NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

1. GENERAL

JSC "National Company "KazMunayGas" (the "Company", "KazMunayGas" or "Parent Company") is oil and gas enterprise of the Republic of Kazakhstan, which was established on February 27, 2002 as a closed joint stock company pursuant to the Decree No. 811 of the President of the Republic of Kazakhstan dated February 20, 2002 and the Resolution of the Government of the Republic of Kazakhstan (the "Government") No. 248 dated February 25, 2002. The Company was formed as a result of the merger of National Oil and Gas Company Kazakhoil CJSC ("Kazakhoil") and National Company Transport Nefti i Gaza CJSC ("TNG"). As the result of the merger, all assets and liabilities, including ownership interest in all entities owned by these companies, have been transferred to KazMunayGas. The Company was reregistered as a joint stock company in accordance with the legislation of the Republic of Kazakhstan in March 2004.

Starting from June 8, 2006, the sole shareholder of the Company was JSC "Kazakhstan Holding Company for State Assets Management "Samruk" ("Samruk"), which in October 2008 was merged with the state owned Sustainable Development Fund "Kazyna" and formed JSC "National Welfare Fund Samruk-Kazyna" ("Samruk-Kazyna"), now renamed to JSC "Sovereign Wealth Fund Samruk-Kazyna". The Government is the sole shareholder of Samruk Kazyna. On August 7, 2015 National Bank of Republic of Kazakhstan ("National Bank of RK") purchased 10% plus one share of the Company from Samruk-Kazyna.

As at December 31, 2019, the Company has an interest in 54 operating companies (2018: 57 and 2017: 52) (jointly the "Group").

The Company has its registered office in the Republic of Kazakhstan, Nur-Sultan, Kunayev, 8.

The principal activity of the Group includes, but is not limited, to the following:

- participation in the Government activities relating to the oil and gas sector;
- representation of the state interests in subsoil use contracts through interest participation in those contracts; and
- corporate governance and monitoring of exploration, development, production, processing, transportation and sale of hydrocarbons and the designing, construction and maintenance of oil-and-gas pipeline and field infrastructure

The consolidated financial statements comprise the financial statements of the Company and its controlled subsidiaries (Note 33).

These consolidated financial statements of the Group were approved for issue by the Deputy Chairman of the Management Board – Chief Financial Officer, Managing director − financial controller and the Chief accountant on March 5, 2020.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements. All values in these consolidated financial statements are rounded to the nearest millions, except when otherwise indicated.

The Group changed the presentation unit of the consolidated financial statements from thousands tenge to millions tenge since the Group believes that it is more relevant to users of consolidated financial statements.

STATEMENT OF COMPLIANCE

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB").

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group consolidated financial statements are disclosed in Note 4.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group's entities included in these consolidated financial statements are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). The consolidated financial statements are presented in Kazakhstan tenge ("tenge" or "KZT"), which is the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Group Companies

The results and financial position of all of the Group's subsidiaries, joint ventures and associates (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at that reporting date;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of other comprehensive income.

Exchange rates

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

The currency exchange rate of KASE as at December 31, 2019 was 382.59 tenge to 1 US dollar. This rate was used to translate monetary assets and liabilities denominated in United States dollars ("US dollar") as at December 31, 2019 (2018: 384.20 and 2017: 332.33 tenge to 1 US dollar). The currency exchange rate of KASE as at March 5, 2020 was 380.53 tenge to 1 US dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

The Group applied in 2019, for the first time, IFRS 16 Leases. The nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group.

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 account for most leases under a single on-balance sheet model.

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 Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date and upon initial adoption of the standard, 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'), relied on its assessment of whether leases are onerous immediately before the date of initial application and used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The effect of adoption IFRS 16 on consolidated financial statement as at January 1, 2019 is as follows:

In millions of tenge	As at January 1, 2019
Assets	
Property, plant and equipment (Note 15)	(524)
Right-of-use assets	44,398
Advances for non-current assets	(2,364)
Total assets	41,510
Equity	
Retained earnings	(4,268)
Non-controlling interest	(910)
	(5,178)
Liabilities	
Lease liabilities	46,688
Total equity and liabilities	41,510

The Group 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.

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

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date at fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under advances received, trade accounts payable and other payables, respectively.

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

Leases previously classified as finance leases

The Group 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 was applied to these leases from January 1, 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related advances received and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

In millions of tenge	
Operating lease commitments as at December 31, 2018	71,902
Weighted average incremental borrowing rate as at 1 January 2019	8.12%
Effect of discounting using incremental borrowing rate as at January 1, 2019	(20,840)
Discounted operating lease commitments as at January 1, 2019	51,062
Less commitments relating to short-term leases and low-value assets	(4,374)
Add commitments relating to leases previously classified as finance leases	9,206
Lease liabilities as at January 1, 2019	55,894

(b) Summary of new accounting policies

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

Right-of-use assets

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

Lease liabilities

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and from the date of the first adoption and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

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

The Group 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 Group applies significant judgment in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, which it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortized 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.

These amendments had no impact on the consolidated financial statements of the Group.

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 consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

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.

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

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. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control over the former joint operation 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. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control over the former joint operation is obtained.

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. An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. 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 Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowings originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. The Group is assessing the potential effect of these amendments on its consolidated financial statements. Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts. IFRS 17 establishes a single framework for the accounting for insurance contracts and contains requirements for related disclosures. The new standard replaces IFRS 4 Insurance Contracts. The standard is effective for annual periods beginning on or after January 1, 2021. The Group does not expect the standard to have a material impact on the consolidated financial statements.

Financial reporting framework

In March 2018, the IASB issued a revised version of Conceptual Framework for Financial Reporting. In particular, the revised version introduces new definitions of assets and liabilities, as well as amended definitions of income and expenses. The new version is effective for annual periods beginning on or after January 2020. The Group does not expect the revised version of Conceptual Framework to have a material impact on the consolidated financial statements.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to IFRS 3 Business Combinations. The amendments enhance definition of a business set out by the standard. The amendments are effective for acquisitions to occur on or after January 1, 2020; earlier application is permitted. Since the amendments apply prospectively to transactions or other events after the date of first application the Group will not be affected by these.

Amendments to IAS 1 and IAS 8: Definition of Materiality

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. The amendments to IAS 1 and IAS 8 introduce new definition of materiality. The amendments are effective on or after January 1, 2020; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments – interest rates

In September 2019, the IASB issued amendments to IFRS 7 Financial instruments: Disclosures and IFRS 9 Financial instruments named Interest Rate Benchmark Reform. The amendments provide relief from certain requirements of hedge accounting, as their fulfillment can lead to discontinuation of hedge accounting due to uncertainty caused by the reform. The amendments are effective on or after January 1, 2020; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

IAS 1 Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements named Classification of Liabilities as Current or Non-current. The amendments clarify requirements for classifying liabilities as current or non-current. The amendments are effective on or after January 1, 2022; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements, as the Group already applies criteria set by the amendments.

The Group does not plan for early adoption in respect of above-mentioned new standards and amendments to existing standards to which this option is available.

CHANGES IN ACCOUNTING POLICIES RELATED TO PRESENTATION

In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Group decided to apply voluntary changes in accounting policies related to presentation of consolidated financial statements and elected to present its statement of comprehensive income based on nature and cash flow statement using the indirect method to improve presentation of financial information for the current year and increase the comparability of the Group consolidated financial statements with the industry peers. Reclassifications do not affect net profit or comprehensive income for the year or equity.

Changes in presentation of the consolidated statement of comprehensive income from function based to nature based approach led to reclassification of certain line items below:

	For the year ended December 31,			За годы, закончившиеся 31 декабря	
	According to the issued consolidated financial statements		Reclassified		
In millions of tenge	Notes	2018	2017	2018	2017
Cost of purchased oil, gas, petroleum products and other materials	[A]	—	—	4,312,958	2,729,514
Production expenses	[B]	—	—	604,475	624,346
Taxes other than income tax	[C]	—	—	477,732	354,447
Depreciation, depletion and amortization	[D]	—	—	285,186	238,021
Cost of sales	[A], [B], [C], [D]	5,353,492	3,704,457	—	—
General and administrative expenses	[C], [D]	247,128	200,434	213,485	163,780
Transportation and selling expenses	[C], [D]	659,447	440,568	370,777	238,063
Other expenses	[D]	24,144	33,596	23,283	34,767
Loss on disposal of property, plant and equipment, intangible assets and investment property, net	[D]	3,517	3,815	—	—
Impairment of assets held for sale	[D]	168	68	—	—
		6,287,896	**4,382,938**	**6,287,896**	**4,382,938**

[A] The Group elected to present Cost of purchased oil, gas, petroleum products and other materials as a separate line item.
[B] Other line items previously presented within cost of sales, except for Cost of purchased oil, gas, petroleum products and other materials, taxes and depreciation, were aggregated and shown as a separate line item of the consolidated statement of comprehensive income.
[C] The Group elected to aggregate mineral extraction and other taxes from cost of sales (2018: 187,606 million tenge, 2017: 152,739 million tenge), general and administrative expenses (2018: 13,475 million tenge, 2017: 13,223 million tenge), transportation and selling expenses (2018: 276,651 million tenge, 2017: 188,485 million tenge) and present as a separate line item of the consolidated profit and loss. The components of the line item were not altered and corresponds to the prior year issued consolidated financial statements.
[D] The Group elected to aggregate Depreciation, depletion and amortization charges from cost of sales (2018: 248,453 million tenge, 2017: 197,858 million tenge), general and administrative expenses (2018: 20,168 million tenge, 2017: 23,432 million tenge), transportation and selling expenses (2018: 12,019 million tenge, 2017: 14,020 million tenge), other expenses (2018: 4,546 million tenge, 2017: 2,711 million tenge) and present as a separate line item of the consolidated profit and loss. Additionally, Loss on disposal of property, plant and equipment, intangible assets and investment property and Impairment of assets held for sale were reclassed to Other expenses.

The Group performed reclasses below:

	Aof 31 December			
	According to the issued consolidated financial statements		Reclassified	
In millions of tenge	2018	2017	2018	2017
Other current liabilities	236,988	202,445	236,163	201,940
Financial guarantees	1,831	1,171	—	—
Lease liabilities	—	—	2,656	1,676
	238,819	**203,616**	**238,819**	**203,616**

Changes in presentation of the consolidated cash flow statement from direct to indirect method was applied retrospectively, also as at December 31, 2019, viewing that one of the Group's principal activities is the representation of the State interests in subsoil use contracts through interest participation in those contracts through joint ventures, the Group decided to show dividends received from joint ventures and associates within operating cash flows as dividends received in accordance with IAS 7.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of December 31, 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has: power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee, and; the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: the contractual arrangement with the other vote holders of the investee; rights arising from other contractual arrangements; the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, revenue and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Profit or loss and each component of other comprehensive income are attributable to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

BUSINESS COMBINATIONS AND GOODWILL

Объединения бизнеса учитываются с использованием метода приобретения. Стоимость приобретения оценивается Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. If the contingent consideration is not within the scope of IFRS 9, it is measured at fair value through profit and loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations achieved in stages

The acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

In a business combination achieved in stages the acquirer recognises goodwill as of the acquisition date measured as the excess of (a) over (b) below:

(a) the aggregate of:
- the consideration transferred measured in accordance with this IFRS 3 Business Combinations, which generally requires acquisition-date fair value;
- the amount of any non-controlling interest in the acquiree measured in accordance with this IFRS; and
- the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Acquisition of subsidiaries from parties under common control

Acquisitions of subsidiaries from parties under common control are accounted for using the pooling of interest method.

The assets and liabilities of the subsidiary transferred under common control are recorded in the consolidated financial statements at the carrying amounts of the transferring entity (the Predecessor) at the date of the transfer. Related goodwill, if any, inherent in the Predecessor's original acquisition is also recorded in the consolidated financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in the consolidated financial statements as an adjustment to equity.

The consolidated financial statements, including corresponding figures, are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

JOINT OPERATIONS

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.
In relation to its interests in joint operations, the Group recognizes its::
- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but which does not comprise control or joint control over those policies.

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint ventures and associates are accounted for using the equity method. Under the equity method, the investment in a joint venture or an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture or associate since the acquisition date. Goodwill relating to the joint venture or associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

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

The aggregate of the Group's share in profit or loss of a joint venture and an associate is shown on the face of the consolidated statement of comprehensive income and represents profit or loss after tax and non-controlling interest in the subsidiaries of the joint venture or associate. The financial statements of the joint venture or associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring their accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its joint venture or associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture or associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as 'Impairment of investment in joint venture or associate' in the consolidated statement of comprehensive income.

Upon loss of joint control over the joint venture or significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture or associate upon loss of joint control or significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

CURRENT VERSUS NON-CURRENT CLASSIFICATION

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

- expected to be realized or intended to sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 (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 12 (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 12 (twelve) months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are always classified as non current assets and liabilities.

OIL AND NATURAL GAS EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

Costs incurred before obtaining subsoil use rights (licenses)

Costs incurred before obtaining full subsoil use rights (licenses) are expensed in the period in which they are incurred, except when costs are incurred after signing preliminary agreements with the Government of the Republic of Kazakhstan, in such cases costs incurred after this date are capitalized within exploration and evaluation.

Subsoil use rights and property acquisition costs

Exploration and production subsoil use rights and related property acquisition costs are capitalized within exploration and evaluation assets and subclassified as intangible assets. Each property under exploration and appraisal is reviewed on an annual basis to confirm that drilling activity is planned and it is not impaired. If no future activity is planned, the carrying amount of the exploration subsoil use right and related property acquisition costs is written off. Upon determination of economically recoverable reserves ('proved reserves' or 'commercial reserves') and internal approval of development, the carrying amount of the subsoil use right and related property acquisition costs held on a field by field basis is aggregated with exploration and evaluation assets and transferred to oil and gas assets or intangible assets.

Exploration and evaluation costs

Once the legal right to explore has been acquired, geological and geophysical exploration costs and costs directly associated with exploration and appraisal wells, including unsuccessful development or delineation wells are capitalized as exploration and evaluation intangible or tangible assets, according to the nature of the costs, until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If no reserves are found, the exploration and evaluation asset is tested for impairment, if extractable hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be developed commercially; the costs continue to be carried as an asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbon reserves. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the assets are written off. When proved reserves of hydrocarbons are determined and development is sanctioned, the relevant expenditure is transferred to oil and gas assets after impairment is assessed and any resulting impairment loss is recognized.

Development costs

Expenditures on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, are capitalized within oil and gas assets.

OIL AND GAS ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT

Oil and gas assets and other property, plant and equipment are stated at cost less accumulated depreciation, depletion and impairment ("DD&A").

The initial cost of an asset comprises its purchase price or construction cost, borrowing cost for long-term construction or development project, if recognition criteria is met, any costs directly attributable to bringing the asset into operation and the initial estimate of decommissioning obligation, if there is any. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Oil and gas assets are depreciated using a unit-of-production method, whereas tangible assets are depreciated over proved developed reserves and intangible assets – over proved reserves. Certain oil and gas assets with useful lives less than the remaining life of the fields or term of the subsoil use contracts are depreciated on a straight-line basis over useful lives.

Property, plant and equipment other than oil and gas assets and land principally comprise buildings, machinery and equipment, vehicles and others that are depreciated on a straight-line basis over the expected remaining useful average lives as follows:

Refinery assets	4-100 years
Pipelines	2-30 years
Buildings and improvements	2-100 years
Machinery and equipment	2-30 years
Vehicles	3-35 years
Other	2-20 years
Land	not depreciated

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

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

An item of property, plant and equipment, inclusive of production wells which stop producing commercial quantities of hydrocarbons and are scheduled for abandonment, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognized.

INTANGIBLE ASSETS

Intangible assets are stated at cost, less accumulated amortization and accumulated impairment losses. Intangible assets include expenditure on acquiring subsoil use rights for oil and natural gas exploration, evaluation and development, computer software and goodwill. Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Intangible assets, except for goodwill and subsoil use rights, are amortized on a straight-line basis over the expected remaining useful life. The expected useful lives of the assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively. Computer software costs have an estimated useful life of 3 to 7 years. The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and 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. Where 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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of 5 (five) years. For longer periods, a long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized 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 recognized. 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 accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income..

IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are tested for impairment when reclassified to oil and gas development tangible or intangible assets or whenever facts and circumstances indicate impairment. One or more of the following facts and circumstances indicate that the Group should test exploration and evaluation assets for impairment (the list is not exhaustive):

- the period for which the Group entity has the right to explore and appraise in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on the further exploration for and evaluation of hydrocarbon resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of hydrocarbon resources in the specific area have not led to the discovery of commercial viable quantities of hydrocarbon resources and the Group entity has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition 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.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated statement of comprehensive income.

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

ASSET RETIREMENT OBLIGATION (DECOMMISSIONING)

Provision for decommissioning is recognized in full, on a discounted cash flow basis, when the Group has an obligation to dismantle and remove a facility or an item of plant, property and equipment and to restore the site on which it is located, and when a reasonable estimate of that provision can be made. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also created. This asset is subsequently depreciated as part of the capital costs of the production and transportation facilities based on the appropriate depreciation method.
Changes in the measurement of an existing decommissioning provision that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or change in the discount rate, is accounted for so that:

- changes in the provision are added to, or deducted from, the cost of the related asset in the current period;

- the amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognized immediately in the consolidated statement of comprehensive income; and
- if the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss, in accordance with IAS 36.

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 (FVOCI), and fair value through profit or loss (FVPL).

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

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

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

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

SUBSEQUENT MEASUREMENT

For purposes of subsequent measurement, financial assets are classified in two categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

The Group does not have financial assets at fair value through other comprehensive income.

FINANCIAL ASSETS AT AMORTISED COST (DEBT INSTRUMENTS)

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

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

Financial assets at amortised cost are subsequently measured using the effective interest (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 Group's financial assets at amortised cost include trade and other receivables, loans due from related parties and bank deposits.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include certain loans due from related parties, which contain embedded derivative financial instruments, and coupon bonds included in other financial assets mandatorily required to be measured at fair value. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

DERECOGNITION

A financial asset is primarily derecognised (removed from the consolidated statement of financial position) when:

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

When the Group has transferred its rights to recieve cash flows from an assets or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

IMPAIRMENT OF FINANCIAL ASSETS

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

INVENTORIES

Inventories are stated at the lower of cost and net realizable value on a first-in first-out ("FIFO") basis. Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. The cost of crude oil and refined products is the cost of production, including the appropriate proportion of depreciation, depletion and amortization and overheads based on normal capacity. Net realizable value of crude oil and refined products is based on estimated selling price in the ordinary course of business less any costs expected to be incurred to complete the sale.

VALUE ADDED TAX (VAT)

The tax authorities permit the settlement of VAT on sales and purchases on a net basis. VAT receivable represents VAT on domestic purchases net of VAT on domestic sales. Export sales are zero rated.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in bank and cash on hand, demand deposits with banks with original maturities of 3 (three) months or less.

FINANCIAL LIABILITIES

INITIAL RECOGNITION AND MEASUREMENT

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans borrowings and payables, or as derivatives financial instruments.

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

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

SUBSEQUENT MEASUREMENT

The 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.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Trade and other payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the EIR.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 (twelve) months after the reporting date. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense when incurred.

Financial guarantee contracts

Financial guarantee contracts issued by the Group 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 expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

DERECOGNITION

A financial liability is derecognized 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 recognized in profit or loss.

OFFSETTING OF FINANCIAL INSTRUMENTS

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

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 in an active market, the fair value is determined 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; a discounted cash flow analysis or other valuation models.

PROVISIONS

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for obligations to the Government

The Government assigns various sponsorship and financing obligations to the Group. Management of the Group believes that such Government's assignments represent constructive obligations of the Group and require recognition on the basis of respective resolution of the Government. Furthermore, as the Government is the ultimate controlling party of the Group, the expenditures on these assignments are recognized as other distributions to the Shareholders directly in the equity, in the consolidated financial statements.

EMPLOYEE BENEFITS

Pension scheme

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state – managed retirement benefit schemes are dealt with as defined contribution plans where the Group's obligations under the scheme are equivalent to those arising in a defined contribution retirement benefit plan.

Long-term employee benefits

The Group provides long-term employee benefits to employees before, on and after retirement, in accordance with the collective agreements between the Group entities and their employees. The collective agreement provides for certain one-off retirement payments, financial aid for employees' disability, anniversaries, funeral and other benefits. The entitlement to benefits is usually conditional on the employee remaining in service up to retirement age.

The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans with defined payments upon the end of employment. Actuarial gains and losses arising in the year are taken to other comprehensive income. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred. Other movements are recognised in the current period, including current service cost, any past service cost and the effect of any curtailments or settlements.

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

Employee benefits other than one-off retirement payments are considered as other long-term employee benefits. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plan. Actuarial gains and losses on other long-term employee benefits are recognised in the profit or loss.

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

REVENUE RECOGNITION

Revenues are recognized when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset, which usually occurs when the title is passed, provided that the contract price is fixed or determinable and collectability of the receivable is reasonably assured. Specifically, domestic sales of crude oil and gas, as well as petroleum products and materials are usually recognized when title passes. For export sales, title generally passes at the border of the Republic of Kazakhstan. Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts, volume rebates and reimbursable taxes.

Sales of support services are recognized as services are performed provided that the service price can be determined and no significant uncertainties regarding the receipt of revenues exist.

Interest income and costs

For all financial instruments measured at amortised cost and interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated statement of comprehensive income.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

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

EXPENSE RECOGNITION

Expenses are recognized as incurred and are reported in the consolidated financial statements in the period to which they relate on an accrual basis.

INCOME TAXES

Income tax for the year comprises current income tax, excess profit tax and deferred tax.

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

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

Excess profit tax ("EPT") is treated as an income tax and forms part of income tax expense. In accordance with the applicable tax legislation, the Group accrues and pays EPT in respect of each subsoil use contract, at varying rates based on the ratio of aggregate annual income to deductions for the year for a particular subsoil use contract. The ratio of aggregate annual income to deductions in each tax year triggering the application of EPT is 1.25:1. EPT rates are applied to the part of the taxable income (taxable income after corporate income tax and allowable adjustments) related to each subsoil use contract in excess of 25% of the deductions attributable to each contract.

