

National Maritime Shipping Company
“Kazmortransflot” LLP

Separate financial statements

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

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Independent auditor’s report

Separate financial statements

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Independent auditor's report

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

Qualified Opinion

We have audited the separate financial statements of "National maritime shipping company "Kazmortransflot" Limited Liability Partnership (hereinafter, the "Company"), which comprise the separate statement of financial position as at 31 December 2019, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects on the corresponding figures of the matter described in the Basis for qualified opinion section of our report, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for qualified opinion

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

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 (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.



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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.



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

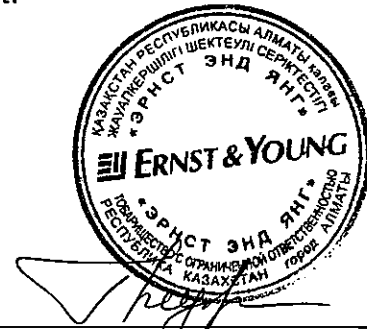
Ernst & Young LLP


Dinara Malayeva
Auditor

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

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4 March 2020



Gulmira Turmagambetova
General Director
Ernst & Young LLP

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

SEPARATE STATEMENT OF FINANCIAL POSITION

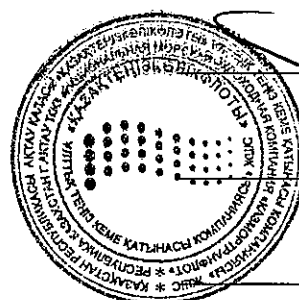
As at 31 December 2019

<i>In thousands of tenge</i>	Notes	31 December 2019	31 December 2018
Assets			
Non-current assets			
Property, plant and equipment	5	27,816,845	49,233,273
Investment property	6	637,546	485,441
Intangible assets	7	85,045	108,753
Advances paid for non-current assets		22,537	-
Restricted cash	8	2,159,410	1,704,807
Other non-current assets		41,599	29,275
		30,762,982	51,561,549
Current assets			
Inventories	9	249,278	239,734
Income tax prepaid		88,301	291,445
Loans issued	10	-	1,139,546
Trade and other accounts receivable	11	4,375,887	7,672,757
Other current assets	12	578,978	291,482
Cash and cash equivalents	14	3,621,168	1,515,841
		8,913,612	11,150,805
Assets held for sale	13	6,329,437	-
Total assets		46,006,031	62,712,354
Equity and liabilities			
Equity			
Charter capital	15	11,575,721	11,575,721
Retained earnings		11,312,550	10,675,592
Total equity		22,888,271	22,251,313
Non-current liabilities			
Non-current portion of lease liabilities	16	2,698,228	4,513,425
Long-term advances received for operating lease	17	59,548	4,468,540
Contract liabilities	18	72,101	3,572,331
Provisions		49,279	36,275
Other non-current liabilities		90,965	-
Deferred income tax liabilities	27	2,129,681	2,651,228
		5,099,802	15,241,799
Current liabilities			
Current portion of lease liabilities	16	2,141,607	1,976,175
Short-term advances received for operating lease	17	4,907,225	9,534,906
Contract liabilities	18	4,800,157	6,877,191
Trade and other payables	19	3,253,591	3,880,155
Financial guarantee obligation	28	2,003,093	1,893,585
Other current liabilities	20	912,285	1,057,230
		18,017,958	25,219,242
Total liabilities		23,117,760	40,461,041
Total equity and liabilities		46,006,031	62,712,354

General Director

Deputy General Director for Economics and Finance

Chief Accountant



A.Ye. Orzhanov

R.G. Suleimenov

A.O. Bekzhanova

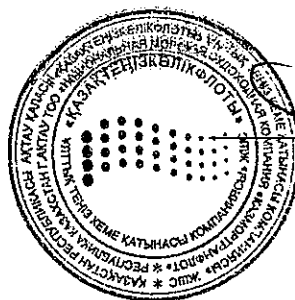
The notes 1-32 are an integral part of these separate financial statements

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

<i>In thousands of tenge</i>	Notes	2019	2018
Revenue from contracts with customers	21	17,366,214	14,046,651
Rental income	22	20,352,200	12,161,132
Revenue		37,718,414	26,207,783
Cost of services rendered	23	(20,070,068)	(14,079,777)
Gross profit		17,648,346	12,128,006
General and administrative expenses	24	(2,017,218)	(1,962,573)
Selling expenses		(24,045)	(58,123)
Other operating income	25	854,819	1,420,765
Other operating expenses	25	(32,261)	(463,034)
Operating profit		16,429,641	11,065,041
Finance income	26	99,216	43,885
Finance costs	26	(852,951)	(1,106,127)
Foreign exchange loss, net		(142,565)	(328,217)
Impairment loss	5, 6	(12,605,466)	(2,297,380)
Dividend income		-	11,866
Profit before tax		2,927,875	7,389,068
Income tax expense	27	(1,872,917)	(3,510,314)
Profit for the year		1,054,958	3,878,754
Total comprehensive income for the year, net of tax		1,054,958	3,878,754

General Director



A.Ye. Orzhanov

Deputy General Director for Economics and Finance

R.G. Suleimenov

Chief Accountant

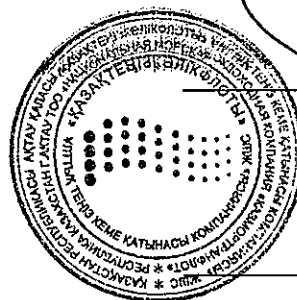
A.O. Bekzhanova

SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

<i>In thousands of tenge</i>	Notes	2019	2018
Operating activities			
Cash receipts from customers		29,614,226	24,540,641
Cash payments to suppliers		(18,289,349)	(11,222,366)
Cash payments to employees		(1,394,751)	(1,098,362)
Cash payments to budget and other		(3,072,765)	(1,417,720)
Transfer to cash restricted in use		(456,167)	(882,515)
Interest received		60,172	35,696
Interest paid	16	(358,021)	(190,825)
Income tax paid		(2,170,950)	(1,394,000)
Net cash flows from operating activities		3,932,395	8,370,549
Investing activities			
Proceed from sale of property, plant and equipment		1,246,960	51,249
Proceeds from repayment of loans issued		1,131,383	190,212
Purchase of intangible assets		(20,846)	(23,106)
Dividends received		-	12,061
Purchase of property, plant and equipment		(1,396,819)	(9,093,830)
Bank deposits, net		-	644,240
Net cash flows used in investing activities		960,678	(8,219,174)
Financing activities			
Finance lease repayment	16	(2,279,410)	(849,598)
Dividends paid	16	(418,000)	-
Net cash flows used in financing activities		(2,697,410)	(849,598)
Net increase/(decrease) in cash and cash equivalents		2,195,663	(698,223)
Net foreign exchange difference on cash and cash equivalents		(90,336)	2,478
Cash and cash equivalents as at 1 January		1,515,841	2,211,586
Cash and cash equivalents as at 31 December	14	3,621,168	1,515,841

