financial guarantees	69,197	-
Income from disposal of other non-current assets	44,744	-
Income from fines and penalties	2,214	2,200
Other	31,445	170,852
	515,889	854,819
Accrual of provision for inventories	(119,964)	-
Other	(61,418)	(32,261)
	(181,382)	(32,261)

25. FINANCE INCOME/(COSTS)

Finance income/(expenses) for the years ended 31 December 2020 and 2019 are as follows:

<i>In thousands of tenge</i>	2020	2019
Interest income (Note 13)	104,738	99,216
	104,738	99,216
Finance costs of lease liabilities	(185,988)	(305,582)
Interest on revenue generating contracts	(67,379)	(468,788)
Finance costs of finance guarantee obligations	-	(78,581)
	(253,367)	(852,951)

26. INCOME TAX

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

<i>In thousands of tenge</i>	2020	2019
Current income tax expense	1,006,487	2,270,834
Deferred tax expense/(benefit)	779,548	(521,547)
Adjustment with respect to current income tax for prior periods	22,744	123,630
	1,808,779	1,872,917

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>	2020	2019
Profit before taxes	6,252,567	2,927,875
Statutory tax rate	20%	20%
Income tax expense at the statutory rate	1,250,513	585,575
Taxable income of foreign subsidiaries	263,374	488,935
Adjustment with respect to current income tax for prior periods	22,744	123,630
Non-taxable income on FGP not recorded in accounting profit	521,751	384,023
Non-taxable income on vessels registered in the international vessel register	(42,716)	-
Impairment loss	-	30,673
Income on dividends received	(345,561)	-
Other variable differences	138,674	260,081
Income tax expense	1,808,779	1,872,917

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

26. 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 2020	Origination and reversal of temporary differences in the statement of comprehen- sive income	31 December 2019	Origination and reversal of temporary differences in the statement of comprehen- sive income	31 December 2018
Deferred tax assets					
Contract liabilities	6,871	(648,924)	655,795	(874,142)	1,529,937
Advances received for lease	-	(148,838)	148,838	148,838	-
Provision for expected credit losses	134,044	100,860	33,184	12,313	20,871
Provision for bonuses	50,376	(20,362)	70,738	18,311	52,427
Other charges	49,905	30,552	19,353	(25,203)	44,556
Deferred tax assets	241,196	(686,712)	927,908	(719,883)	1,647,791
Deferred tax liabilities					
Property, plant and equipment and investment property	3,150,425	92,836	3,057,589	(1,241,430)	4,299,019
Deferred tax liabilities	3,150,425	92,836	3,057,589	(1,241,430)	4,299,019
Net deferred tax liability	2,909,229	779,548	2,129,681	(521,547)	2,651,228

27. 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.

In 2019, hearings were held in the Arbitration Court on the EBRD’s claim, where the EBRD’s claim was partially satisfied as follows:

- 4,223,796 US dollars (the principal debt on the guarantee obligations), as well as a penalty in the amount of 543.29 US dollars for each day of delay, starting from 22 June 2019, until the obligations are fulfilled;
- 610,000 pounds sterling (reimbursement of the arbitration costs, in solidarity) in the amount of 7.9%, starting from the date of payment of these costs by EBRD until payment by KMTF, in solidarity with Caspian Services Inc;
- 51,670 pounds sterling for the reimbursement of the arbitrator’s fee, with interest accrued in the amount of 7.9%, starting from the date of payment of costs by EBRD until payment by KMTF in solidarity with Caspian Services Inc;
- 4,245.64 pounds sterling for payment of LCIA fee, with interest accrued in the amount of 7.9% starting from the date of payment of costs by EBRD until payment by KMTF in solidarity with Caspian Services Inc.

As at 31 December 2020, the Company settled all financial guarantee liabilities.

In 2020, the Company applied to the Specialized Interdistrict Economic Court of the Mangistau Region to recover from Balykshy LLP all liabilities settled in favor of the EBRD. As a result of the litigation, the Company and Balykshy LLP signed an amicable agreement to pay the amount of 2,555,360 thousand tenge by 6 July 2021.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

27. FINANCIAL GUARANTEE OBLIGATION (continued)

During 2020, the Company did not receive formal information on the Company’s financial position to analyze the creditworthiness of Balykshy LLP. As of the reporting date, the Company did not recognize any receivables due to the low probability of fulfillment of obligations by Balykshy LLP.