Deferred tax is calculated with respect to both corporate income tax ("CIT") and EPT. Deferred EPT is calculated on temporary differences for assets allocated to subsoil use contracts at the expected rate of EPT to be paid under the contract.

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

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

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

Deferred income tax assets are recognized for all deductible temporary differences, carryforward 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 carryforward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income 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; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income 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 income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

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

Deferred tax assets are recognized for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

EQUITY

Non-controlling interest

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the Company's owners. Total comprehensive income is attributed to the Company's owners and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorized for issue.

Distributions to the Shareholders

Expenditures incurred by the Group based on the respective resolution of the Government based on the RK President's charge or decision and instructions of Samruk-Kazyna are accounted for as other distributions through equity. Such expenditures include costs associated with non-core activity of the Group (construction of social assets) to be transferred to the Shareholder.

SUBSEQUENT EVENTS

The results of post-year-end events that provide evidence of conditions that existed at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

OIL AND GAS RESERVES

Oil and gas reserves are a material factor in the Group's computation of depreciation, depletion and amortization expenses. The Group estimates its oil and gas reserves in accordance with the methodology of the Society of Petroleum Engineers ("SPE"). In estimating its reserves under SPE methodology, the Group uses long-term planning prices. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year-end spot prices. Management believes that long-term planning price assumptions, which are also used by management for their business planning and investment decisions are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves.

All reserve estimates involve some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability.

Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data, availability of new data, or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for Depreciation Depletion & Amortization (DD&A) in relation to oil and gas production assets. The Group has included in proved reserves only those quantities that are expected to be produced during the initial subsoil use contract period. This is due to the uncertainties surrounding the outcome of such renewal procedures, since the renewal is ultimately at the discretion of the Government. An increase in the Group's subsoil use contract periods and corresponding increase in reported reserves would generally lead to lower DD&A expense and could materially affect earnings. A reduction in proved developed reserves will increase DD&A expense (assuming constant production), reduce income and could also result in an immediate write-down of the property's book value. Given the relatively small number of producing fields, it is possible that any changes in reserve estimates year on year could significantly affect prospective charges for DD&A.

RECOVERABILITY OF OIL AND GAS ASSETS, DOWNSTREAM, REFINING AND OTHER ASSETS

The Group assesses assets or CGU for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term oil prices, discount rates, future capital requirements, operating performance (including production and sales volumes) that are subject to risk and uncertainty. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered to be impaired and is written down to its recoverable amount. In assessing recoverable amount the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

As at December 31, 2019, 2018 and 2017, the Group performed its annual impairment tests of downstream, refining and other assets due to existence of impairment indicators. The Group considered forecasted refinery margins and production volumes, among other factors, when reviewing for indicators of impairment. As a result of the impairment analysis of the recoverable amount of downstream, refining and other assets an impairment charges were recognized in the consolidated financial statements for the year ended December 31, 2019 and 2018 (Note 13).

As of December 31, 2019, 2018 and 2017 the Group has material goodwill related to acquisitions of Pavlodar oil chemistry refinery LLP ("PNHZ") of 88,553 million tenge.

The Group performed annual impairment test of the goodwill related to acquisition of PNHZ in December 2019, 2018 and 2017. The Group considers the forecast for oil tolling volumes, oil tolling tariffs, capital expenditures, among other factors, when reviewing for indicators of impairment.

PNHZ calculates recoverable amount using a discounted cash flow model. The discount rate of 2019: 9.7% (2018: 9.7%, 2017: 13.25%) was calculated on the weighted average cost of capital before taxes. The weighted average cost of capital takes into account both borrowed funds and own equity. The cost of equity is derived from the expected return on investment. The cost of debt capital is based on interest-bearing loans. The inherent risk was included by applying an individual beta factor. The beta factor was estimated based on the publicly available market data. Forecasted cash flows till to 2028 were based on five-years business plan of PNHZ 2020-2024, which assumes current management estimates on potential changes in operating and capital costs. The significant part of those cash flows after 2024 was forecasted by applying expected inflation rate of 2019: 5.49% (2018: 3.53%, 2017: 3.89%), excluding capital costs, which are based on the best estimate of management as of valuation date.

As at December 31, 2019, 2018 and 2017 the recoverable amount of goodwill, which was determined based on value in use, exceeded its book value, as such no impairment of PNHZ goodwill was recognised.

Sensitivity to changes in assumptions

Results of the assessment of recoverable amount of goodwill from acquisition of PNHZ are sensitive to changes in key assumptions, in particular, assumptions related to changes in discount rate and target EBITDA in terminal period. Increase in discount rates by 1.0% from 9.7% to 10.7% and decrease of target EBITDA in terminal period by 1% from 35% to 36% would not result in decrease of the recoverable amount of PNHZ.

ASSETS RETIREMENT OBLIGATIONS

Oil and gas production facilities

Under the terms of certain subsoil use contracts, legislation and regulations the Group has legal obligations to dismantle and remove tangible assets and restore the land at each production site. Specifically, the Group's obligation relates to the ongoing closure of all non-producing wells and final closure activities such as removal of pipes, buildings and recultivation of the contract territories, and also obligations to dismantle and remove tangible assets and restore territory at each production site. Since the subsoil use contract terms cannot be extended at the discretion of the Group, the settlement date of the final closure obligations has been assumed to be the end of each subsoil use contract period. If the asset retirement obligations were to be settled at the end of the economic life of oil and gas field, the recorded obligation would increase significantly due to the inclusion of all abandonment and closure costs. The extent of the Group's obligations to finance the abandonment of wells and for final closure costs depends on the terms of the respective subsoil use contracts and current legislation.

Where neither subsoil use contracts nor legislation include an unambiguous obligation to undertake or finance such final abandonment and closure costs at the end of the subsoil use contract term, no liability has been recognized. There is some uncertainty and significant judgment involved in making such a determination. Management's assessment of the presence or absence of such obligations could change with shifts in policies and practices of the Government or in the local industry practice.

The Group calculates asset retirement obligations separately for each contract. The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted using average long-term risk-free interest rates for emerging market sovereign debt adjusted for risks specific to the Kazakhstan market.

At each reporting date the Group reviews site restoration provisions, and adjusts them to reflect the current best estimate in accordance with IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities.

Estimating the future closure costs involves significant estimates and judgments by management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Group's estimate can be affected by changes in asset removal technologies, costs and industry practice. Uncertainties related to the final closure costs are mitigated by the effects of discounting the expected cash flows. The Group estimates future well abandonment cost using current year prices and the average long-term inflation rate.

The long-term inflation and discount rates used to determine the obligation in the consolidated statement of financial position across the Group entities at December 31, 2019 were in the range from 2.01% to 5.49% and from 4.43% to 8.95%, respectively, (2018: from 2.02% to 5.96% and from 5.5% to 10.00%, respectively, 2017: from 2.01% to 5.57% and from 5.17% to 10.00%). As at December 31, 2019 the carrying amounts of the Group's asset retirement obligations relating to decommissioning of oil and gas facilities were 54,165 million tenge (December 31, 2018: 36,288 million tenge and 2017: 35,406 million tenge, respectively) (Note 26).

Major oil and gas pipelines

According to the Law of the Republic of Kazakhstan On Major Pipelines which was made effective on July 4, 2012 mainly the Group's two subsidiaries, JSC KazTransOil and Intergas Central Asia JSC, the subsidiary of KazTransGas JSC, have legal obligation to decommission its major oil pipelines at the end of their operating life and to restore the land to its original condition. Asset retirement obligation is calculated based on estimate of the work to decommission and rehabilitate. As at December 31, 2019, the carrying values of the Group's asset retirement obligations relating to decommissioning of pipelines and land were 100,229 million tenge (December 31, 2018: 79,948 million tenge and December 31, 2017: 65,140 million tenge) (Note 26).

ENVIRONMENTAL REMEDIATION

The Group also makes judgments and estimates in establishing provisions for environmental remediation obligations. Environmental expenditures are capitalized or expensed depending upon their future economic benefit. Expenditures that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

Liabilities are determined based on current information about costs and expected plans for remediation and are recorded on an undiscounted basis if the timing of the procedures has not been agreed with the relevant authorities. The Group's environmental remediation provision represents management best estimate based on an independent assessment of the anticipated expenditure necessary for the Group to remain in compliance with the current regulatory regime in Kazakhstan and Europe. The Group has classified this obligation as non-current except for the portion of costs, included in the annual budget for 2019. For environmental remediation provisions, actual costs can differ from estimates because of changes in laws and regulations, public expectations, discovery and analysis of site conditions and changes in clean-up technology. Movements in the provision for environmental remediation obligations are disclosed in Note 26.

EMPLOYEE BENEFITS

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

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

TAXATION

In assessing tax risks, management considers to be probable obligations the known areas of tax positions which the Group would not appeal or does not believe it could successfully appeal, if assessed by tax authorities. Such determinations inherently involve significant judgment and are subject to change as a result of changes in tax laws and regulations, amendments to the taxation terms of the Group's subsoil use contracts, the determination of expected outcomes from pending tax proceedings and current outcome of ongoing compliance audits by tax authorities. The provision for tax risks other than on income tax are disclosed under provisions for taxes in Note 26. Contingent liabilities for tax risks other than on income tax are disclosed in Note 34. Provisions and contingent liabilities related to income tax are included or disclosed as income tax liabilities or contingencies (see Note 30 and 34 for further details).

FAIR VALUE OF FINANCIAL INSTRUMENTS

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments presented in the consolidated financial statements. Further details are disclosed in Note 32.

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

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

FAIR VALUES OF ASSETS AND LIABILITIES ACQUIRED IN BUSINESS COMBINATIONS

The Group is required to recognize separately, at the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in the business combination at their fair values, which involves estimates. Such estimates are based on valuation techniques, which require considerable judgment in forecasting future cash flows and developing other assumptions.

5. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

The assets and liabilities, classified as discontinued operations, disposal group held for sale and assets classified as held for sale as at December 31, 2019, 2018 and 2017 and the results for 2019, 2018 and 2017 are as follows:

In millions of tenge	December 31, 2019			Profit after income tax for 2019 from discontinued operation
	Assets classified as held for sale	Liabilities directly associated with the assets classified as held for sale	Net assets directly associated with the disposal group	
Kazakh British Technical University JSC	–	–	–	6
Other assets	7,604	–	7,604	–
Total	**7,604**	**–**	**7,604**	**6**

In millions of tenge	December 31, 2018			Profit/(loss) after income tax for 2018 from discontinued operation
	Assets classified as held for sale	Liabilities directly associated with the assets classified as held for sale	Net assets directly associated with the disposal group	
KMG Retail	43,651	380	43,271	–
Kazakh British Technical University JSC	15,704	4,659	11,045	(4,301)
Other assets	2,405	–	2,405	7,754
Total	**61,760**	**5,039**	**56,721**	**3,453**

In millions of tenge	December 31, 2017			Loss after income tax for 2017 from discontinued operation
	Assets classified as held for sale	Liabilities directly associated with the assets classified as held for sale	Net assets directly associated with the disposal group	
Kazakh British Technical University JSC	16,803	1,925	14,878	(2,612)
Other assets	8,102	4	8,098	(1,054)
Total	**24,905**	**1,929**	**22,976**	**(3,666)**

KMG RETAIL

On February 8, 2019 the Company completed the sale of 100% interest in KMG Retail, which was classified as a disposal group held for sale since December 31, 2018, for 60,512 million tenge.

At the date of loss of control net assets of KMG Retail LLP were as follow:

In millions of tenge	Net assets at the date of disposal
Property, plant and equipment	34,266
Intangible assets	42
Cash	2,288
Other current and non-current assets	6,694
	43,290
Non-current liabilities	259
	259
Net assets	43,031
Net assets	**43,031**

The resulting gain on disposal of KMG Retail amounted to 17,481 million tenge.

KBTU

As of December 31, 2018, KMG classified Kazakhstan-British University JSC (KBTU) as a discontinued operation. In January 2019, a sale agreement on 100% shares in KBTU, between KMG and the Public Foundation "Nursultan Nazarbayev Education Fund" came into force. According to the terms of the agreement, the transfer of stake and its payment of 11,370 million tenge are made in three tranches within two years. On February 6, 2019 KMG lost control over KBTU.

At the date of loss of control net assets of KBTU were as following:

In millions of tenge	Net assets at the date of disposal
Property and equipment	6,367
Intangible assets	1,964
Bank deposits	2,091
Cash	4,732
Other current and non-current assets	1,097
	16,251
Current and non-current liabilities	5,349
	5,349
Net assets	**10,902**

The resulting gain on disposal of KBTU amounted to 149 million tenge and the loss incurred by KBTU for the period from January 1, 2019 until the date of disposal equaled to 143 million tenge were recognized in the profit from discontinued operations.

KAZTRANSGAS TBILISI LLC

As of December 31, 2017, KazTransGas JSC (KTG), the subsidiary, had 100% legal ownership in KazTransGas Tbilisi LLC (KTG Tbilisi). On March 16, 2009 the City Court of Kutaisi disqualified KTG from exercising rights to direct the relevant activities of KTG Tbilisi. As a result, the Group lost control over KTG Tbilisi and ceased consolidating it since the date of loss of control.

On September 13, 2018, KTG and the Government of Georgia signed an arbitration agreement on the peaceful settlement of the dispute as a result of which KTG sold 100% shares of KTG Tbilisi for 40,000 thousand US dollars (equivalent to 15,110 million tenge). On September 28, 2018, KTG collected proceeds from sale of interest ownership of 40,000 thousand US dollars (equivalent to 14,473 million tenge).

Additionally, in 2018 the Group sold other subsidiaries with net assets of 252 million tenge as of disposal date for the consideration of 3,501 million tenge, which resulted in the gain of 3,249 million tenge.

In millions of tenge	2019	2018 (reclassed)	2017 (reclassed)[1]
Type of goods and services			
Sales of crude oil and gas*	3,966,941	4,094,011	2,677,102
Sales of refined products*	2,043,848	2,175,909	1,422,391
Oil and gas transportation services	389,496	315,229	333,038
Refining of oil and oil products	195,896	175,618	129,067
Other revenue	262,675	228,197	232,165
	6,858,856	6,988,964	4,793,763
Geographical markets			
Kazakhstan	1,212,267	1,131,911	944,145
Other countries	5,646,589	5,857,053	3,849,618
	6,858,856	**6,988,964**	**4,793,763**

[1] In 2019 the Group decided to present sales of gas products within Sales of refined products and thus reclassed from Sales of crude oil and gas 58,026 million tenge for 2018 and 29,309 million tenge for 2017.

7. Share in profit of joint ventures and associates, net

In millions of tenge	2019	2018	2017
Tengizchevroil LLP	414,940	439,149	289,980
Asian Gas Pipeline LLP (AGP)	168,086	—	—
Mangistau Investments B.V.	81,991	95,510	49,605
Caspian Pipeline Consortium	70,869	57,965	54,666
Beineu-Shymkent Pipeline	56,194	16,710	(668)
KazGerMunay LLP	17,561	27,915	17,713
KazRosGas LLP	18,091	5,254	8,622
Kashagan B.V.	13,114	34,034	(10,208)
Kazakhoil-Aktobe LLP	9,722	9,057	(16,788)
Tenizservice LLP	6,742	13,897	1,653
Kazakh-chinese pipeline JSC	3,313	—	—
Valsera Holdings B.V.	(6,107)	(7,989)	9,751
PetroKazakhstan Inc.	(18,244)	14,590	7,233
Ural Group Limited	(18,895)	(18,822)	(1,877)
Other joint ventures and associates	10,602	10,056	5,268
	827,979	**697,326**	**414,950**

8. COST OF PURCHASED OIL, GAS, PETROLEUM PRODUCTS AND OTHER MATERIALS

In millions of tenge	2019	2018	2017
Purchased oil for resale	2,448,412	2,607,706	1,445,419
Cost of oil for refining	638,293	698,473	732,682
Purchased gas for resale	493,280	356,932	242,987
Materials and supplies	217,138	182,067	147,484
Purchased petroleum products for resale	116,621	467,780	160,942
	3,913,744	**4,312,958**	**2,729,514**

9. PRODUCTION EXPENSES

In millions of tenge	2019	2018 (reclassed)	2017 (reclassed)
Payroll	338,120	291,693	311,973
Repair and maintenance[1]	129,450	98,424	86,570
Energy	88,910	71,914	63,082
Transportation costs	30,456	21,988	15,685
Lease expenses*	52,091	10,085	8,293
Others	82,666	110,371	138,743
	721,693	**604,475**	**624,346**

1. The Group reclassed outsourced repair and maintenance amounts from Others for 2018 and 2017 for 56,527 million tenge and 43,912 million tenge, respectively. Additionally, Lease expenses were presented separately and excluded from Others for 2017 and 2018

10. TAXES OTHER THAN INCOME TAX

In millions of tenge	2019	2018	2017
Rent tax on crude oil export	133,144	145,523	83,183
Export customs duty	131,326	131,128	105,302
Mineral extraction tax	100,300	115,968	93,569
Other taxes	89,525	85,113	72,393
	454,295	**477,732**	**354,447**

11. TRANSPORTATION AND SELLING EXPENSES

In millions of tenge	2019	2018	2017
Transportation	374,686	317,402	189,949
Payroll	12,542	16,180	16,103
Other	33,174	37,195	32,011
	420,402	**370,777**	**238,063**

12. GENERAL AND ADMINISTRATIVE EXPENSES

In millions of tenge	2019	2018	2017
Payroll	78,055	73,632	77,572
Provision under Consortium case (Note 34)	34,132	—	—
Consulting services	25,448	22,435	19,523
Accrual/(reversal) of impairment of VAT receivable	15,703	4,215	(24,158)
Accrual/(reversal) of expected credit losses for other current assets (Note 21)	12,246	1,225	(120)
Social payments	8,933	24,095	28,024
VAT that could not be offset	6,910	3,031	7,923
Rent of property, plant and equipment and intangible assets	2,309	5,750	5,780
Accrual/(reversal) of expected credit losses for trade receivables (Note 21)	1,892	(1,489)	1,056
Charitable donations and sponsorship	381	1,699	1,225
(Reversal of) /allowance for impairment of long term advances	(11)	—	1,188
(Reversal of) /allowance for obsolete inventories	(80)	4,339	345
(Reversal of) /allowance for fines, penalties and tax provisions	(19,755)	29,836	(4,212)
Other	47,804	44,717	49,634
	213,967	**213,485**	**163,780**

The total payroll amounted to 428,717 million tenge (2018: 381,505 million tenge, 2017: 405,648 million tenge) and included in Production expenses, transportation and selling expenses and general and administrative expenses in the consolidated statement of profit or loss.

13. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, EXPLORATION AND EVALUATION ASSETS

In millions of tenge	2019	2018	2017
Property, plant and equipment (Note 15)	144,482	33,603	22,328
Exploration and evaluation assets (Note 16)	57,239	107,745	814
Investment property	(142)	1,538	1,518
Intangible assets (Note 17)	6,240	22,636	—
	207,819	**165,522**	**24,660**

FOR THE FOLLOWING CGUS IMPAIRMENT LOSSES WERE RECOGNISED FOR YEARS ENDED:

In millions of tenge	2019	2018	2017
CGUs of KMG International (KMGI)	93,587	43,702	—
Pearls project	38,180	—	—
Drilling jackup rig "Satti" (Satti rig)	24,505	—	—
CGU Batumi Oil Terminal (BNT)	**12,583**	**4,136**	—
Self-propelled barges “Sunkar” and “Berkut" (Barges)	**11,837**	**2,659**	—
Write-off of brownfields of KMG EP	**18,888**	—	—
N project	—	**67,897**	—
Satpayev project	—	**34,539**	—
Write-off of construction in progress of PNHZ	—	—	**15,277**
Others	**8,239**	**12,589**	**9,383**
	207,819	**165,522**	**24,660**

CGUs of KMGI

As of December 31, 2019, 2018 and 2017 KMGI performed impairment tests of its CGUs, Petrochemical, Bulgaria, Refining and Other. The Group considered forecasted refinery margins and production volumes, among other factors, when reviewing for indicators of impairment.

In 2017, 2018 and 2019, the recoverable amount of the CGUs were determined based on fair value less costs of disposal (FVLC), which is the present value of the free cash flows adjusted by the present value of the residual value. The key assumptions used in the fair value less costs to sell calculations for the above-mentioned CGUs were operating profit, discount rates and growth rate used to extrapolate cash flows beyond the budget period.

The discount rate applied to cash flow projections for Refining and Petrochemical CGUs was at 9.6% (2018: 9.7%, 2017: 9.0%) and cash flows beyond the 5-year period were extrapolated using 1.9% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 7.7% (2018: 7.8%, 2017: 7.5%).

As to Bulgaria CGU, the discount rate applied to cash flow projections was at 9.6% (2018: 9.8 %, 2017: 9.1%) and cash flows beyond the 5-year period were extrapolated using growth rate of 1.9% that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 7.6% (2018: 7.9%, 2017: 7.6%).

In 2018, the recoverable values of the CGUs Refining, Petrochemical, Bulgaria and Other were below their book values. As at December 31, 2018 based on the results of analysis performed, KMGI recognized impairment loss of property, plant and equipment and intangible assets of 21,195 million tenge and 22,507 million tenge, respectively.

In 2019, the recoverable values of the CGUs exceeded their respective carrying values, except for Refining CGU. For the purposes of impairment test, KMGI updated projected cash flows to reflect the decrease in forecasted refinery margins and change in post-tax discount rate. As at December 31, 2019 based on the results of the test performed, KMGI recognized impairment loss of property, plant and equipment and intangible assets of 86,946 million tenge and 6,641 million tenge, respectively.

Sensitivity to changes in assumptions:

With regard to the assessment of the FVLC for the CGUs, the Group believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount, other than for CGU Refinery, for which the breakeven point for the current model is achieved under a decrease of 3.3% of operating profit.