General Director



A.Ye. Orzhanov

Deputy General Director for Economics and Finance

R.G. Suleimenov

Chief Accountant

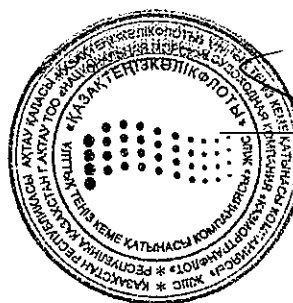
A.O. Bekzhanova

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

<i>In thousands of tenge</i>	Charter capital	Retained earnings	Total
As at 1 January 2018	11,575,721	6,796,838	18,372,559
Profit for the year	–	3,878,754	3,878,754
Total comprehensive income for the year	–	3,878,754	3,878,754
As at 31 December 2018	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)
As at 31 December 2019	11,575,721	11,312,550	22,888,271

General Director



A.Ye. Orzhanov

Deputy General Director for Economics and Finance

R.G. Suleimenov

Chief Accountant

A.O. Bekzhanova

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

JSC National Maritime Shipping Company “Kazmortransflot” was incorporated pursuant to the resolution of Government of the Republic of Kazakhstan dated 4 December 1998 and registered on 29 December 1998. On 21 October 2013 based on the decision of the Board of Directors, National Maritime Shipping Company “Kazmortransflot” JSC was reorganised 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 90% ownership interest (hereinafter – SWF “Samruk-Kazyna”), which is controlled by the Government of the Republic of Kazakhstan, 10% is owned by the National Bank of the Republic 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 comprised of five oil tankers (“Almaty”, “Astana”, “Atyrau”, “Oral” and “Aktobe”) and marine support fleet comprising five tug-boats, eight dump barges, and three self-propelling barges (“Barys”, “Berkut” and “Sunkar”).

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

The separate financial statements of the Company were approved for issue by the General Director, Deputy General Director on Economy and Finance and Chief Accountant on 4 March 2020.

These separate financial statements were issued in addition to the financial statements of the Company and its subsidiaries (hereinafter, the “Group”) for the same reporting period. The consolidated financial statements of the Company were approved for issue by the General Director, Deputy General Director on Economy and Finance and Chief Accountant on 4 March 2020.

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

Investments in subsidiaries

As at 31 December 2019 and 31 December 2018, the Company had equity interest in the following subsidiaries:

Company	Principal activities	Place of incorporation	Equity interest	
			31 December 2019	31 December 2018
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	United Kingdom	100%	100%
Altai Shipping Ltd	Marine shipping of crude oil and oil products to international markets and leasing out of own tanker	Marshall Islands	100%	100%
Alatau Shipping Ltd	Marine shipping of crude oil and oil products to international markets and leasing out of own tanker	Marshall Islands	100%	100%

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

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

New and amended standards and interpretations

The Company applied IFRS 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the separate financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

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

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

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

Application of the standard affected accounting for the lease for Aktau tanker from Kazmortransflot Ltd, a subsidiary, for a period until May 2020. The effect of adopting IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

In thousands of tenge

Assets	
Property and equipment	720,394
Liabilities	
Lease liabilities	720,394

As at 1 January 2019, there was no impact on equity.

The Company has lease agreements for marine vessels, vehicles and office premises. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

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

Leases previously classified as finance leases

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

Leases previously accounted for as operating leases

The Company analysed and assessed the amounts of right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. As a result of analysis and valuation, the Company did not recognise the right-of-use asset and lease liability at the date of initial application of the standard.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

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

New standards, interpretations and amendments thereof (continued)

IFRS 16 Leases (continued)

Leases previously accounted for as operating leases (continued)

The Company also applied the available practical expedients wherein it:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its separate financial statements.

The Company determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the separate financial statements of the Company.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments had no impact on the separate financial statements of the Company.

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset). The amendments had no impact on the separate financial statements of the Company as it did not have any plan amendments, curtailments, or settlements during the period.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

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

New standards, interpretations and amendments thereof (continued)

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

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

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

These amendments had no impact on the separate financial statements as the Company does not have long term interests in its associate and joint venture.

Annual improvements 2015-2017 cycle

IFRS 3 Business Combinations

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

These amendments had no impact on the separate financial statements of the Company as there is no transaction where joint control is obtained.

IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

These amendments had no impact on the separate financial statements as the Company does not have long term interests in its associate and joint venture.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Company's current practice is in line with these amendments, they had no impact on the separate financial statements of the Company.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

Since the Company's current practice is in line with these amendments, they had no impact on the separate financial statements of the Company.

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

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

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 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005.

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

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, 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 IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, '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 to the definition of material are not expected to have a significant impact on the Company's separate financial statements.

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 foreign exchange gains and losses arising from assets and liabilities denominated in foreign currencies subsequent to the date of the underlying transaction are recognised in the separate statement of comprehensive income.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

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

Exchange rate at the date	31 December 2019	31 December 2018
US dollar	382.59	384.20
Euro	429.00	439.37
Great Britain pound (GBP)	503.41	488.13

Property, plant and equipment

Property 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 replacing part of the plant and equipment and borrowing costs for long-term construction projects if the capitalisation 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, plant 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.

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 recognised 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provision for mineral deposit recovery (continued)

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 2019, the carrying amount of the provision for recovery of mineral raw materials field was 49,279 thousand tenge (31 December 2018: 35,582 thousand tenge).

Investment property

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

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

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 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.

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 amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the separate statement of comprehensive income in the expense category consistent with the function of the intangible asset.

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

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

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale (continued)

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

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

- Represents a separate major line of business or geographical area of operations;
- Is presented as a part of a coordinated plan of disposal of a significant activity or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Cash 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. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Leases

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.

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 recognises 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 recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. 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 recognised 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 the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its 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 (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Company as a lessee (continued)

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do contain an option to purchase the underlying asset). The Company also applies the short-term lease recognition exemption to low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to 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 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.