28. RELATED PARTY DISCLOSURES

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 2020, the Company recorded expected credit losses on receivables related to receivables from related parties in the amount of 617,237 thousand tenge (31 December 2019: 33,106 thousand tenge).

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.

Significant related parties’ transactions for the years ended 31 December 2020 and 2019, and balances as at 31 December 2020 and 2019 are as follows:

Revenue

<i>In thousands of tenge</i>	2020	2019
Companies controlled by SWF Samruk-Kazyna		
KTZ EXPRESS JSC	838,437	540,956
United Chemical Company (KPI)	55,100	-
Transtelecom JSC	13,138	16,080
Port Kuryk LLP	-	281,718
Companies under control or significant influence of NC KazMunayGas		
Tengizchevroil LLP	20,656,440	29,631,460
KMG Kashagan B.V.	46	2,999
Other	128,277	132,373
	21,691,438	30,605,586

Acquisitions

<i>In thousands of tenge</i>	2020	2019
Companies controlled by SWF Samruk-Kazyna		
KTZ EXPRESS SHIPPING LLP (Subsidiary KTZ EXPRESS JSC)	1,043,100	693,780
NC Aktau International Sea Trade Port JSC	271,286	258,356
Port Kuryk LLP	75,364	19,863
MAEC KazAtomProm JSC	-	977
Other	19,190	16,701
Companies under control or significant influence of NC KazMunayGas		
TenizService LLP	30,712	44,140
KMG Kashagan B.V.	(1,216)	427,843
Other	5,828	3,310
	1,444,264	1,464,970

Subsidiaries

Kazmortransflot UK Ltd	92,238	101,142
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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

28. RELATED PARTY DISCLOSURES (continued)

Dividends from subsidiaries of the Company

<i>In thousands of tenge</i>	2020	2019
Kazmortransflot Ltd	1,641,960	-
Alatau Shipping Ltd	69,640	-
Kazmortransflot UK Ltd	16,206	-
	1,727,806	-

Trade and other receivables, loans issued and advances paid

<i>In thousands of tenge</i>	31 December 2020	31 December 2019
Companies controlled by SWF Samruk-Kazyna		
KTZ EXPRESS SHIPPING LLP (Subsidiary KTZ EXPRESS JSC)	2,135,296	448,568
KTZ EXPRESS JSC	159,883	251,907
NC Aktau International Sea Trade Port JSC	27,304	-
Transtelecom JSC	1,226	1,501
Port Kuryk LLP	-	7,168
Kazpost JSC	-	204
Companies under control or significant influence of NC KazMunayGas		
Tengizchevroil LLP	7,542,464	3,294,528
Other	10,687	10,790
	9,876,860	4,014,666

Trade and other payables, contract liabilities and advances received

<i>In thousands of tenge</i>	31 December 2020	31 December 2019
Companies controlled by SWF Samruk-Kazyna		
NC KTZh JSC	17,911	5,385
Transtelecom JSC	330	-
Other	668	354
Companies under control and significant influence of NC KazMunayGas		
Tengizchevroil LLP	34,226	8,885,336
TenizService LLP	11,209	2,931
KMG Kashagan B.V.	-	67,363
Other	7,096	5,738
	71,440	8,967,107

Subsidiaries

Kazmortransflot UK Ltd	3,073	33,668
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The fixed asset, the Aktau tanker, used by the Company under a lease contract concluded with Kazmortransflot UK Ltd is classified as a right-of-use asset with an initial cost of 720,394 thousand tenge from 1 January 2019, finance costs in the amount of 4,556 thousand tenge are recognized under this contract. During 2020, the Company recognized the Aktau tanker as property, plant and equipment against payment of dividends (*Note 5*). As at 31 December 2020, there are no debts on lease.

Compensation to key management personnel

As at 31 December 2020, key management personnel consisted of 3 persons (2019: 4 persons). Total compensation to the key management personnel for the year ended 31 December 2020, included in general and administrative expenses in the accompanying separate statement of comprehensive income is 207,741 thousand tenge (for 2019: 275,956 thousand tenge). In 2020, remuneration to key management personnel consists mainly of salaries and bonuses based on the results of the year (2019: mainly consists of salaries and bonuses).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

29. COMMITMENTS AND CONTINGENCIES

Coronavirus pandemic and market conditions

Since March 2020, there has been significant volatility in the stock, foreign exchange and commodity markets, including the fall in oil prices and the devaluation of the tenge against the US dollar and euro. In addition, due to the recent rapid spread of the coronavirus (COVID-19) pandemic, on 16 March 2020, the government of the Republic of Kazakhstan declared a state of emergency until 16 April 2020, and then extended it until 15 May 2020, including quarantine in major cities, which had a significant impact on the level and scale of business activity. Later, the government of the Republic of Kazakhstan introduced a new quarantine period from 5 July 2020 till 2 August 2020.