Pearls project

Exploration stage of Pearls project expired on December 14, 2019. To proceed to the next stage, the Development plan was due to be submitted by the partners of the project. However, the partners of the Pearls project decided not to proceed with the Development plan, and agreed to relinquish the contract area under the Pearls PSA to the Government voluntarily, as a result, as at December 31, 2019, the Group recognized impairment loss for 38,180 million tenge. As of December 31, 2019 the Group did not write-off the project’s assets due to the fact that the contract area has not been returned to the Government yet.

Satti rig

The recoverable amount of Satti rig was determined on the basis of value-in-use method. Value-in-use was assessed as the present value of the future cash flows expected to be derived from the rig. The forecasted cash flows were based on financial budget approved by the Group management for the period of 2020-2024, and on estimated forecasts for the period of the useful life of the rig till 2041 extrapolated by inflation rates and discounted at 12.5%. As a result of the impairment test, the Group recognised an impairment loss of 24,505 million tenge as at December 31, 2019.

CGU BNT

For the year ended December 31, 2019, the Group recognized an impairment loss of 12,583 million tenge.

Barges

The recoverable amount of the barges were determined on the basis of value-in-use method. Value-in-use was assessed as the present value of the future cash flows expected to be derived from the barges until the end of the barges contract in 2021 at the discount rate of 10.05%. Due to the fact that the prolongation of the contracts was remote, the Group recognized an impairment loss of 11,837 million tenge for the year ended December 31, 2019.

Write of the brownfields of KMG EP

For year ended December 31, 2019, the Group wrote-off exploration and evaluation assets of 18,888 million tenge related to several KMG EP subsoil use contracts that were terminated with relinquishment of contract territories to the Government.

Satpayev and N projects

As at December 31, 2018, the Group recognized impairment loss for exploration and evaluation assets related to the Satpayev and N projects for 34,539 million tenge and 67,897 million tenge, respectively. These impairments occurred due to the withdrawal from the projects and decisions to relinquish the contract territories to the Government by the Group and the partners of the projects'. The Group did not write-off the projects' assets due to the fact that the contract areas had not been returned to the Government as of December 31, 2018.

On April 24, 2019, the Group received Satpayev subsoil use contract termination notice from the Government, accordingly the Group relinquished the contract area fully and wrote-off exploration and evaluation assets related to the project.

Write of construction of progress of PNHZ

In 2017, the Group wrote-off construction in progress that became idle due to change in configuration of Pavlodar Refinery modernization project.

14. FINANCE INCOME / FINANCE COST

FINANCE INCOME

In millions of tenge	2019	2018	2017
Interest income on bank deposits, financial assets, loans and bonds	99,274	100,097	119,061
Amortization of discount on issued financial guarantees	1,974	1,861	1,541
Total interest income	**101,248**	**101,958**	**120,602**
Derecognition of loan (Note 25)	111,476	53,263	–
Write-off of guarantee due to significant modification	13,573	–	–
Other	14,583	5,806	1,972
	240,880	161,027	122,574

Finance costs

In millions of tenge	2019	2018	2017
Interest on loans and debt securities issued (Note 25)	225,093	250,055	217,246
Interest under oil supply agreement (Note 27)	19,541	35,868	26,473
Total interest expense	**244,634**	**285,923**	**243,719**
Issued financial guarantees	11,341	2,324	160
Unwinding of discount on asset retirement obligations and provision for environmental obligation	13,819	11,523	9,941
Bonds redemption fee (Note 25)	–	89,612	–
Discount on assets with non-market interest rate	1,705	915	6,155
Impairment of bank deposits and current accounts	1,034	806	18,610
Other	44,900	36,552	27,770
	317,433	427,655	306,355

On May 4 and 11, 2018, the Company made early redemption of Eurobonds for 3,463 million US dollars (equivalent to 1,143,982 million tenge at payment dates), including interest. In order to make these early redemptions, in 2018, the Company recognized fee for the early redemption of 89,612 million tenge (Note 25).

15. PROPERTY, PLANT AND EQUIPMENT

In millions of tenge	Oil and gas assets	Pipelines	Refinery assets	Buildings and improvements	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
Net book value as at December 31, 2016	913,553	682,348	844,277	291,311	317,213	70,860	42,428	538,210	3,700,200
Foreign currency translation	(2,514)	(140)	(1,936)	(660)	264	(109)	175	(442)	(5,362)
Change in estimate	248	(200)	–	(5)	–	–	–	–	43
Additions	27,268	17,102	19,859	8,134	6,466	8,144	2,912	539,998	629,883
Disposals	(17,372)	(1,154)	(2,647)	(5,617)	(4,286)	(2,832)	(7,143)	(1,459)	(42,510)
Depreciation charge	(62,018)	(25,537)	(72,919)	(19,440)	(32,307)	(8,307)	(7,467)	–	(227,995)
Accumulated depreciation and impairment on disposals	14,881	859	2,517	4,973	3,617	2,482	6,867	760	36,956
Impairment, net (Note 13)	–	(1)	–	(1,439)	(1,431)	(1,908)	(947)	(16,602)	(22,328)
Transfers (to)/from inventory, net	(2)	(52)	13,087	1	34	–	1	166	13,235
Transfer to assets held for sale, net	(170)	–	(3,908)	(3,553)	(242)	(124)	(98)	-	(8,095)
Transfers to investment property	–	–	–	(251)	(13)	–	(1)	(355)	(620)
Transfers (to)/from intangible assets, net (Note 17)	(211)	–	–	–	(306)	–	2	(1,608)	(2,123)
Transfer from exploration and evaluation assets (Note 16)	8,881	–	–	–	–	–	–	–	8,881
Transfers and reclassifications	82,278	104,461	194,363	16,688	100,818	5,829	6,032	(510,469)	–
Net book value as at December 31, 2017	**964,822**	**777,686**	**992,693**	**290,142**	**389,827**	**74,035**	**42,761**	**548,199**	**4,080,165**
Foreign currency translation	90,854	5,661	76,744	11,115	6,037	5,129	1,893	2,975	200,408
Change in estimate	(2,105)	7,677	–	(5)	–	–	–	–	5,567
Additions	24,267	5,285	22,149	1,273	9,482	12,958	4,596	497,659	577,669
Disposals	(17,128)	(3,442)	(1,909)	(6,913)	(5,329)	(3,183)	(4,463)	(2,407)	(44,774)
Depreciation charge	(73,553)	(28,114)	(98,975)	(20,840)	(36,372)	(10,603)	(8,750)	–	(277,207)
Accumulated depreciation and impairment on disposals	12,602	3,009	1,905	4,155	4,444	2,985	3,596	569	33,265
Impairment, net (Note 13)	(3,651)	(3)	–	(11,557)	(11,710)	(2,853)	(851)	(2,978)	(33,603)
Transfers (to)/from inventory, net	45	(101)	4,145	(4)	177	25	(11)	3,015	7,291
Transfer to assets held for sale, net	(9,847)	(2)	(354)	(20,348)	(1,846)	(192)	(1,492)	(1,509)	(35,590)
Transfers from/(to) investment property	–	–	–	354	–	–	–	(176)	178
Transfers (to)/from intangible assets, net (Note 17)	(97)	–	–	–	–	–	1	(1,703)	(1,799)
Transfer from exploration and evaluation assets (Note 16)	3,113	–	–	–	–	–	–	487	3,600

In millions of tenge	Oil and gas assets	Pipelines	Refinery assets	Buildings and improve-ments	Machinery and equip-ment	Vehicles	Other	Capital work in prog-ress	Total
Transfers and reclassifications	92,354	20,157	554,806	15,832	39,892	38,260	6,844	(768,145)	–
Net book value as at December 31, 2018	**1,081,676**	**787,813**	**1,551,204**	**263,204**	**394,602**	**116,561**	**44,124**	**275,986**	**4,515,170**
Change in accounting policy (Note 3)	–	–	(524)	–	–	–	–	–	(524)
As at January 1, 2019	**1,081,676**	**787,813**	**1,550,680**	**263,204**	**394,602**	**116,561**	**44,124**	**275,986**	**4,514,646**
Foreign currency translation	(2,749)	(173)	(1,115)	(306)	374	(314)	(50)	–	
Additions	48,725	6,370	794	10,615	11,190	5,076	6,400	345,236	434,406
Change in estimate	13,006	12,156	—	27	—	—	19	—	25,208
Disposals	(24,598)	(2,161)	(4,100)	(15,970)	(7,534)	(3,455)	(7,200)	(1,088)	(66,106)
Depreciation charge	(85,565)	(28,859)	(121,306)	(17,969)	(37,832)	(11,608)	(10,601)	–	(313,740)
Accumulated depreciation and impairment on disposals	14,198	1,794	4,039	11,148	7,085	3,141	6,733	325	48,463
Impairment/ (reversal impairment) (Note 13)	(4,911)	228	(86,946)	(5,277)	(31,068)	(13,140)	(1,057)	(2,311)	(144,482)
Transfers (to)/from assets classified as held for sale (Note 5)	18	–	(81)	(10,610)	(18,390)	(6,493)	(65)	–	(35,621)
Transfers from /(to) investment property	215	–	–	16,314	144	–	2,356	(39)	18,990
Transfers (to)/from inventory, net	35	(35)	4,435	1	362	13	666	3,295	8,772
Transfers from exploration and evaluation assets (Note 16)	1,734	–	–	–	–	–	–	1,024	2,767
Transfers (to)/from intangible assets (Note 17)	(145)	–	(64)	–	–	–	97	(4,587)	(4,699)
Transfers and reclassifications	8,115	26,584	35,325	49,478	138,878	7,856	64,864	(331,100)	–
Net book value as at December 31, 2019		**(10,610)**	**(18,390)**	**(6,493)**	**(65)**	**–**	**106,286**	**286,741**	**4,484,271**
At cost	(35,621)	1,028,456	2,408,000	568,723	841,626	226,215	222,426	336,772	7,665,190
Accumulated depreciation and impairment	215	–	(4,699)	(268,068)	(383,815)	(128,578)	(116,140)	(50,031)	(3,180,919)
Net book value as at December 31, 2019	**1,049,763**	**803,717**	**1,381,661**	**300,655**	**457,811**	**97,637**	**106,286**	**286,741**	**4,484,271**
At cost	2,154,422	985,787	2,381,309	526,180	720,221	234,740	121,458	324,851	7,448,968
Accumulated depreciation and impairment	(1,072,746)	(197,974)	(830,105)	(262,976)	(325,619)	(118,179)	(77,334)	(48,865)	(2,933,798)
Net book value as at December 31, 2018	**1,081,676**	**787,813**	**1,551,204**	**263,204**	**394,602**	**116,561**	**44,124**	**275,986**	**4,515,170**
At cost	1,933,302	948,285	1,647,460	522,194	665,120	179,515	111,072	599,853	6,606,801
Accumulated depreciation and impairment	(968,480)	(170,599)	(654,767)	(232,052)	(275,293)	(105,480)	(68,311)	(51,654)	(2,526,636)
Net book value as at December 31, 2017	**964,822**	**777,686**	**992,693**	**290,142**	**389,827**	**74,035**	**42,761**	**548,199**	**4,080,165**

Additions

In 2019 additions are mainly attributable to development drilling at Ozenmunaigas, Embamunaigas and Karachaganak for 181,050 million tenge, the construction of compressor stations at KTG for 67,998 million tenge within the framework of modernization of gas transportation system, the reconstruction of the water pipeline Astrakhan-Mangyshlak and the reconstruction of the Uzen-Atyrau-Samara oil pipeline for 35,323 million tenge at KTO, overhaul at the Atyrau refinery for 36,972 million tenge and Rompetrol Rafinare for 31,859 million of tenge.

Transfer to assets held for sale

During the year ended December 31, 2019, the Group classified gas compressor station and barges with net book value of 35,621 million tenge as assets held for sale.

Other

For the year ended December 31, 2019, the Group capitalized in the carrying amount of property, plant and equipment borrowing costs of 2,525 million tenge at the average interest rate of 4.3% related to the construction of new assets (for the year ended December 31, 2018: 21,715 million tenge at the weighted average interest rate of 2.75% and for the year ended December 31, 2017: 26,532, million tenge at the weighted average interest rate of 3.36%).

As at December 31, 2019 the cost of fully depreciated but still in use property, plant and equipment was 394,841 million tenge (as at December 31, 2018: 334,533 million tenge and as at December 31, 2017: 290,360 million tenge).

As at December 31, 2019, property, plant and equipment with the net book value of 1,023,146 million tenge (as at December 31, 2018: 1,108,420 million tenge and as at December 31, 2017: 940,437 million tenge) were pledged as collateral to secure borrowings and payables of the Group.

Capital commitments disclosed in Note 34

16. EXPLORATION AND EVALUATION ASSETS

In millions of tenge	Tangible	Intangible	Total
Net book value as at December 31, 2016	**193,835**	**37,719**	**231,554**
Foreign currency translation	(95)	(53)	(148)
Additions	33,075	345	33,420
Change in estimate	(113)	–	(113)
Disposals	(105)	(557)	(662)
Impairment (Note 13)	(803)	(11)	(814)
Transfers to discontinued operations and assets held for sale, net	–	(1,030)	(1,030)
Transfer to property, plant and equipment (Note 15)	(8,881)	–	(8,881)
Transfers and reclassifications	(1,260)	1,260	–
Net book value as at December 31, 2017	**215,653**	**37,673**	**253,326**
Foreign currency translation	1,373	699	2,072
Additions	46,008	180	46,188
Change in estimate	25	–	25
Disposals	(1,314)	(5)	(1,319)
Accumulated impairment on disposals	957	5	962
Impairment (Note 13)	(96,180)	(11,565)	(107,745)
Transfer to assets held for sale	(102)	–	(102)
Transfers to inventory	(7)	–	(7)
Transfer to property, plant and equipment (Note 15)	(3,600)	–	(3,600)

In millions of tenge	Tangible	Intangible	Total
Net book value as at December 31, 2018	**162,813**	**26,987**	**189,800**
Additions	51,385	3,144	54,529
Change in estimate	9	–	9
Disposals (Note 13)	(35,150)	(1,160)	(36,310)
Accumulated impairment on disposals	33,159	507	33,666
Impairment (Note 13)	(51,717)	(5,522)	(57,239)
Transfer to intangible assets (Note 17)	–	(1,800)	(1,800)
Transfers to inventory	9	–	9
Transfer to property, plant and equipment (Note 15)	(2,767)	–	(2,767)
Transfers and reclassifications	(5,449)	5,449	–
Net book value as at December 31, 2019	**152,292**	**27,605**	**179,897**

As at December 31, 2019, 2018 and 2017 the exploration and evaluation assets are represented by the following projects:

In millions of tenge	2019	2018	2017
Zhambyl	58,293	50,178	33,396
Embamunaigas	41,337	20,022	19,078
Urikhtau	35,265	30,469	27,590
KTG projects	13,206	11,840	12,051
Pearls	–	36,486	35,069
Project N	–	–	66,258
Satpayev	–	–	33,791
Others	31,796	40,805	26,093
	179,897	189,800	253,326

Additions

During 2019, the Group capitalized exploration, evaluation, geological and geophysical exploration expenses mainly attributable to Embamunaigas subsoil use contracts in the amount of 32,154 million tenge and 12,135 million tenge attributable to Zhambyl and other new subsoil use contracts of the Company.

17. INTANGIBLE ASSETS

In millions of tenge	Goodwill	Marketing related intangible assets	Software	Other	Total
Net book value as at December 31, 2016	**98,722**	**50,458**	**14,772**	**23,596**	**187,548**
Foreign currency translation	(25)	(169)	(72)	114	(152)
Additions	–	–	2,452	2,885	5,337
Disposals	–	–	(1,003)	(2,416)	(3,419)
Amortization charge	–	(1,226)	(5,517)	(2,682)	(9,425)
Accumulated amortization and impairment on disposals	–	–	526	2,401	2,927
Transfer from property, plant and equipment, net (Note 15)	–	–	1,304	819	2,123
Transfers (to)/from inventory, net	–	–	–	266	266
Transfers and reclassifications	–	–	1,219	(1,219)	–
Net book value as at December 31, 2017	**98,697**	**49,063**	**13,681**	**23,764**	**185,205**
Foreign currency translation	1,357	5,510	586	2,412	9,865

Additions	–	–	2,266	4,096	6,362
Disposals	–	–	(3,290)	(542)	(3,832)
Amortization charge	–	1,659	(6,538)	(2,503)	(7,382)
Accumulated amortization and impairment on disposals	–	–	3,286	540	3,826
Impairment (Note 13)	–	(22,506)	(59)	(71)	(22,636)
Transfers to assets held for sale	–	–	(42)	(88)	(130)
Transfer (to)/from property, plant and equipment, net (Note 15)	–	–	1,822	(23)	1,799
Transfers and reclassifications	–	(362)	1,717	(1,355)	–
Net book value as at December 31, 2018	**100,054**	**33,364**	**13,429**	**26,230**	**173,077**
Foreign currency translation	(1,493)	2,237	(62)	(461)	221
Additions	–	–	5,827	4,599	10,426
Disposals	–	–	(3,725)	(1,678)	(5,403)
Change in estimation	–	–	–	(174)	(174)
Amortization charge	–	–	(5,709)	(5,608)	(11,317)
Accumulated amortization and impairment on disposals	–	–	3,551	527	4,078
(Impairment)/ reversal, net (Note 13)	–	(6,641)	5	396	(6,240)
Transfers from inventory	–	–	–	5	5
Transfers from exploration and evaluation assets (Note 16)	–	–	–	1,800	1,800
Transfer (to)/from property, plant and equipment, net (Note 15)	–	–	4,838	(139)	4,699
Transfers and reclassifications	–	–	1,300	(1,300)	–
Net book value as at December 31, 2019	**98,561**	**28,960**	**19,454**	**24,197**	**171,172**
At cost	209,009	57,921	70,381	93,290	430,601
Accumulated amortization and impairment	(110,448)	(28,961)	(50,927)	(69,093)	(259,429)
Net book value as at December 31, 2019	**98,561**	**28,960**	**19,454**	**24,197**	**171,172**
At cost	169,139	58,164	62,322	81,195	370,820
Accumulated amortization and impairment	(69,085)	(24,800)	(48,893)	(54,965)	(197,743)
Net book value as at December 31, 2018	**100,054**	**33,364**	**13,429**	**26,230**	**173,077**
At cost	167,782	50,312	57,238	71,162	346,494
Accumulated amortization and impairment	(69,085)	(1,249)	(43,557)	(47,398)	(161,289)
Net book value as at December 31, 2017	**98,697**	**49,063**	**13,681**	**23,764**	**185,205**

Carrying amount of goodwill is allocated to each of the group of cash-generating units as follows:

Cash-generating unit	2019	2018	2017
Downstream Romania	1,140	1,145	990
Other	8,868	8,905	7,703
Cash-generating units of KMGI	10,008	10,050	8,693
Cash-generating units of PNHZ	88,553	88,553	88,553
Other	–	1,451	1,451
Total goodwill	**98,561**	**100,054**	**98,697**

In 2019, 2018 and 2017, based on the impairment test results, no impairment of PNHZ and other goodwill was recognized. For the detailed discussion of goodwill impairment test refer to Note 4.

18. BANK DEPOSITS

In millions of tenge	2019	2018	2017
Denominated in US dollar	390,598	414,578	1,656,763
Denominated in tenge	21,940	22,031	28,228
Denominated in other currency	–	2,707	2,473
Less: allowance for expected credit losses	(508)	(560)	–
	412,030	**438,756**	**1,687,464**

As at December 31, 2019, the weighted average interest rate for long-term bank deposits was 1.08% in US dollars and 2.58% in tenge, respectively (2018: 1.05% in US dollars and 3.73% in tenge, respectively and 2017: 1.07% in US dollars and 2.29% in tenge, respectively).

As at December 31, 2019, the weighted average interest rate for short-term bank deposits was 1.57% in US dollars, 8.33% in tenge, respectively (2018: 2.40% in US dollars, 8.20% in tenge and 0.06% in other foreign currencies, respectively and 2017: 1.65% in US dollars, 7.51% in tenge and 0.65% in other foreign currencies, respectively).

In millions of tenge	2019	2018	2017
Maturities under 1 year	359,504	386,459	1,638,941
Maturities between 1 and 2 years	1,029	155	836
Maturities over 2 years	51,497	52,142	47,687
	412,030	**438,756**	**1,687,464**

As at December 31, 2019 bank deposits include cash pledged as collateral of 50,046 million tenge (2018: 51,538 million tenge and 2017: 62,731 million tenge), which are represented mainly by 37,916 million tenge (2018: 37,729 million tenge and 2017: 32,100 million tenge) at restricted bank accounts designated as a liquidation fund per requirements of subsoil use contracts.

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

In millions of tenge			December 31, 2019		December 31, 2018		December 31, 2017	
	Main activity	Place of business	Carrying value	Percentage ownership	Carrying value	Percentage ownership	Carrying value	Percentage ownership
Joint ventures								
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	2,377,207	20.00%	1,970,533	20.00%	1,353,084	20.00%
Kashagan B.V.	Oil and gas exploration and production	Kazakhstan	2,057,795	50.00%	2,053,621	50.00%	1,743,495	50.00%
Asia Gas Pipeline LLP	Construction and operation of the gas pipeline		168,086	50.00%	–	50.00%	–	50.00%
Mangistau Investments B.V.	Oil and gas development and production	Kazakhstan	158,867	50.00%	138,549	50.00%	135,781	50.00%
Beineu-Shymkent Pipeline LLP	Construction and operation of the gas pipeline	Kazakhstan	101,766	50.00%	34,411	50.00%	17,701	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas products	Kazakhstan	79,849	50.00%	65,116	50.00%	33,761	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	47,662	50.00%	70,874	50.00%	78,031	50.00%

In millions of tenge	Main activity	Place of business	December 31, 2019 Carrying value	December 31, 2019 Percentage ownership	December 31, 2018 Carrying value	December 31, 2018 Percentage ownership	December 31, 2017 Carrying value	December 31, 2017 Percentage ownership
KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	25,620	50.00%	38,349	50.00%	47,537	50.00%
Kazakhoil-Aktobe LLP	Production of crude oil	Kazakhstan	21,438	50.00%	25,773	50.00%	22,716	50.00%
Teniz Services LLP	Design, construction and operation of infrastructure facilities, support of offshore oil operations	Kazakhstan	19,277	48.996%	16,945	48.996%	6,134	48.996%
Valsera Holding BV	Oil refining	Kazakhstan	12,776	50.00%	23,790	50.00%	36,737	50.00%
Other			41,014		28,258		22,649	
Associates								
Caspian Pipeline Consortium (CPC)	Transportation of liquid hydrocarbons	Kazakhstan / Russia	359,173	20.75%	289,586	20.75%	195,095	20.75%
PetroKazakhstan Inc. (PKI)	Exploration, production and processing of oil and gas	Kazakhstan	95,320	33.00%	116,577	33.00%	115,920	33.00%
Other			24,534		23,062		14,989	
			5,590,384		4,895,444		3,823,630	

All of the above joint ventures and associates are strategic for the Group's business.