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 tax 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 between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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 arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets 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 ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes (continued)

Deferred tax (continued)

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

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 Company'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 and applied 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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 other comprehensive income (OCI), and fair value through profit or loss.

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

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

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

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

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

Subsequent measurement

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

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

The category of financial assets measured at amortised cost is the most appropriate category for the Company and therefore applies to all current financial assets of the Company.

Financial assets at amortised cost (debt instruments)

This is the category 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

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

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

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

Trade and other accounts receivable

Trade and other receivables 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 subsequently 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 amortisation is included in finance income in the separate statement of comprehensive income. The losses arising from impairment are recognised in the separate statement of comprehensive income in general and administrative costs.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised from the separate statement of financial position where:

- 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 and forward-looking factors specific to the economic environment.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 highly liquid deposits with a maturity of less than three months or that are readily convertible to a known amount 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 Company'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 IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expected credit losses from probable default of the borrower for which the Company acts as a guarantor and the amount recognised less cumulative amortisation.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Derecognition

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

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

Offsetting of financial instruments

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

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

Fair value of financial instruments

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

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

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

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

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 recognised as finance costs.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and expense recognition

Revenue from contracts with customers

The Company's activities are related to the provision of cargo transportation services, service 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, service fleet and transportation management services, which are either provided separately or included in a comprehensive agreement. The Company recognises 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 recognises income from services rendered on shipping of crude oil and other goods upon the fact of shipping services implementation, based on the volumes of cargo, accepted and agreed by all transaction parties, and fixed tariffs, established in the contracts between the Company and freighters.

Lease element in contracts with customers

The Company may enter into an agreement involving one or several interrelated operations, which in its legal form is not a lease agreement, but transfers the right to use the asset in exchange for a payment or a series of payments. The Company may transfer such a right to use the asset to another organisation 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. As a result of applying practical expedient provided for by IFRS 15, the Company does not adjust promised amount of consideration with due account for impact of significant financing component in agreements, if the Company expects at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for such a 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 a refund, which is unconditional (i.e., the moment when such refund becomes payable is due only to the passage of time).

Contract assets

The asset under the contract is the right of the entity for consideration in exchange for goods or services transferred to the customer. If the Company transfers goods or services to the customer before the customer pays the consideration, or before the consideration becomes payable, the asset under the contract is recognised in respect of the received variable consideration.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of income and expenses (continued)

Revenue from contracts with customers (continued)

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 statement of financial position based on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period;
- 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

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 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 equipment 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 its carrying value may be impaired, the Company estimates the asset's recoverable amount. In analysing the impairment indicators, the Company, among other factors, takes into account the demand for shipping of oil and cargo, and the lease of tugs and barges in the Caspian, Mediterranean and Black Seas.

The management tested fixed assets (vehicles – marine vessels, building) and investment property of the Company for impairment as at 31 December 2019.

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

- Investment property – office building.
- Property, plant and equipment – office building (administrative unit).
- Property, plant and equipment – support fleet: tugboats "Irtysh", "Ural", and eight self-unloading barges of KMG 101-108.
- Property, plant and equipment – self-propelled MCV barges Sunkar, Berkut and Barys.
- Property, plant and equipment / right-of-use asset – Aktau oil tanker.

Investment property – office building

As at 31 December 2019 the recoverable amount of the investment property amounted to 637,546 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. As a result of this analysis, the Company recognised reversal of impairment in the amount of 225,043 thousand tenge.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ASSUMPTIONS (continued)

Impairment of non-current assets (continued)

Property, plant and equipment – office building (administrative unit)

The recoverable amount of the administrative unit of the office building was determined by applying the ratio of the percentage of impairment of investment property to its value prior to impairment. The percentage of investment property impairment based on the results of the analysis is 62%. The Company recognised an impairment of the administrative unit of the building in the amount of 618,982 thousand tenge for the year ended 31 December 2019.

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. During 2019, the Company carried out capital repair according to the regulations on these vessels, which resulted in an increase in the carrying amount. Due to the lack of activity on these vessels, the Company fully impaired the carrying amount for 153,367 thousand tenge as at 31 December 2019. As at 31 December 2019, the Company does not see clear prospects for operating the service fleet.

Self-propelled MCV barges Sunkar, Berkut and Barys

Due to the upcoming expiration of the contract for the TCO Future Growth Project (FGP) and the absence of clear prospects for the operation of self-propelled barges Sunkar, Berkut and Barys, the Company tested these vessels for impairment as at 31 December 2019 by determining the value in use.

With respect to Sunkar and Berkut vessels, the Company only accounted for the remaining cash flows on FGP project in 2020-2021, since the Company has no reasonable plans to operate these vessels in other operations upon expiration of the contract with TCO on FGP. As a result of the analysis, the recoverable amounts on Sunkar and Berkut were lower than their carrying amounts by 4,792,272 thousand tenge and 7,045,163 thousand tenge, respectively.

In relation to Barys, the Company accounted for cash flows from the operation on FGP, as well as the Company's plans to shift the vessel to container shipping within as part of cooperation with Trans-Caspian International Transport Route International Association upon expiration of the contract with TCO. As a result of this analysis, the recoverable amount for this vessel was higher than its carrying amount, and accordingly, the Company did not recognise any impairment for Barys self-propelled barge as at 31 December 2019.

To determine the value in use, the Company accounted for cash flows in US dollars, as the main cash flows for these vessels are determined in US dollars. The Company discounted future cash flows at the rate of 10.05%, 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% will not result in a significant additional impairment loss.