The coronavirus pandemic has turned into a global economic crisis. A significant drop in the oil price suggests that the impact of the crisis will be more tangible for the oil and gas industry than for other industries.

The most significant impact of the pandemic is the depreciation of the tenge against the US dollar and the euro for the year ended 31 December 2020, which was reflected by an increase in the expenses for foreign exchange losses on loans in US dollars.

The Company is currently analyzing the possible impact of changing micro- and macroeconomic conditions on the financial position and performance of the Company.

As a consequence, management performed an impairment test of the Company's property, plant and equipment within a single cash-generating unit. The Company assessed that the quantitative effect of the pandemic cannot be estimated with sufficient confidence at this time due to the uncertainty and duration of the pandemic.

The management believes that it takes all the required steps to support stability and growth of the Company's business under the current circumstances. The Company will continue to monitor the situation closely.

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 2020. As at 31 December 2020 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 goods earned by 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.

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 2020, the Company applied the conditions of exemption from income tax in view of the fact that the registered vessel TK Aktau was registered in the international register of vessels of the Republic of Kazakhstan (in 2019, the exemption was not applied in connection with the leasing out of 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

29. COMMITMENTS AND CONTINGENCIES (continued)

Legal claims (continued)

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 2020 and 31 December 2019 for legal actions and claims.

On 11 September 2020, the Company received a claim from BUE Kazakhstan Ltd. LLP on the commencement of arbitration proceedings to reimburse funds for the maintenance of the Barys, Berkut and Sunkar vessels with the following requirements:

- Payments of the amount of 10,492,723.98 US dollars accrued to date and owed, and all those other amounts accrued during the time until the decision on this arbitration process is rendered.
- Or, payments of an amount of 14,146,744.14 US dollars representing the amount due for the entire initial Caspian minimum period for all vessels.
- Or, damage for violating TMSA.

As of the date of issue of the separate financial statements, the Company received a letter from BUE Kazakhstan Ltd. LLP with a proposal to settle the legal issue amicably and pay 5,920 million US dollars (excluding VAT). The Company’s management firmly believes that the Company and BUE Kazakhstan Ltd. will come to an agreement and the Company will not incur additional costs beyond those recognized in the separate financial statements.

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, tankers and office premises. These lease agreements are concluded for periods of up to 2 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>	2020	2019
Within one year	713,890	13,643,041
More than 1 year but less than 5 years	-	294,687
Over five years	-	-
	713,890	13,937,728

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Main financial instruments of the Company comprise cash and cash equivalents, short-term bank deposits, trade and other accounts receivable, trade and other accounts payable and finance guarantee obligations 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

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

Liquidity risk (continued)

The table below summarizes the maturity profile of the Company’s financial liabilities at 31 December 2020 based on contractual undiscounted payments.

<i>In thousands of tenge</i>	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
As at 31 December 2020						
Lease liabilities	-	351,608	670,805	254	-	1,022,667
Trade and other payables	2,685,677	1,407,521	-	-	-	4,093,198
	2,685,677	1,759,129	670,805	254	-	5,115,865
At 31 December 2019						
Lease liabilities	-	1,159,600	1,084,996	2,822,975	-	5,067,571
Financial guarantee liabilities	2,003,093	-	-	-	-	2,003,093
Trade and other payables	908,430	2,345,161	-	-	-	3,253,591
	2,911,523	3,504,761	1,084,996	2,822,975	-	10,324,255

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 2020 and 31 December 2019, 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 2020		31 December 2019	
	Increase/ (decrease) in exchange rate	Effect on profit before tax	Increase/ (decrease) in exchange rate	Effect on profit before tax
US dollars	+14,00%	1,208,555	+12,00%	130,036
	-11,00%	(949,579)	-9,00%	(97,527)

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”).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

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

Fair value of financial instruments (continued)

As at 31 December 2020 and 31 December 2019, the carrying amount of cash and cash equivalents, short-term bank deposits, trade and other receivables, trade and other payables, finance guarantee liabilities 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.