As at December 31, 2019, the Group's share in unrecognized losses of joint ventures and associates was equal to 17,812 million tenge (2018: 77,440 million tenge and 2017: 175,623 million tenge). The Group's change in share of unrecognized losses of joint ventures and associates in 2019 was 59,628 million tenge (2018: 98,182 million tenge and 2017: 182,191 million tenge).

The following table summarizes the movements in the investments in 2019, 2018 and 2017:

In millions of tenge	2019	2018	2017
At January 1	**4,895,444**	**3,823,630**	**3,718,920**
Effect of adoption of IFRS 9 as at January 1, 2018	–	(3,237)	–
Share in profits of joint ventures and associates, net (Note 7)	827,979	697,326	414,950
Other changes in the equity of the joint venture	(3,803)	494	10,630
Acquisition, net	–	3,084	3
Guarantees issued	11,162	–	–
Dividends received	(126,461)	(159,988)	(271,783)
Change in dividends receivable	7,433	3,702	(39,889)
Contribution without change in ownership	5,889	1,467	–
Refund of contribution without change in ownership	–	(93,072)	(1,715)
Eliminations and adjustments[1]	(7,043)	17,071	(20,722)
Reversal of impairment of investments	–	–	14,845
Transfers to assets classified as held for sale	–	–	(67)
Foreign currency translation	(20,216)	604,967	(1,542)
At December 31	**5,590,384**	**4,895,444**	**3,823,630**

[1] Equity method eliminations and adjustments of unrealized income from sale of inventory from a JV to a subsidiary and capitalized borrowing costs of the loans provided by the Company and subsidiaries to JVs.

On October 16, 2015, the Group sold 50% of its shares in KMG Kashagan B.V. to Samruk-Kazyna with a right to buy back all or part of the shares effective from January 1, 2018 to December 31, 2020 (further "Option"). On December 20, 2017, the exercise period for the call option was changed to January 1, 2020 and December 31, 2022. As of December 31, 2019, 2018 and 2017, the price of the option was insignificant.

The Amsterdam Court imposed certain restrictions on 50% of shares in Kashagan B.V. owned by Samruk-Kazyna (further restrictions). During the restriction period, these shares of Kashagan B.V. cannot be sold, transferred or pledged. As of December 31, 2019 the restrictions remained in force and control over the asset was not transferred to the Group.

In 2018, refund of contribution without change in ownership mainly relates to the partial withdrawal of investments in MIBV of 249 million US dollars (equivalent to 92,582 million tenge).

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2019:

In millions of tenge	Tengizchevroil LLP	KMG Kashagan B.V.	Asia Gas Pipeline LLP	Mangistau Investments B.V.	Beineu-Shymkent Pipeline LLP	KazRosGas LLP
Non-current assets	16,276,182	4,087,310	1,395,615	433,950	482,553	10,176
Current assets, including	975,247	273,048	578,072	114,571	171,411	195,666
Cash and cash equivalents	45,128	74,330	136,318	16,091	11,918	83,674
Non-current liabilities, including	(4,137,239)	(499,989)	(1,225,064)	(148,898)	(354,711)	(148)
Non-current financial liabilities	(2,563,353)	(581)	(1,050,532)	(49,553)	(342,836)	–
Current liabilities, including	(1,228,155)	(201,781)	(412,451)	(80,495)	(145,277)	(45,996)
Current financial liabilities	(44,762)	(194)	(379,633)	(400)	(119,557)	–
Equity	**11,886,035**	**3,658,588**	**336,172**	**319,128**	**153,976**	**159,698**
Share of ownership	20%	50%	50%	50%	50%	50%
Goodwill	–	228,501	–	–	–	–
Consolidation adjustments	–	–	–	(697)	24,778	–
Carrying amount of the investments as at December 31, 2019	**2,377,207**	**2,057,795**	**168,086**	**158,867**	**101,766**	**79,849**
Revenue	6,231,720	443,545	785,250	836,474	172,894	306,259
Depreciation, depletion and amortization	(874,694)	(175,119)	(74,734)	(70,250)	(16,028)	(280)
Finance income	9,428	5,377	9,674	159	–	2,384
Finance costs	(39,896)	(41,813)	(90,669)	(8,772)	(26,563)	–
Income tax expense	(889,194)	(57,794)	(113,177)	(51,818)	–	(8,625)
Profit for the year from continuing operations	**2,074,701**	**26,228**	**428,204**	**165,766**	**112,387**	**30,311**
Other comprehensive (loss)/income	(41,327)	(17,880)	–	485	–	(846)
Total comprehensive income	**2,033,374**	**8,348**	**428,204**	**166,251**	**112,387**	**29,465**
Change in unrecognized share of losses	–	–	46,016	–	–	–
Dividends received	–	–	–	61,872	–	–

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2019:

In millions of tenge	Ural Group Limited BVI	KazGerMunay LLP	Kazakhoil-Aktobe LLP	TenizService LLP	Valsera Holding BV
Non-current assets	218,689	118,312	53,020	335,845	564,128
Current assets, including	729	42,245	19,326	51,621	80,995
Cash and cash equivalents	714	37,401	11,947	6,953	41,660
Non-current liabilities, including	(123,902)	(40,343)	(6,533)	(117,580)	(513,735)
Non-current financial liabilities	(94,532)	–	–	–	(507,803)
Current liabilities, including	(192)	(68,975)	(22,937)	(230,542)	(90,320)
Current financial liabilities	–	–	–	(1,360)	(27,035)
Equity	**95,324**	**51,239**	**42,876**	**39,344**	**41,068**
Share of ownership	50%	50%	50%	48.996%	50%
Consolidation adjustments	–	–	–	–	(7,758)
Carrying amount of the investments as at December 31, 2019	**47,662**	**25,620**	**21,438**	**19,277**	**12,776**
Revenue	–	191,297	61,597	257,944	132,246
Depreciation, depletion and amortization	(13)	(50,605)	(11,886)	(194,344)	(25,790)
Finance income	–	227	185	3	21
Finance costs	(27,471)	(1,348)	(91)	(25,434)	(34,425)
Income tax expense	(1,688)	(73,148)	113	–	(22,964)
Profit/(loss) for the year from continuing operations	**(37,790)**	**35,121**	**19,445**	**13,760**	**(12,214)**
Other comprehensive (loss)/income	(627)	(216)	–	–	(85)
Total comprehensive income/(loss)	**(38,417)**	**34,905**	**19,445**	**13,760**	**(12,299)**
Change in unrecognized share of losses	–	–	–	–	–
Dividends received	–	30,183	9,057	4,410	757

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2018:

In millions of tenge	Tengizchevroil LLP	KMG Kashagan B.V.	Asia Gas Pipeline LLP	Mangistau Investments B.V.	Beineu-Shymkent Pipeline LLP	KazRosGas LLP
Non-current assets	12,922,783	4,156,425	1,460,389	407,888	441,704	11,563
Current assets, including	1,057,016	382,203	548,679	72,748	198,892	141,406
Cash and cash equivalents	203,864	111,112	14,907	15,318	139,385	19,910
Non-current liabilities, including	(2,780,571)	(705,486)	(1,710,805)	(125,106)	(496,648)	(133)
Non-current financial liabilities	(1,536,800)	(778)	(1,642,324)	(49,946)	(487,373)	–

In millions of tenge	Tengizchevroil LLP	KMG Kashagan B.V.	Asia Gas Pipeline LLP	Mangistau Investments B.V.	Beineu-Shymkent Pipeline LLP	KazRosGas LLP
Current liabilities, including	(1,346,563)	(184,826)	(390,294)	(77,576)	(104,498)	(22,604)
Current financial liabilities	(36,670)	(194)	(363,250)	(451)	(93,024)	–
Equity	**9,852,665**	**3,648,316**	**(92,031)**	**277,954**	**39,450**	**130,232**
Share of ownership	20%	50%	50%	50%	50%	50%
Accumulated unrecognized share of losses	–	–	46,016	–	–	–
Goodwill	–	229,463	–	–	–	–
Consolidation adjustments	–	–	–	(428)	14,686	–
Carrying amount of the investments as at December 31, 2018	**1,970,533**	**2,053,621**	**–**	**138,549**	**34,411**	**65,116**
Revenue	5,941,474	438,662	766,661	839,356	150,793	244,346
Depreciation, depletion and amortization	(685,434)	(180,246)	(83,523)	(60,373)	(15,540)	(134)
Finance income	19,426	2,954	7,480	857	303	1,255
Finance costs	(136,761)	(42,366)	(100,922)	(8,006)	(28,277)	(377)
Income tax expense	(941,034)	(38,996)	–	(56,904)	–	(13,163)
Profitfor the year from continuing operations	**2,195,746**	**68,067**	**211,332**	**193,707**	**33,420**	**10,509**
Other comprehensive (loss)/ income	1,270,679	552,184	–	(319)	–	17,231
Total comprehensive income	**3,466,425**	**620,251**	**211,332**	**193,388**	**33,420**	**27,740**
Change in unrecognized share of losses	–	–	105,666	–	–	–
Dividends received	64,671	–	–	–	–	14,181

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2018:

In millions of tenge	Ural Group Limited BVI	KazGerMunay LLP	Kazakhoil-Aktobe LLP	TenizService LLP	Valsera Holding BV
Non-current assets	239,908	131,604	58,965	520,242	610,463
Current assets, including	216	75,131	19,332	53,449	56,343
Cash and cash equivalents	183	64,921	5,526	792	25,283
Non-current liabilities, including	(98,145)	(43,798)	(10,744)	(299,007)	(482,303)
Non-current financial liabilities	(73,500)	–	–	(3,836)	(481,398)
Current liabilities, including	(231)	(86,239)	(16,007)	(240,100)	(129,621)
Current financial liabilities	–	–	–	(3,847)	(27,818)
Equity	**141,748**	**76,698**	**51,546**	**34,584**	**54,882**
Share of ownership	50%	50%	50%	48.996%	50%
Consolidation adjustments	–	–	–	–	(3,651)
Carrying amount of the investments as at December 31, 2018	**70,874**	**38,349**	**25,773**	**16,945**	**23,790**
Revenue	1	234,732	61,838	173,006	93,342
Depreciation, depletion and amortization	(14)	(33,376)	(5,037)	(108,005)	(9,280)
Finance income	–	1,119	180	1	108
Finance costs	(9,031)	(1,062)	(740)	(19,468)	(4,105)

In millions of tenge	Ural Group Limited BVI	KazGerMunay LLP	Kazakhoil-Aktobe LLP	TenizService LLP	Valsera Holding BV
Income tax expense	(1,788)	(95,496)	(21,360)	(1,249)	8,630
Profit/(loss) for the year from continuing operations	**(37,645)**	**55,829**	**18,114**	**28,363**	**(15,978)**
Other comprehensive (loss)/ income	22,023	4,809	–	–	–
Total comprehensive income/ (loss)	**(15,622)**	**60,638**	**18,114**	**28,363**	**(15,978)**
Change in unrecognized share of losses	–	–	–	–	–
Dividends received	–	42,706	6,000	2,597	1,306

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2017:

In millions of tenge	Tengizchevroil LLP	KMG Kashagan B.V.	Asia Gas Pipeline LLP	Mangistau Investments B.V.	Beineu-Shymkent Pipeline LLP	KazRosGas LLP
Non-current assets	8,719,902	3,784,723	1,572,551	393,189	442,257	27,019
Current assets, including	1,527,677	172,993	519,333	66,799	139,272	150,968
Cash and cash equivalents	748,523	49,410	9,070	3,090	71,939	30,877
Non-current liabilities, including	(2,507,496)	(563,263)	(2,058,444)	(66,129)	(464,527)	–
Non-current financial liabilities	(1,329,320)	–	(2,015,735)	–	(457,760)	–
Current liabilities, including	(974,662)	(304,431)	(331,506)	(122,297)	(110,972)	(69,021)
Current financial liabilities	(31,719)	(272,148)	(297,654)	–	(91,095)	–
Equity	**6,765,421**	**3,090,022**	**(298,066)**	**271,562**	**6,030**	**108,966**
Share of ownership	20%	50%	50%	50%	50%	50%
Goodwill	–	198,484	–	–	–	–
Accumulated unrecognized share of losses	–	–	149,033	–	–	–
Consolidation adjustments	–	–	–	–	14,686	(20,722)
Carrying amount of the investments as at December 31, 2017	**1,353,084**	**1,743,495**	**–**	**135,781**	**17,701**	**33,761**
Revenue	4,357,947	183,119	587,429	635,903	79,097	243,527
Depreciation, depletion and amortization	(560,817)	(90,258)	(64,333)	(62,190)	(13,235)	(638)
Finance income	22,007	1,025	3,757	126	21	2,489
Finance costs	(127,134)	(36,557)	(86,077)	(5,788)	(24,649)	(13,362)
Income tax expense	(621,385)	(3,750)	(89,287)	(34,036)	–	(11,907)
Profit/(loss) for the year from continuing operations	**1,449,898**	**(20,417)**	**269,647**	**99,210**	**38,485**	**17,244**
Other comprehensive (loss)/income	7,518	(10,897)	–	(229)	–	(1,939)
Total comprehensive income/(loss)	**1,457,416**	**(31,314)**	**269,647**	**98,981**	**38,485**	**15,305**
Change in unrecognized share of losses	–	–	134,824	–	19,911	–
Dividends received	79,694	–	–	105,523	–	18,647

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2017:

In millions of tenge	Ural Group Limited BVI	KazGerMunay LLP	Kazakhoil-Aktobe LLP	TenizService LLP	Valsera Holding BV
Non-current assets	219,833	131,808	49,854	514,174	417,763
Current assets, including	57	46,381	19,768	72,382	55,449
Cash and cash equivalents	47	37,914	6,004	4,636	17,663
Non-current liabilities, including	(63,640)	(28,691)	(7,431)	(419,764)	(211)
Non-current financial liabilities	(54,733)	–	–	(12,536)	–
Current liabilities, including	(188)	(54,424)	(16,759)	(154,273)	(399,527)
Current financial liabilities	–		(6,847)	(7,290)	(327,332)
Equity	**156,062**	**95,074**	**45,432**	**12,519**	**73,474**
Share of ownership	50%	50%	50%	48.996%	50%
Accumulated unrecognized share of losses	**–**	**–**	**–**	**–**	**–**
Consolidation adjustments	–	–	–	–	–
Carrying amount of the investments as at December 31, 2017	**78,031**	**47,537**	**22,716**	**6,134**	**36,737**
Revenue	8	184,616	56,047	3,467	60,808
Depreciation, depletion and amortization	(20)	(34,072)	(17,062)	(378)	(5,027)
Finance income	17	1,306	212	39	411
Finance costs	**(1,891)**	**(1,014)**	**(2,473)**	**(116)**	**(66)**
Income tax expense	(691)	(53,071)	2,416	(645)	(4,373)
Profit/(loss) for the year from continuing operations	**(3,754)**	**35,427**	**(33,576)**	**3,375**	**19,502**
Other comprehensive (loss)/ income	(219)	(664)	–	–	(118)
Total comprehensive income/ (loss)	(3,973)	34,763	(33,576)	3,375	19,384
Change in unrecognized share of losses	–	–	–	–	–
Dividends received	–	40,445	–	–	2,377

The following tables illustrate summarized financial information of material associates, based on their financial statements for 2019:

In millions of tenge	2019	
	CPC	PKI
Non-current assets	1,992,524	330,021
Current assets	99,635	55,086
Non-current liabilities	(38,825)	(69,474)
Current liabilities	(499,392)	(26,785)
Equity	**1,553,942**	**288,848**
Share of ownership	20.75%	33%
Goodwill	36,730	–
Carrying amount of the investment as at December 31	**359,173**	**95,320**
Revenue	867,450	131,688
Depreciation, depletion and amortization	(178,032)	(49,236)

In millions of tenge	2019	
	CPC	PKI
Finance income	10,720	425
Finance costs	(52,453)	(2,769)
Income tax expense	(111,797)	(20,904)
Profit for the year	341,537	(55,286)
Other comprehensive income	(6,181)	(1,473)
Total comprehensive income	**335,356**	**(56,759)**
Dividends received	**–**	**15,004**

The following tables illustrate summarized financial information of material associates, based on their financial statements for 2018:

In millions of tenge	2018	
	CPC	PKI
Non-current assets	2,147,362	410,710
Current assets	105,910	91,815
Non-current liabilities	(350,304)	(45,218)
Current liabilities	(685,130)	(104,043)
Equity	**1,217,838**	**353,264**
Share of ownership	20.75%	33%
Goodwill	36,885	–
Carrying amount of the investment as at December 31	**289,586**	**116,577**
Revenue	757,734	163,263
Depreciation, depletion and amortization	(224,968)	(26,267)
Finance income	32,779	387
Finance costs	(96,267)	(2,564)
Income tax expense	(40,715)	(40,085)
Profit for the year	279,348	44,213
Other comprehensive income	176,033	40,886
Total comprehensive income	**455,381**	**85,099**
Dividends received	**–**	**24,914**

The following tables illustrate summarized financial information about a material associates, based on its financial statements for 2017:

In millions of tenge	2017	
	CPC	PKI
Non-current assets	2,042,156	356,152
Current assets	95,627	84,904
Non-current liabilities	(756,148)	(59,123)
Current liabilities	(595,179)	(30,659)
Equity	**786,456**	**351,274**
Share of ownership	20.75%	33%
Goodwill	31,905	–
Carrying amount of the investment as at December 31	**195,095**	**115,920**
Revenue	647,478	137,912
Depreciation, depletion and amortization	(141,191)	(26,442)

In millions of tenge	2017	
	CPC	PKI
Finance income	13,043	246
Finance costs	(78,910)	(3,279)
Income tax expense	(49,237)	(20,965)
Profit for the year	263,450	21,921
Other comprehensive income/(loss)	16,354	(992)
Total comprehensive income	**279,804**	**20,929**
Dividends received	**–**	**20,453**

The following tables illustrate aggregate financial information of individually immaterial joint ventures (the Group's proportional share):

In millions of tenge	2019	2018	2017
Non-current assets	143,772	121,289	125,404
Current assets	52,488	45,979	37,468
Non-current liabilities	(110,096)	(131,980)	(127,415)
Current liabilities	(62,503)	(37,995)	(35,006)
Goodwill	4,050	4,050	172
Impairment	(3,635)	(3,635)	(3,635)
Accumulated unrecognized share of losses	(16,938)	(30,550)	(25,661)
Carrying amount of the investments as at December 31	**41,014**	**28,258**	**22,649**
Profit for the year from continuing operations	25,069	1,999	18,233
Other comprehensive (loss)/income	–	(668)	498
Total comprehensive income	**25,069**	**1,331**	**18,731**
Unrecognized share of (loss)/income	**13,612**	**(4,807)**	**13,600**

The following tables illustrate aggregate financial information of individually immaterial associates (the Group's proportional share):

In millions of tenge	2019	2018	2017
Non-current assets	30,415	29,046	24,818
Current assets	55,185	50,178	36,648
Non-current liabilities	(10,566)	(10,469)	(12,035)
Current liabilities	(51,374)	(46,568)	(35,371)
Accumulated unrecognized share of losses	(875)	(875)	(929)
Carrying amount of the investments as at December 31	**24,534**	**23,062**	**14,989**
Profit/losses for the year from continuing operations	2,457	3,254	436
Other comprehensive income/ (loss)	(398)	3,357	250
Total comprehensive income	2,059	6,611	686
Unrecognized share of income/(loss)	–	4	(199)

20. INVENTORIES

In millions of tenge	2019	2018	2017
Materials and supplies (at cost)	116,327	115,103	98,714
Refined products (at lower of cost and net realizable value)	53,974	99,998	84,841
Gas products (at cost)	52,566	57,762	15,689
Crude oil (at cost)	58,348	39,436	51,125
	281,215	**312,299**	**250,369**

As at December 31, 2019 inventories of 47,863 million tenge are pledged as collateral (2018: 123,973 million tenge and 2017: 111,844 million tenge).

21. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

In millions of tenge	2019	2018	2017
Advances paid and prepaid expenses	138,822	96,510	95,623
Taxes receivable, other than VAT	52,642	35,556	29,577
Dividends receivable	7,582	15,848	29,010
Other receivables	15,047	15,321	13,057
Other current assets	87,357	70,016	91,613
Less: allowance for expected credit losses	(39,356)	(28,528)	(62,770)
Total other current assets	**262,094**	**204,723**	**196,110**
Trade accounts receivable	430,125	540,669	525,773
Less: allowance for expected credit losses	(32,368)	(46,692)	(57,906)
Trade accounts receivable	**397,757**	**493,977**	**467,867**

As at December 31, 2019, 2018 and 2017 the above assets were non-interest bearing.

As at December 31, 2019 trade accounts receivable of 71,296 million tenge are pledged as collateral (2018: 72,695 million tenge and 2017: 58,116 million tenge).

In 2017 in connection with revocation of Delta Bank JSC ("Delta Bank") license by National Bank of RK and due to the uncertainty regarding the refund of deposits placement in Delta Bank, the Group accrued 100% provision for impairment of the deposits in the total amount of 36,161 thousand US dollars (equivalent to 13,835 million tenge) and reclassified deposits in other receivables.