Aktau oil tanker – right-of-use asset

As at 31 December 2019, the carrying amount of Aktau tanker amounted to 893,976 thousand tenge. It has been determined based on the tanker's value in use calculation using cash flow projections from financial budgets of the Company. Projected cash flows have been determined for the period of tanker lease until May 2020. Projected cash flows have been calculated based on historical data and forecasts of the Company's management. The discount rate applied to the cash flow projections is 16.10%. The cash flows in the forecast period were recorded with consideration of expected price changes adjusted for inflation. As a result of this analysis, in the current year, management recognised a tanker impairment loss in the amount of 352,499 thousand tenge. The main significant assumptions used in the valuation technique are the volumes of oil transportation.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipment for the year ended 31 December 2019 is presented as follows :

<i>In thousands of tenge</i>	Land	Buildings	Machinery and equipment	Motor vehicles	Other	Construction-in-progress	Total
Cost							
At 1 January 2018	2,362	644,234	2,313,358	23,712,848	247,669	19,231,478	46,151,949
Additions	-	-	-	2,172,034	26,903	15,185,125	17,384,062
Transfer from investment property	-	381,043	-	-	-	-	381,043
Disposals	-	-	-	(218,555)	(14,686)	-	(233,241)
Transfers	-	-	-	34,352,174	-	(34,352,174)	-
At 31 December 2018	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)	-
As at 31 December 2019	2,362	1,146,751	2,471,886	48,665,704	230,239	67,641	52,584,583
Accumulated depreciation and impairment							
At 1 January 2018	-	(33,666)	(1,744,280)	(8,781,210)	(178,671)	(36,413)	(10,774,240)
Accruals	-	(14,318)	(180,410)	(2,631,138)	(35,204)	-	(2,861,070)
Disposals	-	-	-	218,555	14,595	-	233,150
Transfer from investment property (Note 6)	-	(27,295)	-	-	-	-	(27,295)
Impairment charge	-	-	(364,558)	(656,527)	-	-	(1,021,085)
As at 31 December 2018	-	(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)
As at 31 December 2019	-	(719,194)	(2,446,372)	(21,364,740)	(201,019)	(36,413)	(24,767,738)
Net book value							
At 31 December 2018	2,362	949,998	24,110	48,168,181	60,606	28,016	49,233,273
As at 31 December 2019	2,362	427,557	25,514	27,300,964	29,220	31,228	27,816,845

The Company has an office building in Aktau, Kazakhstan, the initial cost of which amounted to 2,914,984 thousand tenge. The Company uses a part of the building, the net book value of which as at 31 December 2019 amounts to 372,851 thousand tenge, for own needs (as at 31 December 2018: 898,459 thousand tenge). During the year, the Company occupied premises in the office building, as a result of which a part of the net book value in the amount of 95,900 thousand tenge was transferred to property, plant and equipment.

The Company leases out to related parties a part of the building, the net book value of which amounts to 637,546 thousand tenge as at 31 December 2019. This part of the building was classified by the Company as an investment property as at 31 December 2019 (Note 6).

In 2019, the Company performed a test for impairment of property, plant and equipment (marine vessels). As a result of the impairment test, the tanker "Aktau" was impaired for a total amount of 352,499 thousand tenge (in 2018: tanker "Aktau" – 361,445 thousand tenge), self-propelled barges Berkut and Sunkar – for 11,837,435 thousand tenge (in 2018: nil tenge). Also, as a result of the test for impairment, the Company recognised impairment of eight self-unloading barges of KMG 101-108 in the amount of 153,367 thousand tenge (in 2018: 364,558 thousand tenge). The administrative unit of the office building is impaired by 618,982 thousand tenge. The Company also reversed an impairment charge on tugboats transferred to assets held for sale and sold during the year in the amount of 133,128 thousand tenge.

As at 31 December 2019, property, plant and equipment with the cost of 1,685,450 thousand tenge were fully depreciated (31 December 2018: 1,817,898 thousand tenge).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying amount of the recognised right-of-use assets and its changes during the period as reflected in property, plant and equipment is presented below:

The vehicles include tugboats EMBA, TALAS and IRGIZ used by the Company under a lease agreement concluded with Islamic Bank "Al Hilal" JSC. Tugboats act as collateral for the appropriate liabilities under the lease agreement and are classified as right-of-use assets from 1 January 2019.

Also, under the finance lease agreements concluded with KMG Systems & Services LLP and Kazmortransflot Ltd, the warehouse and Aktau tanker are classified as right-of-use assets starting from 1 January 2019.

Right-of-use assets

<i>In thousands of tenge</i>	Buildings	Vehicles	Total
Cost			
1 January 2019	–	6,320,562	6,320,562
Asset recognition due to adopting IFRS 16	6,763	720,394	727,157
Additions	–	703,245	703,245
As at 31 December 2019	6,763	7,744,201	7,750,964
Accumulated depreciation			
1 January 2019	–	(347,424)	(347,424)
Accruals	(2,254)	(849,231)	(851,485)
Impairment charge	–	(352,499)	(352,499)
As at 31 December 2019	(2,254)	(1,549,154)	(1,551,408)
Net book value			
At 1 January 2019	–	5,973,138	5,973,138
As at 31 December 2019	4,509	6,195,047	6,199,556

6. INVESTMENT PROPERTY

The movements in investment property for the year ended 31 December 2019 were as follows:

<i>In thousands of tenge</i>	
Cost	
At 1 January 2018	2,277,770
Additions	963
Transfer to property, plant and equipment (Note 5)	(381,043)
At 31 December 2018	1,897,690
Transfer from property, plant and equipment (Note 5)	32,670
Transfer to property, plant and equipment (Note 5)	(97,881)
As at 31 December 2019	1,832,479
Accumulated depreciation and impairment	
At 1 January 2018	(117,683)
Depreciation charge	(45,566)
Transfer to property, plant and equipment (Note 5)	27,295
Impairment charge	(1,276,295)
As at 31 December 2018	(1,412,249)
Depreciation charge	(9,708)
Transfer to property, plant and equipment (Note 5)	1,981
Reversal of impairment	225,043
As at 31 December 2019	(1,194,933)
Net book value	
As at 31 December 2018	485,441
As at 31 December 2019	637,546

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

6. INVESTMENT PROPERTY (continued)

The investment property of the Company comprises a part of the office building built in May 2015 by Construction Company Taimas LLP in Aktau, Kazakhstan.

<i>In thousands of tenge</i>	2019	2018
Income from investment property (Note 22)	208,304	228,931
Direct operating expenses (including repair and technical maintenance), which resulted in deriving of lease income (included in the cost of services rendered)	(191,696)	(188,393)
Profit from investment property	16,608	40,538

As at 31 December 2019 and 2018, the fair value of investment property approximates its carrying amount.

The Company is not subject to any restrictions with respect to the sale of its investment property. The Company also does not have contractual obligations for the acquisition, construction or improvement of investment property or provision of urban amenities.

As a result of the impairment test, the Company recognised reversal of impairment in the amount of 225,043 thousand tenge (in 2018: impairment for 1,276,295 thousand tenge).