Movements in the allowance for expected credit losses of trade accounts receivable and other current assets were as follows:

In millions of tenge	Individually impaired
As at December 31, 2016	**101,519**
Charge for the year, net (Note 12)	936
Written off	(977)
Transfers and reclassifications	11,856
Foreign currency translation	7,342
As at December 31, 2017	**120,676**
Effect of adoption of IFRS 9 as at January 1, 2018	3,658
Recovery for the year, net (Note 12)	(264)
Written off	(59,880)
Transfers and reclassifications	(2)
Foreign currency translation	11,032

In millions of tenge	Individually impaired
As at December 31, 2018	**75,220**
Charge for the year, net (Note 12)	14,138
Written off	(16,659)
Transfers and reclassifications	153
Foreign currency translation	(1,128)
As at December 31, 2019	**71,724**

As at December 31, the ageing analysis of trade accounts receivable is as follows:

In millions of tenge			Past due but not impaired				
	Total	Neither past due nor impaired	<30 days	30-60days	61-90 days	91-120 days	>120 days
2019	**397,757**	**364,443**	**19,633**	**5,130**	**1,808**	**1,199**	**5,544**
2018	493,977	448,671	23,935	5,018	4,504	4,822	7,027
2017	467,867	365,858	17,506	38,832	16,447	2,292	26,932

22. LOANS AND RECEIVABLES DUE FROM RELATED PARTIES

In millions of tenge	2019	2018	2017
Loans due from related parties at amortized cost	509,003	495,869	785,593
Loans due from related parties at fair value through profit or loss	214,395	263,274	–
Bonds receivable from Samruk-Kazyna	16,290	15,364	18,342
Note receivable from a shareholder of a joint venture	13,627	16,599	38,016
Lease receivable from a joint venture	4,458	–	–
Less: allowance for expected credit losses	(3,508)	(3,963)	–
	754,265	**787,143**	**841,951**

In accordance with IFRS 9, the Group reclassified certain loans as measured at fair value through profit or loss. The fair value of these loans was determined by discounting future cash flows.

The table below illustrates loans and receivables due from related parties in currencies their denominated in

In millions of tenge	2019	2018	2017
Loans due from related parties in tenge	510,240	471,541	471,798
Loans due from related parties in US dollars	206,285	280,952	311,341
Bonds receivable from Samruk-Kazyna in tenge	16,241	15,315	18,342
Note receivable from a shareholder of a joint venture in US dollars	13,627	16,599	38,016
Lease receivable from a joint venture in US dollars	4,448	–	–
Loans due from related parties in other foreign currencies	3,424	2,736	2,454
	754,265	**787,143**	**841,951**
Current portion	138,719	148,615	169,502
Non-current portion	615,546	638,528	672,449
	754,265	**787,143**	**841,951**

Movements in the allowance for expected credit losses of loans and receivables due from related parties were as follows:

In millions of tenge	
As at January 1, 2017	**–**
As at December 31, 2017	**–**
Effect of adoption of IFRS 9 as at January 1, 2018	4,611
Recovered, net	(985)
Foreign currency translation	337
As at December 31, 2018	**3,963**
Recovered, net	(447)
Foreign currency translation	(8)
As at December 31, 2019	**3,508**

23. CASH AND CASH EQUIVALENTS

In millions of tenge	2019	2018	2017
Term deposits with banks – US dollars	108,298	743,646	792,428
Term deposits with banks – tenge	210,354	195,093	115,103
Term deposits with banks – other currencies	6,450	3,492	3,279
Current accounts with banks – US dollars	633,231	538,440	306,716
Current accounts with banks – tenge	75,168	39,137	30,398
Current accounts with banks – other currencies	10,220	9,658	8,847
Cash in transit	19,991	8,914	5,538
Cash-on-hand and cheques	1,150	1,204	1,684
Less: allowance for expected credit losses	(410)	(131)	(6)
	1,064,452	**1,539,453**	**1,263,987**
Cash and cash equivalents attributable to discontinued operations	–	6,395	2,618
	1,064,452	**1,545,848**	**1,266,605**

Term deposits with banks are made for various periods of between one day and three months, depending on the immediate cash requirements of the Group.

As at December 31, 2019, the weighted average interest rate for time deposits with banks was 2.02% in US dollars, 8.84% in tenge and 0.12% in other currencies, respectively (2018: 2.84% in US dollars, 7.58% in tenge and 0.07% in other currencies, respectively, 2017: 1.04% in US dollars and 7.85% in tenge, respectively).

As at December 31, 2019, 2018 and 2017 cash and cash equivalents were not pledged as collateral.

24. EQUITY

Total number of outstanding, issued and paid shares comprises:

	December 31, 2017	Issued in 2018	December 31, 2018	Issued in 2019	December 31, 2019
Number of shares issued and paid, including	**589,399,889**	**20,719,604**	**610,119,493**	**–**	**610,119,493**
Par value of 27,726.63 tenge	137,900	–	137,900	–	137,900
Par value of 10,000 tenge	–	20,719,604	20,719,604	–	20,719,604
Par value of 5,000 tenge	59,707,029	–	59,707,029	–	59,707,029
Par value of 2,500 tenge	71,104,187	–	71,104,187	–	71,104,187
Par value of 2,451 tenge	1	–	1	–	1
Par value of 1,000 tenge	1	–	1	–	1
Par value of 921 tenge	1	–	1	–	1
Par value of 858 tenge	1	–	1	–	1
Par value of 838 tenge	1	–	1	–	1
Par value of 704 tenge	1	–	1	–	1
Par value of 592 tenge	1	–	1	–	1
Par value of 500 tenge	458,450,766	–	458,450,766	–	458,450,766
Share capital (thousands of tenge)	**709,344,505**	**207,196,040**	**916,540,545**	**–**	**916,540,545**

SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

As at December 31, 2019, 2018 and 2017, the Company had only one class of issued shares.

As at December 31, 2019 and 2018, common shares in the number of 239,440,103 were authorized, but not issued (2017: 260,159,707 common shares).

In 2018 the Company issued 20,719,604 common shares (2017: 5,187,152 common shares). As consideration the Company received high, medium and low pressure gas pipelines and associated facilities with the fair value of 207,196 million tenge (2017: 12,968 million tenge) that were previously recognized as additional paid-in capital and cash for 7 thousand tenge (2017: 1 thousand tenge). The gas pipelines were recognized as additional paid-in capital based on trust management agreement, which served as a mechanism until the legal title for pipelines transferred to the Group.

Additionally, in 2018 the Group increased additional paid in capital of 4,114 million tenge (2017: 13,189 million tenge), which represents the fair value of gas pipelines contributed by the Government on trust management terms.

TRANSACTIONS WITH SAMRUK-KAZYNA

In 2019 the Company provided to Samruk-Kazyna additional tranches of 54,720 million tenge (2018: 52,293 million tenge and 2017: 47,020 million tenge) under interest-free long-term financial aid agreement signed on December 25, 2015, with a current maturity in 2022. In 2019 the difference between the fair value and nominal value of additional tranches of 14,184 million tenge (2018: 10,188 million tenge and 2017: 5,716 million tenge) was recognized as transactions with Samruk-Kazyna in the consolidated statement of changes in equity.

In 2018 the Company extended the maturity period of the interest-free long-term financial aid agreement and recognized the effect of modification of 78,358 million tenge as transactions with Samruk-Kazyna in the consolidated statement of changes in equity.

In 2017 Samruk-Kazyna changed conditions of the prospectus of the second bond issue, according to which the coupon on the bonds was reduced from 4.00% to 0.50%, and recognized the modification effect of 24,020 million tenge through equity as transactions with Samruk-Kazyna in the consolidated statement of changes in equity.

DISTRIBUTIONS TO SAMRUK-KAZYNA

In 2019, the Company transferred to Samruk-Kazyna the proceeds from sale of its non-core assets of 3,853 million tenge, that were recognized as distribution to Samruk-Kazyna within the framework of Government decrees on transfer of KMG's non-core assets and in accordance with the decision of the Management Board of Samruk-Kazyna. In addition, in 2019 Group accrued and paid off 568 million tenge, distributed by Ozenmunaigas in accordance with the Government decree on housing of the residents, living in Zhana-ozen town.

In 2019, the Group fully settled its commitments of 20,900 million tenge for social facilities construction in Turkestan city recognized within distributions to Samruk-Kazyna in 2018, including additional distribution of 1,773 million tenge recognised in 2019. In addition, the Group transferred cash payments of 9,203 million tenge to fulfill its commitments of constructing the Palace of martial arts in Astana city recognized within distributions to Samruk-Kazyna in 2016-2017.

Additionally, in 2018 distributions to Samruk-Kazyna also included the results of operations of PSA LLP (subsidiary of the Group) in the total amount of 6,473 million tenge and the adjustment of the fair value of cost of gas pipelines received as a payment for the issued common shares of 10 million tenge.

In 2017 distributions to Samruk-Kazyna includes accrual of provision for construction of the Palace of martial arts in Astana city of 5,544 million tenge and the results of operations of PSA LLP in the total amount of 5,793 million tenge.

In 2017 due to transfer of obligations for reconstruction of the trade and exhibition center in Moscow to Corporate Fund "TVC Kazakhstan", the Company reversed previously recognized provision of 4,459 million tenge.

As at December 31, 2017 the Group recognized the discount on purchased bonds of "Special financial company DSFK" LLP through retained earnings of 16,756 million tenge.

DIVIDENDS

In 2019, the Group declared dividends to the non-controlling interests holders in KTO, KMGI and KMG EP (subsidiaries of the Company) in the amount of 4,138 million tenge (December 31, 2018: 6,200 million tenge and as at December 31, 2017: 13,269 million tenge).

In 2019, based on the decision of Samruk-Kazyna and National Bank of RK, the Company declared dividends for 2018 of 60.64 tenge per common share in the total amount of 36,998 million tenge. In 2018, the Company declared and paid dividends for 2017 of 61.54 tenge per common share in the total amount of 36,272 million tenge. In 2017, the Company declared dividends for 2016 of 11.32 tenge per common share in the amount of 6,672 million tenge and dividends for 2013 of 66.52 tenge per common share in the amount of 39,207 million tenge.

SHARE BUYBACK OF SUBSIDIARY – KMG EP

On 22 February 2019, KMG EP completed its preferred shares buyback program. On May 14, 2019, preferred shares were delisted from KASE. In accordance with the buyback program in 2019 KMG EP made a total buyback of outstanding preferred and ordinary shares for 2,464 million tenge (2018: 642,524 million tenge, 2017: nil) as a part of the repurchasing program of all outstanding GDR and common shares quoted on KASE.

BOOK VALUE PER SHARE

In accordance with the decision of KASE dated October 4, 2010 financial statements shall disclose book value per share (ordinary and preferred) as of the reporting date, calculated in accordance with the KASE rules.

In millions of tenge	2019	2018	2017
Total assets	14,081,915	14,015,280	13,549,958
Less: intangible assets	171,172	173,077	185,205
Less: total liabilities	5,885,259	6,872,211	6,766,353
Net assets	**8,025,484**	**6,969,992**	**6,598,400**
Number of ordinary shares	610,119,493	610,119,493	589,399,889
Book value per ordinary share	**13.154**	**11.424**	**11.195**

EARNINGS PER SHARE

In millions of tenge	2019	2018	2017
Weighted average number of common shares for basic and diluted earnings per share	601,486,325	601,486,325	588,967,626
Basic and diluted share in net profit for the period	1.899	1.137	0.891
Basic and diluted share in net profit for the period from continuing operations	1.899	1.147	0.898

NON-CONTROLLING INTEREST

The following tables illustrate information of subsidiaries in which the Group has significant non-controlling interests:

	Country of incorporation and operation	2019		2018		2017	
		Non-controlling shares	Carryingvalue	Non-controlling shares	Carrying value	Non-controlling shares	Carrying value
KazTransOil JSC	Kazakhstan	10.00%	44,733	10.00%	43,382	10.00%	42,862
KazMunayGas Exploration Production JSC	Kazakhstan	0.30%	9,733	0.50%	9,056	36.99%	779,932
Rompetrol Downstream S.R.L.	Romania	45.37%	51,591	45.37%	49,330	45.37%	46,577
Rompetrol Petrochemicals S.R.L.	Romania	45.37%	5,518	45.37%	(3,316)	45.37%	8,699
Rompetrol Vega	Romania	45.37%	(16,289)	45.37%	(21,181)	45.37%	(19,743)
Rompetrol Rafinare S.A.	Romania	45.37%	(74,441)	45.37%	(9,855)	45.37%	706
Other			17,410		13,064		10,985
			38,255		**80,480**		**870,018**

The following tables illustrate summarized financial information of subsidiaries on a stand-alone basis, in which the Group has significant non-controlling interests as at December 31, 2019 and for the year then ended:

In millions of tenge	Rompetrol Downstream S.R.L.	KazTransOil JSC	KazMunayGas Exploration Production JSC	Rompetrol Petrochemicals S.R.L.	Rompetrol Rafinare S.A.	Rompetrol Vega
Summarized statement of financial position						
Non-current assets	114,262	490,914	893,471	3,800	102,697	27,272
Current assets	135,270	104,433	1,235,457	9,024	219,194	9,511
Non-current liabilities	(56,084)	(78,008)	(75,452)	(643)	(93,091)	(24,905)
Current liabilities	(79,741)	(74,699)	(167,393)	(19)	(392,868)	(47,778)
Total equity	**113,707**	**442,640**	**1,886,083**	**12,162**	**(164,068)**	**(35,900)**
Attributable to:						
Equity holder of the Parent Company	62,116	397,907	1,876,350	6,644	(89,627)	(19,611)
Non-controlling interest	51,591	44,733	9,733	5,518	(74,441)	(16,289)
Summarized statement of comprehensive income						
Revenue	**610,232**	**239,626**	**1,119,068**	**—**	**1,316,167**	**85,831**

In millions of tenge	Rompetrol Downstream S.R.L.	KazTransOil JSC	KazMunayGas Exploration Production JSC	Rompetrol Petrochemicals S.R.L.	Rompetrol Rafinare S.A.	Rompetrol Vega
Profit/(loss) for the year from continuing operations	**6,884**	**56,653**	**272,863**	**19,830**	**(143,227)**	**10,657**
Total comprehensive income/(loss) for the year, net of tax	6,511	53,448	267,684	19,471	(141,676)	10,792
Attributable to:						
Equity holder of the Parent Company	3,557	48,045	266,518	10,637	(77,204)	5,895
Non-controlling interest	2,954	5,403	1,166	8,834	(64,472)	4,897
Dividends declared to non-controlling interests	—	(3,999)	(16)	—	—	—
Summarized cash flow information						
Operating activity	11,581	94,060	237,576	1	70,429	3,666
Investing activity	3,183	(57,033)	(368,188)	—	(26,015)	(3,541)
Financing activity	**(14,590)**	**(41,853)**	**(4,457)**	**—**	**(43,941)**	**(46)**
Net increase/(decrease) in cash and cash equivalents	**174**	**(4,630)**	**(139,237)**	**1**	**473**	**79**

The following tables illustrate summarized financial information of subsidiaries on a stand-alone basis, in which the Group has significant non-controlling interests as at December 31, 2018 and for the year then ended:

In millions of tenge	Rompetrol Downstream S.R.L.	KazTransOil JSC	KazMunayGas Exploration Production JSC	Rompetrol Petrochemicals S.R.L.	Rompetrol Rafinare S.A.	Rompetrol Vega
Summarized statement of financial position						
Non-current assets	115,878	474,493	855,098	[illegible]	226,762	25,547
Current assets	130,109	89,618	1,121,114	14,248	208,058	10,486
Non-current liabilities	(51,580)	(65,939)	(59,533)	(660)	(99,909)	(28,237)
Current liabilities	(85,683)	(68,156)	(192,006)	(20,897)	(356,631)	(54,478)
Total equity	**108,724**	**430,016**	**1,724,673**	**(7,309)**	**(21,720)**	**(46,682)**
Attributable to:						
Equity holder of the Parent Company	59,394	386,634	1,715,617	(3,993)	(11,865)	(25,501)
Non-controlling interest	49,330	43,382	9,056	(3,316)	(9,855)	(21,181)
Summarized statement of comprehensive income						
Revenue	552,546	225,400	1,189,393	74,024	1,198,576	78,746
Profit/(loss) for the year from continuing operations	**(10,087)**	**61,168**	**299,917**	**(27,398)**	**(22,771)**	**3,208**
Total comprehensive income/(loss) for the year, net of tax	**6,067**	**67,673**	**334,747**	**(26,480)**	**(23,276)**	**(3,168)**

In millions of tenge	Rompetrol Downstream S.R.L.	KazTransOil JSC	KazMunayGas Exploration Production JSC	Rompetrol Petrochemicals S.R.L.	Rompetrol Rafinare S.A.	Rompetrol Vega
Attributable to:						
Equity holder of the Parent Company	3,314	60,994	314,578	(14,466)	(12,716)	(1,731)
Non-controlling interest	2,753	6,679	20,169	(12,014)	(10,560)	(1,437)
Dividends declared to non-controlling interests	–	(6,153)	(48)	–	–	–
Summarized cash flow information						
Operating activity	8,598	97,453	276,070	(1)	42,428	1,653
Investing activity	(4,442)	(44,854)	164,487	–	(15,532)	(1,667)
Financing activity	(4,304)	(61,540)	(642,760)	(1)	(27,347)	38
Net increase/ (decrease) in cash and cash equivalents	**(148)**	**(7,592)**	**(134,732)**	**(2)**	**(451)**	**24**

The following tables illustrate summarized financial information of subsidiaries on a stand-alone basis, in which the Group has significant non-controlling interests as at December 31, 2017 and for the year then ended:

In millions of tenge	Rompetrol Downstream S.R.L.	KazTransOil JSC	KazMunayGas Exploration Production JSC	Rompetrol Petrochemicals S.R.L.	Rompetrol Rafinare S.A.	Rompetrol Vega
Summarized statement of financial position						
Non-current assets	119,373	450,726	771,619	3,418	219,853	21,455
Current assets	121,461	99,864	1,562,165	25,181	213,573	9,848
Non-current liabilities	(13,368)	(60,819)	(53,790)	(2,680)	(50,695)	(24,447)
Current liabilities	(124,809)	(65,826)	(171,272)	(6,747)	(381,175)	(50,370)
Total equity	**102,657**	**423,945**	**2,108,722**	**19,172**	**1,556**	**(43,514)**
Attributable to:						
Equity holder of the Parent Company	56,080	381,083	1,328,790	10,473	850	(23,771)
Non-controlling interest	46,577	42,862	779,932	8,699	706	(19,743)
Summarized statement of comprehensive income						
Revenue	402,786	222,450	954,506	65,576	868,443	56,964
Profit/(loss) for the year from continuing operations	**10,745**	**65,890**	**195,361**	**(4,905)**	**(1,696)**	**2,060**
Total comprehensive income/(loss) for the year, net of tax	**10,632**	**66,003**	**194,983**	**(5,079)**	**(2,357)**	**2,249**
Attributable to:						
Equity holder of the Parent Company	5,808	59,403	122,876	(2,775)	(1,288)	1,229
Non-controlling interest	4,824	6,600	72,107	(2,304)	(1,069)	1,020
Dividends declared to non-controlling interests	–	(5,961)	(7,309)	–	–	–

In millions of tenge	Rompetrol Downstream S.R.L.	KazTransOil JSC	KazMunayGas Exploration Production JSC	Rompetrol Petrochemicals S.R.L.	Rompetrol Rafinare S.A.	Rompetrol Vega
Summarized cash flow information						
Operating activity	20,967	98,946	234,063	(2)	35,474	1,223
Investing activity	(2,622)	(67,271)	44,736	–	(36,389)	(1,217)
Financing activity	(17,790)	(59,617)	(18,906)	–	(661)	8
Net increase/ (decrease) in cash and cash equivalents	**555**	**(28,424)**	**259,552**	**(2)**	**(1,576)**	**14**

25. BORROWINGS

In millions of tenge	2019	2018	2017
Fixed interest rate borrowings	3,146,477	3,029,688	3,137,182
Weighted average interest rates	5.48%	5.42%	6.30%
Floating interest rate borrowings	691,027	1,123,550	1,164,070
Weighted average interest rates	5.73%	5.70%	4.90%
	3,837,504	**4,153,238**	**4,301,252**
US dollar – denominated borrowings	3,555,347	3,927,512	4,069,683
Tenge – denominated borrowings	271,776	207,276	220,729
Euro-denominated borrowings	2,881	1,866	–
Other currencies – denominated borrowings	7,500	16,584	10,840
	3,837,504	**4,153,238**	**4,301,252**
Current portion	253,428	330,590	884,140
Non-current portion	3,584,076	3,822,648	3,417,112
	3,837,504	**4,153,238**	**4,301,252**

In 2019, the Company derecognized a loan from partners of the Pearls project for the total amount of 110,930 million tenge, including an interest of 3,543 million tenge, since the partners of the project decided to voluntarily relinquish the contract area under the Pearls PSA (Note 13).

In 2018, the Company derecognized a loan from ONGC Videsh, a partner in the Satpayev project, for the total amount of 53,263 million tenge, including an interest of 4,620 million tenge. The derecognition of the loan is related to the planned withdrawal from the project and relinquishment of the contract area to the Government.

As at December 31, 2019, 2018 and 2017, the debt securities issued and loans comprised:

				As at December 31		
Bonds	Issuance amount	Redemption date	Interest	2019	2018	2017
AIX 2019	56 billion KZT	2024	5.00%	52,843	–	–
Bonds LSE 2018	1.5 billion USD	2048	6.375%	574,230	576,571	–
Bonds LSE 2018	1.25 billion USD	2030	5.375%	482,393	484,362	–
Bonds LSE 2018	0.5 billion USD	2025	4.75%	192,764	193,533	–
Bonds LSE 2017	1.25 billion USD	2047	5.75%	468,940	477,347	412,644
Bonds LSE 2017	1 billion USD	2027	4.75%	380,413	384,384	332,128
Bonds ISE 2017	750 million USD	2027	4.375%	289,487	290,607	251,245
Bonds LSE 2017	0.5 billion USD	2022	3.88%	191,694	193,026	166,819
Bonds LSE 2014	1 billion USD	2044	6.00%	–	11,211	9,682
Bonds LSE 2014	0.5 billion USD	2025	4.875%	–	–	40,465
Bonds LSE 2013	1 billion USD	2023	4.40%	154,442	155,214	133,839
Bonds LSE 2013	2 billion USD	2043	5.75%	–	–	166,367
Bonds LSE 2010	1.5 billion USD	2020	7.00%	–	–	454,158
Bonds LSE 2010	1.25 billion USD	2021	6.375%	–	–	374,885
Bonds KASE 2009	120 billion KZT	2019	6M Libor+8.50%	–	42,721	73,637
Bonds LSE 2008	1.6 billion USD	2018	9.125%	–	–	530,055
Others				4,518	4,440	13,276
Total				**2,791,724**	**2,813,416**	**2,959,200**
Loans						
The Export-Import Bank of China (Eximbank)	1.13 billion USD	2027	6M Libor + 4.10%	350,042	398,978	340,200
Development bank of Kazakhstan JSC (DBK)	185 billion KZT	2022-2028	7.00%-10.20%	138,313	120,225	115,480
DBK	1.1 billion USD	2023-2025	6M Libor + 4.00%, 5.00%, 10.99%	131,022	292,594	294,632
The Syndicate of banks (Unicredit, ING Bank, BCR, Raiffeisen Bank)	360 million USD	2022	1M Libor+2.75%, 1M Libor+2.5%,1M Robor+2.00%,1W Libor +2.5%, ON Libor +2.5%, ON Euribor+2.5%	99,554	98,831	82,747
The Syndicate of banks (Citibank, N.A., London Branch, Mizuho Bank, Ltd., MUFG Bank Ltd., Société Générale, ING Bank, and ING Bank N.V.)	200 million USD	2021	3M Libor+1.35%	76,442	76,625	–

				As at December 31		
Bonds	Issuance amount	Redemption date	Interest	2019	2018	2017
Japan Bank for International Cooperation (JBIC)	297.5 million USD	2025	2.19%+CIRR, 6 M Libor+1.10%	65,254	76,452	62,387
Halyk bank JSC (Halyk bank)	150 million USD	2024	5.00%	52,771	–	–
European Bank for Reconstruction and Development (EBRD)	68 billion KZT	2023	3M CPI + 50 basis points + 3.15%	42,940	54,408	65,373
Halyk bank	100 million USD	2020	5.00%	38,323	26,939	23,316
EBRD	39 billion KZT	2026	6M CPI + 100 basis points + 3.15%	24,573	20,359	15,620
Sperbank Russia	50 million USD	2020	COF (2.25%) + 1.50%	13,773	–	–
Loan from partners (Pearls project)	Financing for share of costs in execution of subsoil use contract	From beginning of commercial exploration	6M Libor + 1.00%	–	106,246	87,371
Loan from partners (Satpayev project)	Financing for share of costs in execution of subsoil use contract	From beginning of commercial exploration	12M Libor + 1.50%	–	–	51,214
BNP Paribas	368 million USD	2020	COF (3.18%) + 2.00%	–	25,199	14,118
Club loan (Raiffeisen/BCR/ING/ Unicredit)	200 million USD	2019	3M Libor + 2.50%	–	17,684	35,697
Sberbank Russia	400 million USD	2024	12M Libor + 3.5%	–	–	134,039
Other	–	–	–	12,773	25,282	19,858
Total				**1,045,780**	**1,339,822**	**1,342,052**

On January 10, 2019, Atyrau Refinery LLP (ANPZ) placed indexed tenge to US dollars bonds at the Astana International Exchange (AIX) for the total amount of 56,223 million tenge (equivalent to 150 million US dollars) with interest rate of 5% and maturity of 5 years. On January 10, 2019, Samruk-Kazyna purchased these bonds for 56,223 million tenge. On January 11, 2019, ANPZ received long-term loan from Halyk bank of 150 million US dollars (equivalent to 56,195 million tenge), with 5% interest rate for the first year (since the second year the interest year is 5.25%) and maturity of 5 years.

Proceeds from the borrowings above in the total amount of 300 million US dollars (equivalent to 113,016 million tenge) were used to make an early repayment of loan principal of ANPZ borrowings from DBK, raised to fund a strategic investment project – construction of the aromatic hydrocarbons production unit. In December 2019, ANPZ received long-term loan from DBK of 32,938 million tenge with 7.99% nominal interest rate and maturity of 7 years to finance the oil processing plant modernisation.

In 2019, the Group made an additional redemption of borrowings from DBK for 77,182 million tenge and the bonds held by DBK (Bonds KASE 2009 with a number of 16 million bonds) for 43,868 million tenge, including accrued interest.

In 2019, ANPZ has made partial repayment of the loan from Eximbank for 197 million US dollars (equivalent to 74,968 million tenge), including accrued interest.

In 2019, KMG International N.V. made the repayments to BNP Paribas and partly redempt Syndicated loan a number of other banks amounted to 65 million US dollars (equivalent to 24,821 million tenge), including accrued interest, of its short-term loans used to finance working capital and for trading facilities.

[1.] 8 revolving credit facility

In May 2019, KMG International N.V. made a full early repayment of its Club loan for 47 million US dollars (equivalent to 17,739 million tenge), including accrued interest.

In April, 2019, the Company made early redemption of Eurobonds with maturity date of 2044 for 31 million US dollars (equivalent to 11,909 million tenge at the date of payment), including premium, coupon payments and consent fee.

On April 24, 2018, the Company completed the placement of the Eurobonds under the 10.5 billion US dollars Global Medium Term Notes Programme established by the Company and KazMunaiGaz Finance Sub B.V. (subsidiary of the Company), in an aggregate principal amount of 3.25 billion US dollars. The Eurobonds were issued in three series, comprising (i) 500 million US dollars 4.750% Notes due 2025 (equivalent to 163,260 million tenge); (ii) 1,250 million US dollars 5.375% Notes due 2030 (equivalent to 408,150 million tenge); and (iii) US 1,500 million US dollars 6.375% Notes due 2048 (equivalent to 489,780 million tenge).

On May 4 and 11, 2018, the Company made early redemption of Eurobonds for total consideration in the total amount of 3,463 million US dollars (equivalent to 1,143,982 million tenge at the date of payment), including interest. On July 2, 2018 the Company made full redemption of debt on issued bonds on the LSE in 2008 in the total amount of 1,673 million US dollars (equivalent 570,627 million tenge), including interest.

On May 17, 2018 in accordance with the loan agreement KTG received a loan from

the Syndicate of banks of 65,832 million tenge (equivalent to: 200 million US dollars) for partial financing of the project "Construction of three compressor stations at MG "Beineu-Bozoy-Shymkent" at the rate of 3 months LIBOR + 1.35%.

In 2018, ANPZ received borrowings from Halyk bank JSC of 44,883 million tenge and fully redeemed borrowings from Halyk bank JSC of 43,665 million tenge, including accrued interest. Additionally, in 2018, ANPZ partially redeemed a loan from Eximbank of 42,448 million tenge.

In 2018, ICA, the subsidiary of KTG, received a short-term loan from Citibank N.A. Jersey Branch of 27,173 million tenge (equivalent to 85 million US dollars) at the rate of 1 month LIBOR + 2% per annum for the purpose of restructuring existing obligations. In 2018, ICA fully repaid principal under the loan agreement of 27,804 million tenge (equivalent to 85 million US dollars). In 2019 ICA partially repaid its borrowing from EBRD for 17,365 million tenge.

In 2018, the Company fully redeemed a loan from Sberbank Russia of 420 million US Dollars (equivalent to 152,989 million tenge), including accrued interest.

In 2018, KMGI made partial repayment of borrowings from Syndicated loan of 20,017 million tenge, including accrued interest.

In 2018 the Group received borrowings from DBK in the total amount of 15,933 million tenge and redeemed borrowings in the total amount of 80,419 million tenge, including interest. Additionally, the Group made a partial scheduled repayment of issued bonds held by DBK of 41,793 million tenge, including interest.

Changes in liabilities arising from financing activities

In millions of tenge	2019	2018	2017
On January 1	4,153,238	4,301,252	3,274,415
Received by cash	271,772	1,248,834	1,506,706
Repayment of debt for purchased property plant and equipment	–	33,216	135,393
Interest paid	(238,354)	(248,341)	(216,528)
Repayment of principal	(444,656)	(2,069,977)	(680,202)
Interest accrued (Note 14)	225,093	250,055	217,246
Interest capitalized (Note 15)	2,525	21,715	26,532
Discount	(7,781)	(6,528)	(15,552)
Derecognition of liabilities (Note 14)	(111,476)	(53,263)	–
Interest accrued for bond redemption (Note 14)	–	89,612	–
Foreign currency translation	(10,953)	385,144	70,415
Foreign exchange loss/gain	(7,366)	189,251	(13,492)
Other	5,462	12,268	(3,681)
On December 31	**3,837,504**	**4,153,238**	**4,301,252**
Current portion	253,428	330,590	884,140
Non-current portion	3,584,076	3,822,648	3,417,112

COVENANTS

The Group is required to ensure execution of the financial and non-financial covenants under the terms of the loan agreements. Failure to comply with financial covenants gives the lenders the right to demand early repayment of loans. As of December 31, 2019, 2018 and 2017, the Group complied with all financial and non-financial covenants.

In 2018 and 2017, the Group had limitations in terms of the acceptance of debt obligations according to the terms and conditions of the Eurobond documentation of international bonds issues. Thus, the debt increase was limited to the need to comply with a financial ratio, which was defined as the ratio of consolidated net debt to the total amount of the consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) with a threshold value of 3.5. As of December 31, 2019, December 31, 2018 and December 31, 2017, the Group complied with this restrictive condition. In 2019 the Company received a consent from the Eurobond holders resulting in revision of the covenant package. Accordingly, the limitation was excluded from the terms of the public debt of KMG.

HEDGE OF NET INVESTMENT IN THE FOREIGN OPERATIONS

As at December 31, 2019 certain borrowings denominated in foreign currency were designated as hedge instrument for the net investment in the foreign operations. These borrowings are being used to hedge the Group's exposure to the US Dollar foreign exchange risk on these investments. In 2019 gain of 10,332 million tenge (2018: losses of 364,168 million tenge; 2017: income of 67,151 million tenge) on the translation of these borrowings were transferred to other comprehensive income and offset translation gains and losses of the net investments in the subsidiaries (foreign operations).

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the US Dollars borrowings. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the fixed rate borrowings.

26. PROVISIONS

In millions of tenge	Asset retirement obligations	Provision for environmen-tal obligation	Provision for taxes	Provision for gas transpor-tation	Employee benefit obligations	Other	Total
As at December 31, 2016	**91,544**	**47,402**	**48,047**	**24,361**	**32,378**	**34,253**	**277,985**
Foreign currency translation	10	(52)	15	–	3,807	(1)	3,779
Change in estimate	(1,248)	(458)	–	(70)	–	62	(1,714)
Unwinding of discount	8,333	1,609	–	–	3,040	68	13,050
Provision for the year	3,488	10,902	7,305	–	4,214	12,946	38,855
Transfer to assets held for sale	–	(33)	–	–	–	(58)	(91)
Recovered	(678)	–	(16,528)	–	–	(5,457)	(22,663)
Use of provision	(903)	(1,164)	(11,162)	–	(3,091)	(10,294)	(26,614)
As at December 31, 2017	**100,546**	**58,206**	**27,677**	**24,291**	**40,348**	**31,519**	**282,587**
Foreign currency translation	1,930	5,491	10	1	41	2,097	9,570
Change in estimate	4,657	344	–	3,791	–	(85)	8,707
Unwinding of discount	9,232	2,291	–	–	3,204	133	14,860
Provision for the year	654	–	18,445	–	7,374	45,173	71,646
Recovered	(133)	(43)	(24,903)	–	–	(6,410)	(31,489)
Use of provision	(650)	(3,319)	(895)	–	(3,488)	(19,219)	(27,571)
Transfers and reclassifications	–	8	–	–	–	(50)	(42)
As at December 31, 2018	**116,236**	**62,978**	**20,334**	**28,083**	**47,479**	**53,158**	**328,268**
Foreign currency translation	(83)	(167)	(13)	(118)	–	69	(312)
Change in estimate	25,990	(7)	–	–	–	50	26,033
Unwinding of discount	10,005	3,670	–	–	3,559	144	17,378
Provision for the year	4,618	2,888	4,393	–	11,568	40,473	63,940
Recovered	(208)	(4,490)	(5,865)	–	–	(18,116)	(28,679)
Use of provision	(2,164)	(4,526)	(1,147)	–	(3,547)	(16,677)	(28,061)
Transfers and reclassifications	–	–	482	–	–	(1,922)	(1,440)
As at December 31, 2019	**154,394**	**60,346**	**18,184**	**27,965**	**59,059**	**57,179**	**377,127**

Provision for gas transportation relates to the Group's commitment on reimbursement of losses incurred by PetroChina International Co.Ltd (PetroChina). Under the agreement on gas borrowing the Group has commitments to PetroChina to reimburse the supported costs and losses incurred by PetroChina due to gas borrowing and its return. Detailed description of significant provisions, including critical estimates and judgments used, is included in Note 4.

Current portion and long-term portion are segregated as follows:

In millions of tenge	Asset retirement obligations	Provision for environmental obligation	Provisionfor taxes	Provision for gas transportation	Employee benefit obligations	Other	Total
As at December 31, 2019							
Current portion	805	7,728	18,184	27,965	6,425	42,431	103,538
Long-term portion	153,589	52,618	–	–	52,634	14,748	273,589
As at December 31, 2019	**154,394**	**60,346**	**18,184**	**27,965**	**59,059**	**57,179**	**377,127**
As at December 31, 2018							
Current portion	1,994	6,103	20,334	28,083	2,830	39,127	98,471
Long-term portion	114,242	56,875	–	–	44,649	14,031	229,797
As at December 31, 2018	**116,236**	**62,978**	**20,334**	**28,083**	**47,479**	**53,158**	**328,268**
As at December 31, 2017							
Current portion	1,543	5,922	27,677	24,291	2,689	16,690	78,812
Long-term portion	99,003	52,284	–	–	37,659	14,829	203,775
As at December 31, 2017	**100,546**	**58,206**	**27,677**	**24,291**	**40,348**	**31,519**	**282,587**

27. OIL SUPPLY AGREEMENT

In 2016, the Group entered into long-term crude oil and liquefied petroleum gas (“LPG”) supply agreement, which involves a prepayment. These prepayments for oil represent contract liability and were accounted for in accordance with IFRS 15. The agreement stipulated pricing calculation with reference to market quotes and prepayments were settled through physical deliveries of crude oil and LPG. The total minimum delivery volume approximates 38.4 million tons of crude oil and 1.25 million ton of LPG in the period from the date of the contract to June and August 2021.

The Group accrued interest for 19,541 million tenge (2018: 35,868 million tenge, 2017: 26,473 million tenge) with interest rate of Libor + 1.85% (Note 14).

The Group fully settled the prepayment through oil and LPG delivery on November 29, 2019.

28. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

In millions of tenge	2019	2018 (Reclassed)	2017 (Reclassed)
Contract liabilities	184,362	106,385	87,917
Due to employees	51,613	51,362	60,546
Financial guarantees	5,866	1,831	1,171
Dividends payable	354	1,750	1,852
Other	60,821	74,835	50,454
Total other current liabilities	**303,016**	**236,163**	**201,940**
Trade accounts payable	**667,861**	**632,739**	**513,851**

Trade accounts payable is denominated in the following currencies as of December 31:

In millions of tenge	2019	2018	2017
Tenge	328,538	260,094	218,849
US dollars	280,742	301,784	240,165
Romanian Leu	42,740	45,125	42,582
Euro	3,196	7,188	2,789
Other currency	12,645	18,548	9,466
Total	**667,861**	**632,739**	**513,851**

As at December 31, 2019, 2018 and 2017, trade accounts payable and other current liabilities were not interest bearing.

29. OTHER TAXES PAYABLE

In millions of tenge	2019	2018	2017
Rent tax on crude oil export	29,586	33,184	27,365
Mineral extraction tax	19,037	28,039	26,161
VAT	19,376	19,117	19,448
Individual income tax	6,135	6,603	6,581
Social tax	4,639	4,197	5,620
Excise tax	2,163	2,885	2,888
Withholding tax from non-residents	1,873	2,868	4,545
Other	3,857	8,133	8,590
	86,666	**105,026**	**101,198**

30. INCOME TAX EXPENSES

As at December 31, 2019 income taxes prepaid of 54,517 million tenge (2018: 53,143 million tenge, 2017: 36,135 million tenge) are represented by corporate income tax. As at December 31, 2019 income taxes payable of 13,011 million tenge (2018: 13,272 million tenge, 2017: 10,081 million tenge) are represented mainly by excess profit tax and corporate income tax.

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

In millions of tenge	2019	2018	2017
Current income tax			
Corporate income tax	146,658	160,011	112,227
Excess profit tax	11,291	(1,128)	5,137
Withholding tax on dividends and interest income	12,893	25,517	21,967
Deferred income tax			
Corporate income tax	(1,999)	10,093	22,394
Excess profit tax	(4,904)	(7,850)	(1,275)
Withholding tax on dividends	62,241	92,617	29,835
Income tax expenses	**226,180**	**279,260**	**190,285**

According to the 2006 amendments to the tax legislation, which were effective starting from the fiscal years beginning on January 1, 2007, dividends received from Kazakhstan taxpayers were exempt from income tax withheld at the source of payment. Therefore, in 2006 the Group reversed the deferred tax liability on undistributed profits of subsidiaries, joint ventures and associates registered in the Republic of Kazakhstan, which was recognized in prior years. However, during 2007-2019 the Group was receiving dividends from Tengizchevroil LLP (20% joint venture of the Group, a Kazakhstan taxpayer) net of withholding tax since there is uncertainty whether the withholding tax exemption is applicable for the stable tax regime of Tengizchevroil LLP. The Group was challenging withholding of the tax on those dividends, but has not managed to convince Tengizchevroil LLP and the tax authorities that withholding tax should not be applied. Therefore, Management of the Group recognizes the deferred income tax withholding on its interest in undistributed retained earnings of Tengizchevroil LLP as its current best estimate is that the Group will continue to receive dividends net of withholding tax in future years.

A reconciliation of income tax expenses applicable to profit before income tax at the statutory income tax rate (20% in 2019-2017) to income tax expenses was as follows for the years ended December 31:

In millions of tenge	2019	2018	2017
Profit before income tax from continuing operations	1,384,631	969,318	719,399
Profit/(loss) before income tax from discontinued operations	6	3,493	(3,405)
Statutory tax rate	20%	20%	20%
Income tax expense on accounting profit	**276,927**	**194,562**	**143,199**
Share in profit of joint ventures and associates	(103,138)	(73,593)	(39,493)
Other non-deductible expenses and non-taxable income	36,913	61,618	41,106
Excess profit tax	6,387	(8,978)	3,861
Effect of different corporate income tax rates	13,047	13,149	3,234
Change in unrecognized deferred tax assets	(3,956)	92,542	38,640
	226,180	**279,300**	**190,547**
Income tax expense attributable to continued operations	**226,180**	**279,260**	**190,285**
Income tax expense attributable to discontinued operations	**–**	**40**	**262**
	226,180	**279,300**	**190,547**

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

In millions of tenge	2019			
	Corporate income tax	Excess profit tax	Withholding tax	Total
Deferred tax assets				
Property, plant and equipment	34,880	–	–	34,880
Tax loss carryforward	556,446	–	–	556,446
Employee related accruals	5,182	82	–	5,264
Impairment of financial assets	11	–	–	11
Environmental liability	4,572	256	–	4,828
Other	51,985	3,893	–	55,878
Less: unrecognized deferred tax assets	(532,114)	–	–	(532,114)
Less: deferred tax assets offset with deferred tax liabilities	(50,721)	(758)	–	(51,479)
Deferred tax assets	**70,241**	**3,473**	**–**	**73,714**
Deferred tax liabilities				
Property, plant and equipment	191,989	7,608	–	199,597
Undistributed earnings of joint venture	–	–	356,581	356,581
Other	4,763	–	–	4,763
Less: deferred tax assets offset with deferred tax liabilities	(50,721)	(758)	–	(51,479)
Deferred tax liabilities	**146,031**	**6,850**	**356,581**	**509,462**
Net deferred tax liability	**75,790**	**3,377**	**356,581**	**435,748**

The movements in the deferred tax liability/ (asset) were as follows:

In millions of tenge	2019			
	Corporate income tax	Excess profit tax	Withhol-ding tax	Total
Net deferred tax liability as at January 1	**77,856**	**8,281**	**295,580**	**381,717**
Foreign currency translation	1,112	–	(1,240)	(128)
Tax expense/(income) during the year recognized in profit and loss	(1,999)	(4,904)	62,241	55,338
Tax (income)/expense during the year recognized in OCI	(1,179)	–	–	(1,179)
Net deferred tax liability as at December 31	**75,790**	**3,377**	**356,581**	**435,748**

Deferred corporate income tax and excess profit tax are determined with reference to individual subsoil use contracts. Deferred corporate income tax is also determined for activities outside of the scope of subsoil use contracts. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax asset arising mainly from tax losses carry forward amounted to 532,114 million tenge as at December 31, 2019 (2018: 536,070 million tenge, 2017: 443,528 million tenge).

Tax losses carry forward as at December 31, 2019, 2018 and 2017 in the Republic of Kazakhstan expire for tax purposes after ten years from the date they are incurred.