7. INTANGIBLE ASSETS

The movement of intangible assets for the year ended 31 December 2019 was as follows:

<i>In thousands of tenge</i>	Computer software	Other	Total
Cost			
At 1 January 2018	337,096	134,216	471,312
Additions	18,699	3,107	21,806
Transfers and reclassifications	–	–	–
Disposal	(773)	–	(773)
At 31 December 2018	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
Accumulated depreciation			
At 1 January 2018	(258,397)	(83,155)	(341,552)
Depreciation charge	(35,960)	(6,080)	(42,040)
Disposal	–	–	–
As at 31 December 2018	(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)
Net book value			
As at 31 December 2018	60,665	48,088	108,753
As at 31 December 2019	42,615	42,430	85,045

8. RESTRICTED CASH

As at 31 December 2019, cash restricted in use in the amount of 2,159,410 thousand tenge (as at 31 December 2018: 1,704,807 thousand tenge) comprises a deposit with an estimated profit of 3.02% per annum placed with Islamic Bank "Al Hilal" JSC in the amount of 765,180 thousand tenge (2 million US dollars) mandatory under the finance lease agreement and Escrow account at Altyn Bank JSC (SB "Halyk Bank of Kazakhstan" JSC) in the amount of 1,393,230 thousand tenge (3,642 thousand US dollars) opened as collateral for the proper performance of its obligations under the Consortium Agreement with Blue Water LLC Shipping Kazakhstan.

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

9. INVENTORIES

As at 31 December 2019 and 31 December 2018, inventory is presented as follows:

<i>In thousands of tenge</i>	31 December 2019	31 December 2018
Fuel	91,154	79,583
Spare parts	38,634	46,797
Limestone	4,486	4,486
Other materials	115,004	108,868
	249,278	239,734

10. LOANS ISSUED

<i>In thousands of tenge</i>	31 December 2019	31 December 2018
Altai Shipping Ltd	–	569,773
Alatau Shipping Ltd	–	569,773
	–	1,139,546

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

11. TRADE AND OTHER ACCOUNTS RECEIVABLE

As at 31 December 2019 and 31 December 2018, trade and other receivables are presented as follows:

<i>In thousands of tenge</i>	31 December 2019	31 December 2018
Trade accounts receivable	4,430,908	7,294,850
Other accounts receivable	110,900	482,259
Less: Allowance for expected credit losses	(165,921)	(104,352)
	4,375,887	7,672,757

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

As at 31 December 2019 and 31 December 2018, trade and other accounts receivable are expressed in the following currencies:

<i>In thousands of tenge</i>	31 December 2019	31 December 2018
US dollar	4,025,012	7,384,130
Tenge	350,745	288,627
Other currencies	130	–
	4,375,887	7,672,757

The average maturity of accounts receivable is 30 days. In 2019 and 2018, interest on unpaid balances were not accrued.

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

<i>In thousands of tenge</i>	2019	2018
Allowance for expected credit losses as at 1 January	104,352	56,455
Charge for the year	60,804	18,201
Write-off for the year	–	(3,539)
Foreign exchange difference	765	33,235
Allowance for expected credit losses as at 31 December	165,921	104,352

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

11. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)

The ageing analysis of trade and other accounts receivable is as follows:

31 December 2019	Past due					Total
	Current	31-60 days	61-90 days	91-120 days	Over 120 days	
Percentage of expected credit losses	0.32%	0.31%	0.25%	16.02%	44.71%	
Estimated total gross carrying amount 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

31 December 2018	Past due					Total
	Current	31-60 days	61-90 days	91-120 days	Over 120 days	
Percentage of expected credit losses	0.16%	0.99%	1.41%	14.76%	31.96%	1.34%
Estimated total gross carrying amount at default	7,369,567	94,068	18,754	15,191	279,529	7,777,109
Expected credit losses	11,590	929	265	2,242	89,326	104,352

12. OTHER CURRENT ASSETS

As at 31 December 2019 and 31 December 2018, other current assets comprised the following:

<i>In thousands of tenge</i>	31 December 2019	31 December 2018
Advances paid	478,984	53,926
Deferred expenses	65,452	35,699
Other taxes prepaid	29,932	198,202
Due from employees	4,610	3,655
	578,978	291,482

13. ASSETS HELD FOR SALE

Due to the lack of a sufficient cargo base for the oil loading fleet in the region with due account for economic feasibility, in 2019 the Company decided to sell tugboats Yessil and Tobol, as well as tankers Aktobe, Atyrau, and Oral, which are under operating lease from SOCAR LOGISTICS DMMC. Tugboats Yessil and Tobol were sold in December 2019. Auctions were held for the sale of tankers in December 2019, as a result of which a buyer was determined, the contract with whom will be concluded in 2020. According to the results of the auction, the purchase price of tankers is 6,438,724 thousand tenge, which is more than the carrying amount of these tankers. Accordingly, the Company recognised assets held for sale presented only to these tankers at their carrying amounts as at 31 December 2019.

The Company also received advances for the sale of tankers as at 31 December 2019 in the amount of 951,212 thousand tenge (Note 18). These tankers will be transferred to the new owner in the first half of 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 at 31 December 2019	6,329,437

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

14. CASH AND CASH EQUIVALENTS

As at 31 December 2019 and 31 December 2018, cash and cash equivalents were as follows:

<i>In thousands of tenge</i>	31 December 2019	31 December 2018
Cash in bank in US dollars	3,463,732	1,361,816
Cash in bank in euro	84,351	14,924
Cash with bank in tenge	67,067	137,121
Cash in bank in other foreign currencies	6,018	1,980
	3,621,168	1,515,841

Interest income accrued on short-term deposits with a maturity of up to 3 months in 2019 amounted to 99,216 thousand tenge (in 2018: 43,885 thousand tenge) (Note 26).

15. CHARTER CAPITAL

As at 31 December 2019 and 2018 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 2019, the Company declared and fully paid dividends to the Parent in the amount of 418,000 thousand tenge (in 2018: nil tenge).

16. LEASE LIABILITIES

As at 31 December 2019 and 31 December 2018, lease liabilities are presented as follows:

<i>In thousands of tenge</i>	31 December 2019	31 December 2018
Minimum lease payments		
Within one year	2,245,468	2,136,311
More than one year, but less than five years	2,822,103	4,888,542
Total minimum lease payments	5,067,571	7,024,853
Less finance costs	(227,736)	(535,253)
Present value of minimum lease payments	4,839,835	6,489,600
Present value of minimum lease payments		
Within one year	2,141,607	1,976,175
More than one year, but less than five years	2,698,228	4,513,425
Present value of minimum lease payments	4,839,835	6,489,600

In July 2017, the Company entered into a lease agreement with Islamic Bank Al Hilal JSC to receive vehicles represented by EMBA, TALAS and IRGIZ tugboats used by the Company to provide services for TCO. The lease term expires on 4 August 2021. At the end of the lease term and fulfilment of all obligations under the lease agreement, ownership over the tugboats passes to the Company.

Also, the lease liability includes liabilities related to initial application of IFRS 16 *Leases* with respect to the warehouse and Aktau tanker (Note 5).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

16. LEASE LIABILITIES (continued)

Changes in liabilities arising from financing activities

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

<i>In thousands of tenge</i>	1 January 2019	Cash flows	Payment of interest	Foreign exchange movement	Other	31 December 2019
Dividends payable	–	(418,000)	–	–	418,000	–
Lease liabilities	6,489,600	(2,291,498)	(358,021)	(34,247)	1,034,002	4,839,836
	6,489,600	(2,709,498)	(358,021)	(34,247)	1,452,002	4,839,836

<i>In thousands of tenge</i>	1 January 2018	Cash flows	Payment of interest	Foreign exchange movement	Other	31 December 2018
Lease liabilities	4,236,217	(849,598)	(190,825)	841,035	2,452,771	6,489,600
	4,236,217	(849,598)	(190,825)	841,035	2,452,771	6,489,600

The "Other" column includes the effect of accrual of declared dividends, the effect of interest accrued on lease liabilities, recognition of lease liabilities as a result of application of IFRS 16.

17. 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.

18. CONTRACT LIABILITIES

As at 31 December 2019 and 31 December 2018, contract liabilities are presented as follows:

<i>In thousands of tenge</i>	31 December 2019	31 December 2018
Advances received for building models transportation management services	3,451,486	9,731,271
Advances received for the supply of property, plant and equipment	953,697	–
Financial component on advances received for transportation management services	467,075	718,251
	4,872,258	10,449,522
Current	4,800,157	6,877,191
Non-current	72,101	3,572,331

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

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

Advances received for the supply of property, plant and equipment represent advance payment for the sale of tankers Aktobe, Atyrau, and Oral in the amount of 951,212 thousand tenge.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

19. TRADE AND OTHER ACCOUNTS PAYABLE

As at 31 December 2019 and 31 December 2018, trade and other accounts payable are presented as follows:

<i>In thousands of tenge</i>	31 December 2019	31 December 2018
Trade accounts payable	3,214,391	3,384,270
Trade accounts payable to subsidiaries	33,668	101,846
Other accounts payables	5,532	394,039
	3,253,591	3,880,155

As at 31 December 2019 and 31 December 2018, trade accounts payable are expressed in the following currencies:

<i>In thousands of tenge</i>	31 December 2019	31 December 2018
US dollar	2,075,873	3,438,427
Tenge	1,169,011	436,354
Euro	6,514	1,385
Other	2,193	3,989
	3,253,591	3,880,155

20. OTHER CURRENT LIABILITIES

As at 31 December 2019 and 31 December 2018, other current liabilities were as follows:

<i>In thousands of tenge</i>	31 December 2019	31 December 2018
Amounts due to employees (including provision for vacations)	402,685	441,641
VAT payable	341,759	595,539
Other taxes payable	38,668	20,050
Other	129,173	–
	912,285	1,057,230

21. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue for the years ended 31 December comprised the following:

<i>In thousands of tenge</i>	2019	2018
Types of services		
Revenue from management of transportation of structural modules	12,615,691	7,397,557
Revenue from crude oil transportation	1,881,840	4,048,553
Dry cargo transportation	1,385,167	–
Interest income from contract liabilities	719,964	422,343
Revenue from fleet lease services	546,911	1,207,690
Demurrage during oil transportation	101,397	103,295
Revenue from monitoring and elimination of oil spill	–	836,719
Other	115,244	30,494
	17,366,214	14,046,651

Proceeds from transportation of crude oil are related to the provision of marine transportation services in the Caspian Sea. The main buyers of this service during 2019 were Eurasian Trading and Shipping FZE и BELVION GROUP Ltd.

In 2018, the Company started providing structural modules transportation management services upon agreement with TCO. These services include management and operational and technical management services for leased self-propelled barges, as well as crewing arrangements. In 2019, the Company continued to provide module transportation services.

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 recognised over a period of time. Revenue from services rendered on shipping of crude oil is recognised upon the fact of shipping services implementation, based on the volumes of cargo, 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)

21. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

During 2019, the Company recognised revenue in respect of the amounts included in the contract liabilities at the beginning of the year in the amount of 6,991,009 thousand tenge (2018: 3,970,322 thousand tenge).

22. RENTAL INCOME

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

<i>In thousands of tenge</i>	2019	2018
Income from transfer of self-propelled barges to operating lease	17,482,561	10,645,264
Income from transfer of tankers to operating lease	2,341,243	1,286,937
Income from transfer of dry cargo to operating lease (bareboat charter)	242,838	–
Income from investment property (Note 6)	208,304	228,931
Income from transfer of barges to operating lease	77,254	–
	20,352,200	12,161,132

In 2019, 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 2019 amounted to 7,465,525 thousand tenge (2018: 4,140,144 thousand tenge).

In 2018, the Company leased out five tankers to SOCAR LOGISTICS DMMC for operating lease. The lease term amounts to three years, however, according to the agreement, SOCAR LOGISTICS DMSC may extend the lease for another two years. Direct operating expenses in 2019 amounted to 1,180,074 thousand tenge (2018: 542,352 thousand tenge).