	2018				2017			
	Corporate income tax	Excess profit tax	Withholding tax	Total	Corporate income tax	Excess profit tax	Withholding tax	Total
	36,803	(1,916)	–	34,887	53,100	(2,214)	–	50,886
	574,356	–	–	574,356	462,368	–	–	462,368
	6,732	–	–	6,732	7,017	233	–	7,250
	8	–	–	8	4	–	–	4
	4,445	–	–	4,445	4,249	217	–	4,466
	51,583	–	–	51,583	40,470	1,345	–	41,815
	(536,070)	–	–	(536,070)	(443,528)	–	–	(443,528)
	(38,060)	–	–	(38,060)	(24,580)	–	–	(24,580)
	99,797	**(1,916)**	**–**	**97,881**	**99,100**	**(419)**	**–**	**98,681**
	208,108	6,365	–	214,473	153,438	15,712	–	169,150
	–	–	295,580	295,580	–	–	202,963	202,963
	7,605	–	–	7,605	33,205	–	–	33,205
	(38,060)	–	–	(38,060)	(24,580)	–	–	(24,580)
	177,653	**6,365**	**295,580**	**479,598**	**162,063**	**15,712**	**202,963**	**380,738**
	77,856	**8,281**	**295,580**	**381,717**	**62,963**	**16,131**	**202,963**	**282,057**

	2018				2017			
	Corporate income tax	Excess profit tax	Withhol-ding tax	Total	Corporate income tax	Excess profit tax	Withhol-ding tax	Total
	62,963	**16,131**	**202,963**	**282,057**	**40,547**	**17,407**	**173,127**	**231,081**
	4,714	–	–	4,714	(120)	(1)	1	(120)
	10,093	(7,850)	92,617	94,860	22,394	(1,275)	29,835	50,954
	86	–	–	86	142	–	–	142
	77,856	**8,281**	**295,580**	**381,717**	**62,963**	**16,131**	**202,963**	**282,057**

31. RELATED PARTY DISCLOSURES

TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES

Related party transactions were made on terms agreed between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties. Outstanding balances at the year-end are mainly unsecured and interest free and settlement occurs in cash, except as indicated below. The Group recognizes allowances for expected credit losses on amounts owed by related parties.

TRANSACTIONS BALANCES

The following table provides the balances of transactions with related parties as at December 31, 2019, 2018 and 2017:

In millions of tenge		Due from related parties	Due to related parties	Cash and deposits placed with related parties	Borrowings payable to related parties
Samruk-Kazyna entities	2019	327,597	6,168	–	52,843
	2018	268,396	3,656	52	–
	2017	289,084	1,703	54	–
Associates	2019	56,331	3,814	–	–
	2018	116,670	2,089	–	–
	2017	154,954	3,748	–	–
Other state-controlled parties	2019	6,381	712	192,548	269,335
	2018	157	8,813	–	455,540
	2017	–	8,753	2,676	489,949
Joint ventures	2019	519,351	217,027	–	–
	2018	508,260	174,042	–	–
	2017	556,564	194,182	–	–

DUE FROM RELATED PARTIES

Samruk-Kazyna entities

As at December 31, 2019 due from Samruk-Kazyna entities is mainly represented by the financial aid provided to Samruk-Kazyna for 307,568 million tenge and bonds of 16,241 million tenge (2018: 244,878 million tenge and 15,315 million tenge, 2017: 259,835 million tenge and 18,342 million tenge) (Note 24).

Associates

As at December 31, 2019 due from associates was mainly represented by the loan to CPC provided by KPV of 8,691 million tenge (2018: 20,682 million tenge, 2017: 27,402 million tenge) and “Kazakhstan Note” of 38,670 million tenge (2018: 89,018 million tenge, 2017: 121,510 million tenge). The “Kazakhstan Note” is the subordinated debt issued by CPC to the Government in exchange for Kazakstani pipeline assets transferred to CPC on May 16, 1997. In 2015, the Government contributed the right to claim payments under "Kazakhstan Note" to the share capital of the Company.

Joint ventures

As at December 31, 2019 due from joint ventures were mainly represented by the loan given to BeineuShymkent Pipelines of 202,669 million tenge (2018: 226,319 million tenge, 2017: 207,557 million tenge), PKOP of 110,172 million tenge (2018: 133,531 million tenge, 2017: 133,676 million tenge), UGL of 48,752 million tenge (2018: 37,669 million tenge, 2017: 28,049 million tenge) and advances paid to TCO for 92,435 million tenge (2018: 56,753 million tenge, 2017: 52,539 million tenge) under crude oil and LPG purchase contract (Note 27).

Joint ventures

As at December 31, 2019 due to joint ventures were mainly represented by accounts payable to BeineuShymkent Pipelines of 95,908 million tenge (2018: 39,429 million tenge, 2017: 55,131 million tenge) and Asia Gas Pipeline for gas transportation of 39,323 million tenge (2018: 23,596 million tenge, 2017: 27,143 million tenge), and accounts payable for gas purchases from KazRosGas for 30,477 million tenge (2018: 50,845 million tenge, 2017: 25,395 million tenge).

CASH AND DEPOSITS PLACED WITH RELATED PARTIES

Other state-controlled parties

As at December 31, 2019 the cash and deposits placed with related parties are mainly attributable placed deposit by the Company for 500 million US dollars (equivalent to 192,547 million tenge) at market rate.

BORROWINGS PAYABLE TO RELATED PARTIES

Other state-controlled parties

As at December 31, 2019 the borrowings payable to related parties are represented by loans received from DBK by ANPZ, PNHZ and KTG of 269,335 million tenge (loans and bonds payable to DBK 2018: 455,540 million tenge, 2017: 483,749 million tenge) (Note 25).

PROCEEDS FROM LOANS GIVEN TO RELATED PARTIES

In 2019 the Group received proceeds from principal and interest redemption of the loan issued to PKOP for 29,949 million tenge (2018: 28,110 million tenge, in 2017: 7,392 million tenge), CPC for 12,656 million tenge (2018: 11,609 million tenge, 2017: 9,077 million tenge), BeineuShymkent Pipelines for 31,988 million tenge (2018: 12,775 million tenge, 2017: nil), and proceeds from interest on the “Kazakhstan Note” for 47,663 million tenge (2018: 44,822 million tenge, 2017: 35,143 million tenge).

TRANSACTIONS TURNOVER

The following table provides the total amount of transactions, which have been entered into with related parties during 2019, 2018 and 2017:

In millions of tenge		Sales to related parties	Purchases from related parties	Interest earned from related parties	Interest incurred to related parties
Samruk-Kazyna entities	2019	42,250	20,030	24,054	2,841
	2018	63,951	25,372	23,370	–
	2017	66,161	29,897	28,365	–
Associates	2019	19,565	40,930	8,892	–
	2018	23,150	22,529	9,800	–
	2017	9,598	38,648	10,414	–
Other state-controlled parties	2019	7,149	3,540	1,300	20,728
	2018	157	48,882	–	29,748
	2017	–	2,942	–	25,694
Joint ventures	2019	307,075	1,511,600	43,324	11,183
	2018	321,806	1,487,044	27,264	3,258
	2017	318,155	1,000,164	25,869	10,769

SALES TO RELATED PARTIES

Joint ventures

In 2019 sales to joint ventures were mainly represented by transportation and cargo servicing provided to TCO for 64,246 million tenge (2018: 43,896 million tenge, 2017: 44,225 million tenge), transportation charges and oil servicing provided to Mangistaumunaigas for 59,235 million tenge (2018: 56,927 million tenge, 2017: 55,615 million tenge) for 79,281 million tenge (2018: 70,255 million tenge, 2017: 66,949 million tenge, respectively), respectively.

PURCHASES FROM RELATED PARTIES

Joint ventures

In 2019 purchases from joint ventures were mainly attributable to purchases of crude oil and LPG from TCO to perform the oil delivery customer contract (Note 27) for 1,131,890 million tenge (2018: 1,132,908 million tenge, 2017: 819,258 million tenge).

KEY MANAGEMENT EMPLOYEE COMPENSATION

Total compensation to key management personnel (members of the Boards of directors and the Management boards) included in general and administrative expenses in the accompanying consolidated statement of comprehensive income was equal to 11,399 million tenge, 8,999 million tenge and 9,022 million tenge for the years ended December 31, 2019, 2018 and 2017, respectively. Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

32. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly consist of borrowings, loans given, financial guarantees, cash and cash equivalents, bank deposits as well as accounts receivable and accounts payable. The Group is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group further monitors the market risk and liquidity risk arising from all financial instruments.

Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency, and securities, all of which are exposed to general and specific market movements. The Group manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing appropriate margin and collateral requirements. The sensitivity analyses in the following sections relate to the position as of December 31, 2019, 2018 and 2017.

Foreign currency risk

As a result of significant borrowings and accounts payable denominated in the US dollars, the Group's consolidated statement of financial position can be affected significantly by movement in the US dollar / tenge exchange rates. The Group also has transactional currency exposures. Such exposure arises from revenues in the US dollars. The Group has a policy on managing its foreign currency risk in US dollar by matching US dollar denominated financial assets with US dollar denominated financial liabilities. The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before income tax (due to changes in the cash flows of monetary assets and liabilities). The sensitivity of possible the changes in exchange rates for other currencies are not considered due to its insignificance to the consolidated financial results of Group's operations.

In millions of tenge	Increase/ (decrease) in tenge to US dollar exchange rate	Effect on profit before tax
2019	+12%	(291,448)
	(9%)	218,586
2018	+14%	(260,693)
	(10%)	186,209
2017	+10%	(96,953)
	(10%)	96,953

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term borrowings with floating interest rates. The Group's policy is to manage its interest rate cost using a mix of fixed and variable rate borrowings. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before income tax (through the impact on floating rate borrowings) and equity. There is no significant impact on the Group's equity.

In millions of tenge	Increase/ decrease in basis points	Effect on profit before tax
2019	+0.35	(2,419)
LIBOR	**(0.35)**	**2,419**
2018	+0.50	(5,618)
LIBOR	**(0.15)**	**1,685**
2017	+0.70	(6,776)
LIBOR	**(0.08)**	**763**

CREDIT RISK

The Group trades only with recognized, creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 14. There are no significant concentrations of credit risk within the Group.

With respect to credit risks arising on other financial assets of the Group, which comprise cash and cash equivalents, bank deposits, trade accounts receivable, bonds receivable, loans and notes receivable and other financial assets, the Group's exposure to credit risks arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below shows the balances of major subsidiaries' cash and cash equivalents, short-term and long-term deposits (Notes 23 and 18) held in banks at the reporting date using the Standard and Poor's credit ratings.

In millions of tenge		Rating[1]					
Banks	Location	2019	2018	2017	2019	2018	2017
Halyk Bank	Kazakhstan	BB (stable)	BB (stable)	BB (stable)	566,642	666,844	622,931
Rabobank	the Netherlands	A+ (stable)	A+ (positive)	A+ (positive)	210,252	70,462	81,923
National Bank RK	Kazakhstan	BBB- (stable)	-	-	192,548	–	–
Credit Agricole Corporate	the United Kingdom	A+ (stable)	A+(stable)	A+ (positive)	86,993	123,199	–
Mizuho Bank Ltd	the United Kingdom	A (positive)	A (stable)	A (stable)	61,014	149,381	373,030
Deutsche Bank	the Netherlands	BBB+ (stable)	BBB+ (stable)	A- (negative)	55,880	124,145	88,991
Citibank	Kazakhstan	A+(stable)	A+(stable)	A+(stable)	44,080	7,031	2,032
MUFG Bank (Bank of Tokyo-Mitsubishi UFJ)	the United Kingdom	A (positive)	A (positive)	A (stable)	33,998	218,600	464,530
ING Bank	the Netherlands	A+(stable)	A+ (stable)	A+ (stable)	10,331	23,690	170,385
HSBC	United Kingdom	AA- (negative)	AA- (stable)	AA- (stable)	2,991	2,450	113,090
Societe Generale	Switzerland	A (positive)	A (positive)	A (stable)	52	189	164,779
Societe Generale	the United Kingdom	–	A (positive)	A (stable)	–	149,326	314,734
Citibank	the United Arab Emirates	–	A+(stable)	A+(stable)	–	149,293	50,034
Sumitomo Mitsui Banking Corporation	the United Kingdom	–	A (positive)	A (positive)	–	149,290	–

[1] The Group excludes from the maturity profile table the loans payable to project partners under the carry-in financing agreements (Note 25), due to the uncertainty of maturity of these loans.

In millions of tenge			Rating[1]				
Banks	Location	2019	2018	2017	2019	2018	2017
BNP Paribas	the United Kingdom	–	A (positive)	BB+ (stable)	–	22	162,829
Kazkommertsbank	Kazakhstan	–	–	B+ (negative)	–	2	78,657
Other banks					190,560	134,167	256,284
					1,455,341	**1,968,091**	**2,944,229**

Continued support by the state bodies of the Republic of Kazakhstan is a key assumption in management's conclusions that no additional recognition of expected credit losses are required, and is based on management's review of all available information at the date of approval of the consolidated financial statements.

LIQUIDITY RISK

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

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The table below summarises the maturity profile of the Group's financial liabilities at December 31, 2019, 2018 and 2017 based on contractual undiscounted payments.

In millions of tenge	On demand	Due later than one month but not later than three months	Due later than three month but not later than one year	Due later than one year but not later than five years	Due after 5 years[1]	Total
As at December 31, 2019						
Borrowings[1]	68,135	15,905	325,822	1,750,799	4,358,675	6,519,336
Trade accounts payable	255,550	368,492	43,819	–	–	667,861
Financial guarantees[2]	–	22,082	65,337	318,978	626	407,023
Lease liabilities	4,922	204	5,795	26,026	10,419	47,366
Other financial liabilities	13,249	8,391	8,570	8,207	1,901	40,318
	341,856	**415,074**	**449,343**	**2,104,010**	**4,371,621**	**7,681,904**
As at December 31, 2018						
Borrowings[1]	121,164	49,988	335,828	1,837,612	4,624,005	6,968,597
Trade accounts payable	269,538	352,008	11,193	–	–	632,739
Financial guarantees[2]	–	4,205	11,655	168,548	183,076	367,484
Lease liabilities	1,157	194	1,530	6,866	35	9,782
Other financial liabilities	11,012	14,530	17,772	–	–	43,314
	402,871	**420,925**	**377,978**	**2,013,026**	**4,807,116**	**8,021,916**

1. The Group excludes from the maturity profile table the loans payable to project partners under the carry-in financing agreements (Note 25), due to the uncertainty of maturity of these loans.
2. The Group includes financial guarantees to the maturity profile table, however, the cash outflow in relation to financial guarantees is subject to certain conditions. Financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because of specified debtor fails to make payment when due in accordance with the original or modified terms of debt instrument. In 2017, 2018 and 2019 there was no instances of financial guarantees execution.

In millions of tenge	On demand	Due later than one month but not later than three months	Due later than three month but not later than one year	Due later than one year but not later than five years	Due after 5 years[1]	Total
As at December 31, 2017						
Borrowings[1]	78,839	51,491	942,639	2,218,917	2,649,616	5,941,502
Trade accounts payable	249,845	177,151	86,855	–	–	513,851
Financial guarantees[2]	–	4,488	13,465	105,156	190,656	313,765
Lease liabilities	176	101	1,641	5,597	142	7,657
Other financial liabilities	5,260	20,201	4,183	–	–	29,644
	334,120	**253,432**	**1,048,783**	**2,329,670**	**2,840,414**	**6,806,419**

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to maximise the shareholder value. The Group manages its capital to ensure that Group 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 seeks to maintain a prudent capital structure to support its capital investment plans and maintain investment grade credit rating through the cycle. Maintaining sufficient financial flexibility is considered strategically important to mitigate industry cyclicality while also enabling the pursuit of organic and inorganic investment opportunities.

The Company has a comprehensive and disciplined internal approval process for capital expenditures, new projects and debt incurrence.

For the purpose of the Group's capital management, the capital structure of the Group consists of borrowings disclosed in Note 25 less cash and short-term deposits and equity, comprising share capital, additional paid-in capital, other reserves and retained earnings as disclosed in Note 24.

The Group's management regularly reviews the capital structure. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Also to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to borrowings that define capital structure requirements. There have been no breaches of the financial covenants of any borrowing in the years ended December 31, 2017, 2018 and 2019 (Note 25).

The carrying amount of the Group financial instruments as at December 31, 2019, 2018 and 2017 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

In millions of tenge	2019				
	Carrying amount	Fair value	Fair value by level of assessment		
			Level 1	**Level 2**	**Level 3**
Bonds receivable from Samruk-Kazyna	16,241	18,835	–	18,835	–
Debts issued to related parties at amortised cost and lease receivable from a joint venture	510,002	506,868	–	304,422	202,446
Fixed interest rate borrowings	3,146,477	3,576,082	3,172,400	403,682	–
Floating interest rate borrowings	691,027	714,271	–	714,271	–

1. The Group excludes from the maturity profile table the loans payable to project partners under the carry-in financing agreements (Note 25), due to the uncertainty of maturity of these loans.
2. The Group includes financial guarantees to the maturity profile table, however, the cash outflow in relation to financial guarantees is subject to certain conditions. Financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because of specified debtor fails to make payment when due in accordance with the original or modified terms of debt instrument. In 2017, 2018 and 2019 there was no instances of financial guarantees execution.

In millions of tenge	2019	2018	2017
Borrowings	3,837,504	4,153,238	4,301,252
less: cash and short term bank deposits	1,423,956	1,925,912	2,902,928
Net debt	2,413,548	2,227,326	1,398,324
Equity	8,196,656	7,143,069	6,783,605
Capital and net debt	10,610,204	9,370,395	8,181,929

No changes were made in the overall strategy, objectives, policies or processes for managing capital during the years ended December 31, 2017, 2018 and 2019.

FAIR VALUES OF FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY

The fair value of bonds receivable from the Samruk-Kazyna and other debt instruments have been calculated by discounting the expected future cash flows at market interest rates.

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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.

There were no transfers between Level 1 and Level 2 during the reporting period, and no transfers into or out of Level 3 the fair value measurement.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the year.

	2018					2017				
	Carrying amount	Fair value	Fair value by level of assessment			Carrying amount	Fair value	Fair value by level of assessment		
			Level 1	**Level 2**	**Level 3**			**Level 1**	**Level 2**	**Level 3**
	15,315	20,444	–	20,444	–	18,342	21,807	–	21,807	–
	491,955	484,657	–	245,278	239,379	785,593	791,667	–	264,078	527,589
	3,029,688	2,972,627	2,726,332	246,295	–	3,137,182	3,230,352	2,996,478	233,874	–
	1,123,550	1,153,454	–	1,153,454	–	1,164,070	1,186,192	–	1,186,192	–

33. CONSOLIDATION

The following direct significant subsidiaries have been included in these consolidated financial statements:

Significant entities	Main activity	Country of	Percentage ownership		
			incorporation	2018	2017
KazMunayGas Exploration Production JSC	Exploration and production	Kazakhstan	99.70%	99.50%	63.01%
KazMunayTeniz LLP	Exploration and production	Kazakhstan	100.00%	100.00%	100.00%
KMG Karachaganak LLP	Exploration and production	Kazakhstan	100.00%	100.00%	100.00%
KazTransOil JSC	Oil transportation	Kazakhstan	90.00%	90.00%	90.00%
KazMorTransFlot LLP	Oil transportation and construction	Kazakhstan	100.00%	100.00%	100.00%
KazTransGas JSC	Gas transportation	Kazakhstan	100.00%	100.00%	100.00%
Cooperative KazMunayGas PKI U.A.	Переработка и реализация нефтепродуктов	Нидерланды	100,00 %	100,00 %	100,00 %
	Refinery and marketing of oil products	Netherlands	100.00%	100.00%	100.00%
Atyrau Refinery LLP	Refinery	Kazakhstan	99.53%	99.53%	99.53%
Pavlodar oil chemistry refinery LLP	Refinery	Kazakhstan	100.00%	100.00%	100.00%
KMG International N.V.	Refinery and marketing of oil products	Romania	100.00%	100.00%	100.00%
KazMunayGas Onimdery LLP	Marketing of oil products	Kazakhstan	100.00%	100.00%	100.00%
KazMunayGas-Service LLP	Service projects	Kazakhstan	100.00%	100.00%	100.00%
KMG Drilling&Services LLP	Drilling services	Kazakhstan	100.00%	100.00%	100.00%

34. CONTINGENT LIABILITIES AND COMMITMENTS

OPERATING ENVIRONMENT

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

COMMODITY PRICE RISK

The Group generates most of its revenue from the sale of commodities, primarily crude oil and oil products. Historically, the prices of these products have been volatile and have fluctuated widely in response to changes in supply and demand, market uncertainty, the performance of the global or regional economies and cyclicality in industries.

Prices may also be affected by government actions, including the imposition of tariffs and import duties, speculative trades, an increase in capacity or an oversupply of the Group's products in its main markets. These external factors and the volatility of the commodity markets make it difficult to estimate future prices.

A substantial or extended decline in commodity prices would materially and adversely affect the Group's business and the consolidated financial results and cash flows of operations. The Group does not hedge significantly its exposure to the risk of fluctuations in the price of its products.

TAXATION

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Due to 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 December 31, 2019.

As at December 31, 2019, Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

TRANSFER PRICING CONTROL

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market price determined in accordance with the arm's length principle. The law on transfer pricing came into force in Kazakhstan from January 1, 2009. The law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance, which is still under development. As a result, application of transfer pricing control to various types of transactions is not clearly regulated. Because of the uncertainties associated with the Kazakhstan transfer pricing legislation, there is a risk that the tax authorities may take a position that differs from the Group's position, which could result in additional taxes, fines and interest at December 31, 2019. As at December 31, 2019 management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained.

ENVIRONMENTAL AUDIT AT JSC "EMBAMUNAIGAS" (EMBAMUNAIGAS)

Since 2018 Embamunaigas, the Group subsidiary, has been subject to three ecological audits for the periods from November 2017 to December 2018. During 2018 Embamunaigas accrued 34,213 million and paid-off in total 8,143 million tenge. As a result, the provision as of December 31, 2018 amounted to 26,070 million tenge in the consolidated financial statements for 2018.

During 2019 to avoid late payment penalties, Embamunaigas paid-off 6,472 million tenge. In the meantime, in 2019, the court ruled to decrease the amount of fines, and accordingly Embamunaigas reversed 25,433 million tenge, net, and filed tax return to offset earlier recognized provision of 10,420 million tenge as prepayment for other taxes. As a result, the provision amounted to 4,585 million tenge as at December 31, 2019.