23. COST OF SERVICES RENDERED

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

<i>In thousands of tenge</i>	2019	2018
Lease of self-propelled barges (Note 22)	7,465,525	4,140,144
Management of transportation of structural modules	5,289,050	2,877,049
Dry cargo operation expenses	2,459,379	–
Shipping of crude oil	1,806,297	3,855,671
Expenses for service fleet and monitoring of open oil spill response	1,346,543	2,375,958
Lease of tankers	1,180,074	542,352
Rent of vessels for dry cargo transportation	264,479	–
Maintenance of investment property	191,696	258,066
Other	67,025	30,537
	20,070,068	14,079,777

<i>In thousands of tenge</i>	2019	2018
Maintenance and management of vessels	8,158,800	4,906,617
Depreciation and amortisation	3,817,604	2,876,276
Fleet lease	3,731,966	3,387,696
Fuel and other materials	782,527	572,131
Repair of property, plant and equipment	589,993	–
Salaries and related taxes	524,124	542,477
Port charges	509,253	492,045
Outsourced services	425,554	56,367
Insurance expenses	306,877	193,461
Towing services	289,725	–
Agency services for ships	229,123	44,153
Maintenance of investment property	145,365	206,001
Other taxes not including income tax	63,588	61,993
Freight of tankers	–	479,633
Other	495,569	260,927
	20,070,068	14,079,777

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

24. GENERAL AND ADMINISTRATIVE EXPENSES

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

<i>In thousands of tenge</i>	2019	2018
Salaries and related taxes	735,866	724,530
Provision for bonuses to management	264,883	262,136
Professional services	265,967	84,339
Other taxes	166,712	404,808
Repair and maintenance	126,184	39,722
Business trip expenses	96,931	78,975
Depreciation and amortisation	77,540	72,390
Social expenses	63,814	38,981
Impairment of accounts receivable	60,804	18,201
Membership fees	34,000	30,789
Insurance	13,413	9,392
Rent	9,921	56,672
Trainings	9,314	4,827
Telecommunication services	6,854	5,443
Bank fees	6,839	12,413
Materials	5,636	20,554
Representation expenses	3,623	2,496
Other	68,917	95,905
	2,017,218	1,962,573

25. OTHER OPERATING INCOME/(EXPENSES)

Other operating income/(expenses) for the years ended 31 December 2019 and 2018 are as follows:

<i>In thousands of tenge</i>	2019	2018
Reimbursement of expenses	681,767	1,308,660
Income from fines and penalties	2,200	63,705
Other	170,852	48,400
	854,819	1,420,765
Other services from third parties	-	(410,699)
Other	(32,261)	(52,335)
	(32,261)	(463,034)

26. FINANCE INCOME/(COSTS)

Finance income/(costs) for the years ended 31 December 2019 and 2018 are as follows:

<i>In thousands of tenge</i>	2019	2018
Interest income (Note 14)	99,216	43,885
	99,216	43,885
Interest on revenue generating contracts	(468,788)	(606,345)
Finance costs on lease liabilities	(305,582)	(346,068)
Finance costs on finance guarantee obligations	(78,581)	(153,714)
	(852,951)	(1,106,127)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

27. INCOME TAX

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

<i>In thousands of tenge</i>	2019	2018
Current income tax expense	2,270,834	1,079,552
Adjustment of current income tax for prior periods	123,630	238,752
Deferred tax (benefit)/expense	(521,547)	2,192,010
	1,872,917	3,510,314

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>	2019	2018
Profit before tax	2,927,875	7,389,068
Statutory tax rate	20%	20%
Income tax expense at the statutory rate	585,575	1,477,814
Taxable income of foreign subsidiaries	488,935	40,037
Adjustment of current income tax for prior periods	123,630	238,752
Taxable income under FGP not recorded in accounting profit	384,023	-
Non-taxable income on registered vessels in RK	-	(275,632)
Changes in tax legislation (Note 30)	-	1,716,895
Impairment loss	30,673	204,217
Income on dividends received	-	(2,373)
Other temporary differences	260,081	110,604
Income tax expense	1,872,917	3,510,314

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

<i>In thousands of tenge</i>	31 December 2019	Origination and reversal of temporary differences in the statement of comprehensive income	31 December 2018	Origination and reversal of temporary differences in the statement of comprehensive income	31 December 2017
Deferred tax assets					
Contract liabilities	655,795	(874,142)	1,529,937	1,529,937	-
Advances received for lease	148,838	148,838	-	-	-
Allowance for expected credit losses	33,184	12,313	20,871	9,580	11,291
Allowance for bonuses	70,738	18,311	52,427	52,427	-
Other charges	19,353	(25,203)	44,556	24,455	20,101
Deferred tax assets	927,908	(719,883)	1,647,791	1,616,399	31,392
Deferred tax liabilities					
Property and equipment and investment property	3,057,589	(1,241,430)	4,299,019	3,808,409	490,610
Deferred tax liabilities	3,057,589	(1,241,430)	4,299,019	3,808,409	490,610
Net deferred tax liability	2,129,681	(521,547)	2,651,228	2,192,010	459,218

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

28. 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% equity interest in the Boat Yard, withdrew from the guarantee agreement. Thus, the equity interest was allocated between the Company and Balykshy LLP in the amount of 30% and 20%, respectively. As a result, the Company became the owner of 60% interest.

As at 31 December 2012, the Boat Yard payables to EBRD amounted to 11,603,268 US dollars. 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 obligation to the third parties without the consent of EBRD. As a result, the rights under the guarantee were not transferred to Balykshy LLP and the Company remains responsible for 60% interest.

As at the date of issue of these separate financial statements, the Company did not receive a formal notification from EBRD regarding discharge of the Company from financial guarantee obligations. In 2019, hearings were held in the Arbitration court on the EBRD claim, where the EBRD claim was partially satisfied as follows:

- 4,223,796 US dollars (the principal amount under the guarantee obligations), as well as a penalty 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 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 reimbursement of the arbitrator's fee, with interest in the amount of 7.9% starting from the date of payment of the 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 in the amount of 7.9% starting from the date of payment of the costs by EBRD until payment by KMTF in solidarity with Caspian Services Inc.

Thus, as at 31 December 2019, the Company recognised all of the above financial guarantee obligations in accordance with the court decision in the amount of 2,003,093 thousand tenge (as at 31 December 2018: 1,893,585 thousand tenge). The Company recognised finance costs related to the accrual of interest in the amount of 78,581 thousand tenge (in 2018: 153,714 thousand tenge) and foreign exchange loss in the amount of 30,928 thousand tenge (2018: 248,953 thousand tenge).