LEGAL ISSUES AND CLAIMS

KMG DRILLING & SERVICES LLP (KMG DS) LITIGATIONS WITH CONSORTIUM OF COMPANIES ERSAI CASPIAN CONTRACTOR LLP AND CASPIAN OFFSHORE AND MARINE CONSTRUCTION LLP

KMG DS, the subsidiary of the Group, was involved in arbitration proceedings with the Consortium of Ersai Caspian Contractor LLP and Caspian Offshore & Marine Construction Kazakhstan LLP (further - "Consortium" or "Plaintiff") on the issues arising from the contract for the purchase of integrated works on construction of a jack-up floating drilling rig dated 5 July 2012. The initial claim amounted to 192 million US dollars (equivalent to 73,501 million tenge) and was under arbitration of the London Court of International Arbitration (LCIA). The claim components were as follows:

- Compensation related to the increase in the cost of the contract (deficiencies in the project documentation and changes in the design solution) of 140,118 thousand US dollars (equivalent to 53,833 million tenge);
- A penalty of 1,383 thousand US dollars (equivalent to 531 million tenge);
- The amount of claims for currency adjustment of 50,613 thousand US dollars (equivalent to 19,446 million tenge).

The Plaintiffs indicated a possible change in this amount at the date of payment of the claim.

On April 11, 2018, after negotiations the Consortium reduced the initial claim amount and reduced it to 140 million dollars (equivalent to 54.3 billion tenge). There was uncertainty regarding the result of the resolution, as such, as at December 31, 2018 and 2017 the Group did not recognize any provision on this case. During 2019, KMG DS has filed a counter claim against the Consortium.

On November 8, 2019, the Group sent a notification to LCIA to suspend the proceedings as parties decided to resolve the dispute by peaceful means.

As of December 31, 2019 in accordance with the legal advice and existing international practices, the Group accrued a provision of 90,000 thousand US dollars (equivalent to 34,132 million tenge at the exchange rate for December 31, 2019) in the general and administrative expenses (Note 12) in the statement of comprehensive income. As of the date of the issue of the consolidated financial statements the negotiations were under way with the Consortium.

CIVIL LITIGATION (KMG I)

According to a Decree issued April 22, 2016, Prosecutor's Office of Romania with the General Headquarters of the Department for Fight Against Organized Crime and Terrorism (DIICOT) investigated the case against 26 suspects under charges of organized crime (14 of them were employees of KMGI).

On July 22, 2016 the Company and KMG I submitted to the Romanian authorities the Notice of Investment Dispute based on the Agreement between the Government of Romania and the Government of the Republic of Kazakhstan, the Agreement between the Government of the Kingdom of the Netherlands and the Government of Romania and the Energy Charter Treaty. Based on the results of the negotiations, in February 2013, a Memorandum of Understanding was signed between the Government of Romania and KMG I.

On December 5, 2019 Prosecutor's Office of Romania issued another Ordinance according to which the criminal charges were dismissed because the statute of limitations expired. The same decree lifted all seizures on Rompetrol Rafinare S.A. assets imposed in 2016, with the exception of a number of production facilities at Petromidia Refinery to provide for potential claims of US Dollars 106.5 million US dollars.

On December 27, 2019 KMG I challenged the Ordinance and requires the case to be dismissed on merits, but statute of limitations expired.

A complaint was filed by 3 plaintiffs on the decision of the Romanian Prosecutor's Office: 1) The Romanian Privatization Agency regarding the improper fulfillment by KMGI of the post-privatization requirements for the obligations of Petromidia Refinery and Vega Refinery in 2013-2014 in the amount of 30 million US dollars; 2) Faber Invest & Trade Inc., the non-controlling shareholder of KMG I subsidiaries, in challenging a number of decisions of KMGI as a shareholder of Rompetrol Rafinare S.A. at that time, in the amount of 55 million US dollars in criminal and civil cases; 3) Mr. Stephenson George Philip, the former director of KMG I, in criminal and civil matters. As of the date of these consolidated financial statements for the year ended 31 December 2019, the Group did not receive any communication from the court.

DISPUTES REGARDING THE CALCULATION OF THE PROPORTION OF PROFIT OIL SHARING WITH THE REPUBLIC OF KAZAKHSTAN (KMG KARACHAGANAK LLP)

According to the Karachaganak Final Production Sharing Agreement (FPSA), the Karachaganak project profit oil sharing is regulated by the Fairness Index. In the second quarter of 2014, the economics of the Karachaganak project reached a level where the trigger on the Fairness Index "worked" and the proportion in the profit oil sharing changed in favour of the Republic of Kazakhstan.

In addition, from August 20, 2014 to the present, the Ministry of Energy of the Republic of Kazakhstan (MinEnergy) quarterly notifies the Contracting Companies, participants of FPSA, (Contracting Companies) of disagreement regarding the presented calculation of the proportion of the profit oil sharing.

On December 30, 2016, a legally non-binding Memorandum of Understanding was signed between the Republic of Kazakhstan and the Contracting Companies.

On September 29, 2017 the competent authority represented by PSA LLP, filed a request for arbitration in the name of the Contracting Companies (with the exception of KMG Karachaganak LLP) on the improper calculation of the Fairness Index. KMG Karachaganak LLP (KMG Karachaganak) was not involved in the arbitration process due to a conflict of interest.

On October 1, 2018, the Contracting Companies entered into a non-legally binding Agreement on Principles (hereinafter referred to as the "AOP"). On June 17, 2019 the MinEnergy sent a letter to the Contracting Companies that the regulations based on AOP is not acceptable to the MinEnergy. Also MinEnergy promulgated that it is open for new discussions that are to be based on revised mechanisms of the objectivity Index.

In September 2019 in Arbitrage (Paris) the hearings took place, and the final decision is expected in 2020.

Currently, the Republic of Kazakhstan and the Contracting Companies are negotiating the conclusion of a legally binding Settlement Agreement.

KMG Karachaganak, together with the KMG and the competent authority represented by PSA LLP, prepared comments on the draft AOP between the Contracting Companies and the Republic of Kazakhstan, relating to exclusion of KMG Karachaganak from participating in the payment of compensation. In the opinion of the Group's Management, it is highly probable that KMG Karachaganak will be excluded from participation in the payment of compensation. Accordingly, no provisions have been made under the terms of the AOP in these consolidated financial statements.

COST RECOVERY AUDITS

Under the base principles of the production sharing agreements, the Government transferred to contractors the exclusive rights to conduct activities in the subsurface use area, but did not transfer rights to this subsurface use area either to ownership or lease. Thus, all extracted and processed oil (i.e. the hydrocarbons produced) are the property of the Government. Works are carried out on the basis of compensation and the Government pays to the contractors not in cash but in the form of the portion of oil production, thereby allowing the contractors to recover their costs and earn profit.

In accordance with the production sharing agreements not all costs incurred by the contractors could be reimbursed. Certain expenditures need to be approved by the authorized bodies. The authorized bodies conduct the cost recovery audits. In accordance with the costs recovery audits completed prior to December 31, 2019 certain amounts of the costs incurred by contractors were assessed as non-recoverable. The parties to the production sharing agreements are in negotiations with respect to the recoverability of those costs.

As of December 31, 2019 the Group's share in the total disputed amounts of costs is 402,474 million tenge (2018: 382,594 million tenge, 2017: 242,915 million tenge). The Group and its partners under the production sharing agreements are in negotiation with the Government with respect to the recoverability of these costs.

KAZAKHSTAN LOCAL MARKET OBLIGATION

The Government requires oil companies in the Republic of Kazakhstan to supply a portion of the products to meet the Kazakhstan domestic energy requirement on an annual basis, mainly to maintain oil products supply balance on the local market and to support agricultural producers during the spring and autumn sowing and harvest campaigns.

Kazakhstan local market oil prices are significantly lower than export prices and even lower than the normal domestic market prices determined in an arm-length transaction. If the Government does require additional crude oil to be delivered over and above the quantities currently supplied by the Group, such supplies will take precedence over market sales and will generate substantially less revenue than crude oil sold on the export market, which may materially and adversely affect the Group's business, prospects, consolidated financial position and results of operations.

In 2019, in accordance with its obligations, the Group delivered 6,223,752 tons of crude oil (2018: 6,224,344 tons, 2017: 5,407,526 tons), including joint ventures, to the Kazakhstan market.

COMMITMENTS UNDER SUBSOIL USE CONTRACTS

As at December 31, 2019 the Group had the following commitments related to minimal working program in accordance with terms of licenses, production sharing agreements and subsoil use contracts, signed with the Government:

Year	Capital expenditures	Operational expenditures
2020	212,288	42,733
2021	10,829	3,693
2022	9,389	3,410
2023-2048	8,697	25,762
Total	**241,203**	**75,598**

OIL SUPPLY COMMITMENTS

As of December 31, 2019 the Group had commitments under the oil supply agreements in the total amount of 12.8 million ton (as at December 31, 2018: 22.6 million ton and December 31, 2017: 28.7 million ton), including commitments of joint venture.

OTHER CONTRACTUAL COMMITMENTS

As at December 31, 2019, the Group, including joint ventures, had other capital commitments of approximately 335,609 million tenge (as at December 31, 2018: 620,057 million tenge and 2017: 501,752 million tenge), related to acquisition and construction of property, plant and equipment.

As at December 31, 2019, the Group had commitments in the total amount of 78,677 million tenge (as at December 31, 2018: 114,380 million tenge and 2017: 142,406 million tenge) under the investment programs approved by the joint order of Ministry of Energy of RK and Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of RK and aimed at capital construction/reconstruction/overhaul/diagnostic of production facilities.

NON-FINANCIAL GUARANTEES

As of December 31, 2019, 2018 and 2017, the Group has outstanding performance guarantees issued in favour of third parties whereas it provides guarantee should its subsidiary, joint venture or associate fail to perform their obligations under the natural gas purchase-sale, transportation and other agreements.

As of the reporting date the management of the Group believes that there were no cases of non-performance from the guaranteed parties and, accordingly, no obligations related to the above stated non-financial contingencies were recognized.

35. SEGMENT REPORTING

The Group's operating segments have their own structure and management according to the type of the produced goods and services provided. Moreover, all segments are strategic directions of the business which offer different types of the goods and services in different markets. The functions have been defined as the operating segments of the Group because they are segments a) that engages in business activities from which revenues are generated and expenses incurred; b) whose operating results are regularly reviewed by the Group's chief operating decision makers to make decisions. The Group's activity consists of four main operating segments: exploration and production of oil and gas, oil transportation, gas trading and transportation, refining and trading of crude oil and refined products. The Group presents KMG's activities separately, since KMG performs not only the functions of the parent company, but also carries out operational activities. The remaining operating segments have been aggregated and presented as other operating segment due to their insignificance.

Disaggregation of revenue by types of goods and services is presented in Note 6 to the financial statements.

Disaggregated revenue type Sales of crude oil and gas mainly represents sales made by the following operating segments: Gas trading and transportation of 874,505 million tenge (2018: 769,549 million tenge, 2017: 360,510 million tenge) and Refining and trading of crude oil and refined products of 3,092,437 million tenge (2018: 3,324,462 million tenge, 2017: 2,316,592 million tenge).

Disaggregated revenue type Sales of refined products mainly includes revenue of operating segments such as Refining and trading of crude oil and refined products of 1,665,356 million tenge (2018: 2,023,166 million tenge, 2017: 1,305,148 million tenge), Sales of crude oil and gas of 4,166 million tenge (2018: 87,344 million tenge, 2017: 116,392 million tenge) and Corporate of 352,056 million tenge (2018: 64,516 million tenge, 2017: nil).

Segment performance is evaluated based on revenues, net profit and EBITDA, which are measure on the same basis as in the consolidated financial statements.

EBITDA is a supplemental non-IFRS financial measure used by management to evaluate segments performance, and is defined as earnings before depreciation, depletion and amortization, finance income and expense, income tax expense.

EBITDA, % is calculated as EBITDA of each reporting segment divided by the total EBITDA.

Eliminations represent the exclusion of intra-group turnovers. Inter-segment transactions were made on terms agreed to between the segments that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The Group's property, plant and equipment are located in the following countries:

In millions of tenge	2019	2018	2017
Kazakhstan	3,751,128	3,644,969	3,276,567
Other countries	733,143	870,201	803,598
	4,484,271	**4,515,170**	**4,080,165**

The following represents information about profit and loss, and assets and liabilities of operating segments of the Group for 2019:

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Revenues from sales to external customers	7,592	236,485	1,102,110	5,035,188	352,056	125,425	–	6,858,856
Revenues from sales to other segments	1,302,744	100,253	965	540,947	78,121	87,505	(2,110,535)	–
Total revenue	**1,310,336**	**336,738**	**1,103,075**	**5,576,135**	**430,177**	**212,930**	**(2,110,535)**	**6,858,856**
Cost of purchased oil, gas, petroleum products and other materials	(33,719)	(13,666)	(490,142)	(4,972,915)	(212,655)	(33,252)	1,842,605	(3,913,744)
Production expenses	(295,687)	(149,033)	(71,978)	(203,864)	(110,379)	(145,595)	254,843	(721,693)
Taxes other than income tax	(379,725)	(13,287)	(17,388)	(13,584)	(22,417)	(7,894)	–	(454,295)
Transportation and selling expenses	(123,725)	(1,145)	(272,174)	(69,264)	(7,137)	(3)	53,046	(420,402)
General and administrative expenses	(15,439)	(15,877)	(35,900)	(45,247)	(35,244)	(71,175)	4,915	(213,967)
Share in profit of joint ventures and associates, net	500,737	75,474	242,336	(3,248)	–	12,680	–	827,979
EBITDA	962,778	219,204	457,829	268,013	42,345	(32,309)	44,874	1,962,734
EBITDA, %	49%	11%	23%	14%	2%	-2%	2%	
Depreciation, depletion and amortization	(94,432)	(39,257)	(41,567)	(143,875)	(4,177)	(14,116)	–	(337,424)
Finance income	202,592	7,298	29,589	43,975	130,878	10,729	(184,181)	240,880
Finance costs	(21,460)	(7,095)	(43,443)	(127,391)	(264,841)	(8,333)	155,130	(317,433)
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	(63,618)	(24,783)	816	(93,161)	(11)	(27,062)	–	(207,819)
Income tax expenses	(138,762)	(20,825)	(39,917)	(12,241)	(12,923)	(1,512)	–	(226,180)
Net profit for the year	**842,496**	**136,906**	**362,344**	**(36,553)**	**(119,657)**	**(68,083)**	**41,004**	**1,158,457**

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Other segment information								
Investments in joint ventures and associates	4,788,314	384,173	350,732	40,304	–	26,861	–	5,590,384
Capital expenditures	256,725	44,926	91,744	79,492	14,323	18,098	–	505,308
Allowances for obsolete inventories, expected credit losses on accounts receivable, impairment of advances paid and other assets	(3,146)	(5,173)	(9,991)	(46,020)	(22,297)	(9,903)	–	(96,530)
Assets of the segment	**7,504,518**	**1,080,046**	**2,195,386**	**2,854,018**	**1,480,009**	**454,084**	**(1,486,146)**	**14,081,915**
Liabilities of the segment	**748,226**	**204,540**	**956,917**	**1,771,290**	**3,453,634**	**117,899**	**(1,367,247)**	**5,885,259**

The following represents information about profit and loss, and assets and liabilities of operating segments of the Group for 2018:

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Revenues from sales to external customers	172,462	213,175	920,096	5,599,857	64,516	18,858	–	6,988,964
Revenues from sales to other segments	1,293,946	55,229	1,083	1,295,002	117,561	14,642	(2,777,463)	–
Total revenue	**1,466,408**	**268,404**	**921,179**	**6,894,859**	**182,077**	**33,500**	**(2,777,463)**	**6,988,964**
Cost of purchased oil, gas, petroleum products and other materials	(44,174)	(13,989)	(323,205)	(6,357,110)	(88,546)	(969)	2,515,035	(4,312,958)
Production expenses	(400,495)	(100,404)	(67,197)	(142,099)	(46,179)	(14,999)	166,898	(604,475)
Taxes other than income tax	(427,838)	(12,592)	(16,069)	(6,922)	(12,772)	(1,539)	–	(477,732)
Transportation and selling expenses	(112,798)	(194)	(220,792)	(80,500)	(3,491)	(4)	47,002	(370,777)
General and administrative expenses	(97,234)	(17,300)	(17,296)	(50,465)	(24,051)	(5,111)	(2,028)	(213,485)
Share in profit of joint ventures and associates, net	616,607	60,099	22,003	(3,113)	–	1,730	–	697,326
EBITDA	1,000,476	184,024	298,623	254,650	7,038	12,608	(50,556)	1,706,863

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
EBITDA, %	59%	11%	17%	15%	0%	1%	-3%	
Depreciation, depletion and amortization	(82,193)	(36,844)	(35,290)	(121,863)	(2,314)	(6,682)	–	(285,186)
Finance income	40,896	4,712	15,351	49,318	222,092	787	(172,129)	161,027
Finance costs	(53,296)	(5,366)	(41,938)	(115,805)	(345,705)	(7,356)	141,811	(427,655)
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	(41,371)	(6,754)	(4,091)	(45,183)	(67,120)	(1,003)	–	(165,522)
Income tax expenses	(200,787)	(22,361)	(47,039)	8,652	(17,239)	(486)	–	(279,260)
Net profit for the year	**721,376**	**122,986**	**183,548**	**(91,735)**	**(175,820)**	**(1,161)**	**(65,683)**	**693,511**
Other segment information								
Investments in joint ventures and associates	4,421,783	304,880	100,631	65,341	2	2,807	–	4,895,444
Capital expenditures	180,033	65,106	156,897	203,702	18,337	4,000	–	628,075
Allowances for obsolete inventories, expected credit losses on accounts receivable, impairment of advances paid and other assets	(5,465)	(4,240)	(8,805)	(64,773)	(20,330)	162	–	(103,451)
Assets of the segment	**7,295,234**	**1,021,946**	**1,820,133**	**3,995,798**	**1,913,427**	**157,461**	**(2,188,719)**	**14,015,280**
Liabilities of the segment	**804,279**	**210,930**	**950,954**	**2,761,676**	**4,121,330**	**73,125**	**(2,050,083)**	**6,872,211**

Inter-segment transactions were made on terms agreed to between the segments that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties. The following represents information about profit and loss, and assets and liabilities of operating segments of the Group for 2017:

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Revenues from sales to external customers	195,262	194,815	522,205	3,860,502	–	20,979	–	4,793,763
Revenues from sales to other segments	1,007,989	50,140	30,383	767,364	–	18,051	(1,873,927)	–
Total revenue	**1,203,251**	**244,955**	**552,588**	**4,627,866**	**–**	**39,030**	**(1,873,927)**	**4,793,763**
Cost of purchased oil, gas, petroleum products and other materials	(40,632)	(12,746)	(237,794)	(4,161,621)	–	(3,179)	1,726,458	(2,729,514)
Production expenses	(394,524)	(91,671)	(57,113)	(143,663)	–	(18,341)	80,966	(624,346)
Taxes other than income tax	(320,646)	(11,993)	(12,763)	(6,174)	(981)	(1,890)	–	(354,447)
Transportation and selling expenses	(115,636)	(40)	(91,632)	(73,385)	–	(8)	42,638	(238,063)
General and administrative expenses	(50,236)	(15,900)	(17,996)	(55,681)	(56,471)	(6,226)	38,730	(163,780)
Share in profit of joint ventures and associates, net	338,262	56,664	7,989	10,724	–	1,311	–	414,950
EBITDA	619,839	169,269	143,279	198,066	(57,452)	10,697	14,865	1,098,563
EBITDA, %	56%	15%	13%	18%	-5%	1%	1%	
Depreciation, depletion and amortization	(71,871)	(31,047)	(30,457)	(94,116)	(1,926)	(8,604)	–	(238,021)
Finance income	31,641	6,892	15,710	53,196	115,879	953	(101,697)	122,574
Finance costs	(17,035)	(5,242)	(35,846)	(99,973)	(216,856)	(6,770)	75,367	(306,355)
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	(8,679)	(52)	(327)	(14,357)	41	(1,286)	–	(24,660)
Income tax expenses	(108,415)	(18,928)	(24,678)	(16,182)	(22,001)	(81)	–	(190,285)
Net profit for the year	**441,202**	**121,923**	**79,625**	**26,066**	**(125,952)**	**(8,474)**	**(8,942)**	**525,448**

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Other segment information								
Investments in joint ventures and associates	3,503,951	208,107	52,562	54,660	1	4,349	–	3,823,630
Capital expenditures	145,761	74,817	140,487	291,487	12,638	3,451	–	668,641
Allowances for obsolete inventories, expected credit losses on accounts receivable, impairment of advances paid and other assets	(5,919)	(3,557)	(9,232)	(106,994)	(15,765)	3,360	–	(138,107)
Assets of the segment	**6,654,733**	**890,320**	**1,444,620**	**3,845,701**	**2,146,055**	**167,501**	**(1,598,972)**	**13,549,958**
Liabilities of the segment	**661,481**	**184,961**	**760,480**	**2,751,116**	**3,828,741**	**83,827**	**(1,504,253)**	**6,766,353**

36. SUBSEQUENT EVENTS

Receipt of residual of proceeds from sale of the subsidiary

On January 14, 2020, the Public Foundation "Nursultan Nazarbayev Education Fund", the purchaser, paid the second tranche of 4,659 million tenge for 35% out of remaining 70% stake in KBTU (Note 5).

Dividends received from joint ventures

On January 8, 2020, the Company received dividends from Kazakhoil-Aktobe LLP, the JV, of 5,000 million tenge.

Non-adjusting event after the reporting period

The outbreak of novel coronavirus continues to spread throughout China and to countries across the world. The Group will closely monitor the evolving coronavirus situation, yet an estimate of its financial effect cannot be made at this stage.

Proceeds and repayment of borrowings:

ANPZ, the subsidiary of the Group:

On January 15, 2020, received a borrowing from DBK for the total amount of 46,062 million tenge with the interest rate of 7.99% p.a. to finance the project on construction of the Deep oil refining complex. The borrowing repayment starts in June 2020 on semi-annual basis.

On January 16, 2020, performed planned and early redemption of principal, interest and early redemption commission of the borrowings obtained from Eximbank for the total of 205 million US Dollars (equivalent 77,911 million tenge at repayment dates).

On January 21, 2020, redeemed principal and interest of the borrowings obtained from DBK for 17,998 million tenge.

In January and February 2020 partly redeemed principal and interest of the borrowings obtained from Halyk Bank for 57 million US Dollars (equivalent 21,650 million tenge at repayment dates).