29. RELATED PARTIES TRANSACTIONS

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 entities 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 2019, the Company recorded expected credit losses on receivables related to receivables from related parties in the amount of 33,106 thousand tenge (31 December 2018: 20,206 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

29. RELATED PARTIES DISCLOSURES (continued)

Significant related parties' transactions for the years ended 31 December 2019 and 2018, and balances as of 31 December 2019 and 31 December 2018 are as follows:

Revenues

<i>In thousands of tenge</i>	2019	2018
Entities under control of SWF Samruk-Kazyna		
KTZ EXPRESS JSC	540,956	9,633
Port Kuryk LLP	281,718	17,283
Transtelecom JSC	16,080	-
Entities under control or significant influence of NC KazMunayGas		
Tengizchevroil LLP	29,631,460	19,141,256
KMG Kashagan B.V.	2,999	-
Other	132,373	151,893
	30,605,586	19,320,065

Purchases

<i>In thousands of tenge</i>	2019	2018
Entities under control of SWF Samruk-Kazyna		
KTZ EXPRESS SHIPPING LLP (KTZ EXPRESS JSC subsidiary)	693,780	-
NC "Aktau International Sea Commercial Port" JSC	258,356	231,907
Port Kuryk LLP	19,863	18,171
MAEC KazAtomProm JSC	977	21,555
Other	16,701	17,146
Entities under control or significant influence of NC KazMunayGas		
KMG Kashagan B.V.	427,843	231,276
TenizService LLP	44,140	38,408
Other	3,310	17,061
	1,464,970	575,524

Subsidiaries

Kazmortransflot UK Ltd	101,142	2,062,948
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Dividends from subsidiaries of the Company

Kazmortransflot UK Ltd

For the year ended 31 December 2019, Kazmortransflot UK Ltd., a subsidiary of the Company, has not declared any dividends (for the year ended 31 December 2018: 11,866 thousand tenge).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

29. RELATED PARTIES DISCLOSURES (continued)

Trade and other accounts receivable, loans issued and advances paid

<i>In thousands of tenge</i>	31 December 2019	31 December 2018
Entities under control of SWF Samruk-Kazyna		
KTZ EXPRESS SHIPPING LLP (KTZ EXPRESS JSC subsidiary)	448,568	-
KTZ EXPRESS JSC	251,907	-
Port Kuryk LLP	7,168	192
Transtelecom LLP	1,501	6,123
Kazpost JSC	204	94
Entities under control or significant influence of NC KazMunayGas		
Tengizchevroil LLP	3,294,528	6,469,691
Other	10,790	22,850
	4,014,666	6,498,950
Subsidiaries		
Altai Shipping Ltd	-	569,773
Alatau Shipping Ltd	-	569,773
	-	1,139,546

Trade and other accounts payable, contract liabilities and advances received

<i>In thousands of tenge</i>	31 December 2019	31 December 2018
Entities under control of SWF Samruk-Kazyna		
NC KTZh JSC	5,385	11,490
NAC KazAtomProm JSC	-	1,626
Other	354	551
Entities under control and significant influence of NC KazMunayGas		
Tengizchevroil LLP	8,885,336	24,452,906
KMG Kashagan B.V.	67,363	89,706
TenizService LLP	2,931	8,548
Other	5,738	254
	8,967,107	24,565,081
Subsidiaries		
Kazmortransflot UK Ltd	33,668	101,846

The PPE item Aktau tanker used by the Company under the lease agreement concluded with Kazmortransflot UK Ltd since 1 January 2019 is classified as a right-of-use asset with the original cost of 720,394 thousand tenge. Financial expenses under this agreement are recognised for the amount of 36,499 thousand tenge. As at 31 December 2019, the amount due on lease is 225,166 thousand tenge.

Compensation to the key management personnel

As at 31 December 2019, key management personnel consisted of 4 persons (2018: 4 persons). Total compensation to the key management personnel for the year ended 31 December 2019, included in general and administrative expenses in the accompanying statement of comprehensive income amounted to 275,956 thousand tenge (2018: 332,797 thousand tenge). In 2019, remuneration to key management personnel consists mainly of salaries and bonuses based on the results of the year (2018: mainly consists of salaries).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

30. COMMITMENTS AND CONTINGENCIES

Taxation

Kazakhstan's tax, currency and customs legislation and regulations are subject to ongoing changes and varying interpretations. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities. Recent events within Kazakhstan suggest that the tax authorities are taking a more assertive position in interpretation of the legislation and check of tax calculation.

As consequence, tax bodies can make a complaint on those deals and methods of the account on which earlier they did not show claims. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for 5 (five) 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 approaches to revenue, expenses and other items of the 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 2019. As at 31 December 2019, management 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 the 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 register 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 2019, the Company did not apply income tax exemption as the registered vessels were leased to third parties.

Legal claims

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

The Company assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its separate financial statements only where it is probable that actual events giving rise to liability will occur and the amount of the liability can be reliably estimated. No provisions have been recorded in these separate financial statements as at 31 December 2019 and 2018 for legal actions and claims.

Environmental issues

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

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 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>	2019	2018
Within one year	13,643,041	18,252,134
More than one year, but less than five years	294,687	20,998,909
Over five years	–	–
	13,937,728	39,251,043

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

31. 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 of a shortage of funds using a liquidity planning tool. This instrument considers the term of settlement of financial investments and financial assets.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2019 based on contractual undiscounted payments.

<i>In thousands of tenge</i>	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
At 31 December 2019						
Lease liabilities	–	1,159,600	1,084,996	2,822,975	–	5,067,571
Financial guarantee obligations	2,003,093	–	–	–	–	2,003,093
Trade and other accounts payable	908,430	2,345,161	–	–	–	3,253,591
	2,911,523	3,504,761	1,084,996	2,822,975	–	10,324,255
At 31 December 2018						
Lease liabilities	–	1,076,967	1,059,587	4,888,299	–	7,024,853
Financial guarantee obligations	1,893,585	–	–	–	–	1,893,585
Trade and other accounts payable	381,039	3,499,116	–	–	–	3,880,155
	2,274,624	4,576,083	1,059,587	4,888,299	–	12,798,593

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 2019 and 31 December 2018, 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 2019		31 December 2018	
	Increase/ (decrease) in exchange rate	Effect on profit before tax	Increase/ (decrease) in exchange rate	Effect on profit before tax
US dollar	+12.00%	130,036	+14.00%	(32,384)
	-9.00%	(97,527)	-10.00%	23,131

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 provision 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

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

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.

As at 31 December 2019 and 2018, the carrying amount of cash and cash equivalents, short-term bank deposits, trade and other accounts receivable, trade and other accounts payable, finance guarantee obligations 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 the optimisation of the debt and equity balance.

The Company's capital management strictly depends on the capital management strategy of the participant. Most of the capital management decisions are taken upon agreement with appropriate committees of the participant. To maintain and adjust the structure of the capital the participant may make increase the Company charter capital and/or authorise the Company to obtain debt financing from the third parties by providing guarantees for all existing external loans.

32. SUBSEQUENT EVENTS

In January 2020, the Company received arbitration award on the EBRD claim, where the EBRD claim was partially satisfied. The liability to EBRD is fully recorded in these financial statements.