Joint-Stock Company

Condensate

Consolidated financial statements
for the year ended 31 December 2017
and

Independent auditor's report

ЦЕНТРАУДИТ-КАЗАХСТАН

независимая аудиторская компания

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Director
IAC Centeraudit –Kazakhstan LLP
(State audit license MFU No.0000017
dated 27 December 1999)
___________ V. V. Radostovets
20 April 2018

НЕЗАВИСИМАЯ АУДИТОРСКАЯ КОМПАНИЯ «ЦЕНТРАУДИТ-КАЗАХСТАН»

To the Shareholders and Board of Directors of
JSC Condensate

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the consolidated financial statements of Joint-Stock Company Condensate and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Group's management for the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate , they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for the auditor's opinion.

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

Auditor
(Auditor's Qualification Certificate No. 556
dated 24 December 2003)

V. E. Kim

19, 1 B, Al -Farabi Avenue,
Nurly Tau, Off. 301, 302,
Almaty, Republic of Kazakhstan.

Ким Виктория Ен-Тековна
0556

MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation of the consolidated financial statements that present fairly, in all material respects, the financial position of JSC Condensate and its subsidiaries (the Group) as at 31 December 2017, and the results of its operations, cash flows and changes in equity for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

In preparing the consolidated financial statements, management is responsible for:
- selecting suitable accounting principles and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRSs have been followed; and
- preparing the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue its business in the foreseeable future.

Management is also responsible for:
- designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRSs;
- maintaining statutory accounting records in compliance with legislation of the Republic of Kazakhstan;
- taking measures within its competence to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

These consolidated financial statements for the year ended 31 December 2017 were authorised by Management of the Group on 20 April 2018.

On behalf of Management of the Group:

Mufteyeva N. S.,
General Director

20 April 2018.
Aksai, Republic of Kazakhstan.

Mambetova L. K.,
Chief Accountant

20 April 2018.
Aksai, Republic of Kazakhstan.

(in thousands of Tenge)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

	Notes*	31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Property, plant and equipment	5	42,778,454	39,182,074
Advances paid	6	648,769	1,554,409
Other non-current assets	7		
Intangible assets		17,296	12,238
Deferred tax asset	21	1,366,994	135,902
Total non-current assets		**44,811,513**	**40,884,623**
Current assets			
Trade accounts receivable	8	83,055	3,709
Inventories	9	3,078,734	2,459,765
VAT recoverable		2,259,513	3,045,380
Income tax prepaid		461,336	375,633
Advances paid	6	360,126	1,130,305
Other taxes and payments prepaid		310,790	136,003
Bank deposits	10	6,663,746	15,904,334
Cash and cash equivalents	11	187,938	929,344
Other current assets	12	997,661	1,262,574
Total current assets		**14,402,899**	**25,247,047**
Total assets		**59,214,412**	**66,131,670**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	13	186,000	46,000
Retained earnings		22,290,046	27,468,616
Total shareholders' equity		**22,476,046**	**27,514,616**
Non-current liabilities			
Borrowings	14	31,650,059	33,712,251
Other non-current liabilities			12,532
Total non-current liabilities		**31,650,059**	**33,724,783**
Current liabilities			
Borrowings	14	4,251,780	3,005,446
Trade and other accounts payables	15	815,517	1,808,928
Other taxes and payments liabilities		21,010	77,897
Total current liabilities		**5,088,307**	**4,892,271**
Ешефд shareholders' equity and liabilities		**59,214,412**	**66,131,670**

* The notes on pages 6-24 are an integral part of these consolidated financial statements.

General Director ______________ **Mufteyeva N. S.**

Chief Accountant ______________ **Mambetova L. K.**

(in thousands of Tenge)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2017

	Notes	2017	2016
Revenue	16	23,078,810	10,233,585
Cost	17	(24,517,469)	(11,291,192)
Gross loss		**(1,438,659)**	**(1,057,607)**
Administrative expenses	18	(1,343,029)	(904,179)
Selling expenses	19	(736,316)	(361,509)
Provision for doubtful debt			(24)
Finance income	10	361,673	628,259
Finance costs	14	(2,873,051)	(262,800)
Foreign exchange loss (net)		(85,169)	(262,602)
Other income/(expenses) (net)	20	(295,111)	(176,719)
Loss before tax		**(6,409,662)**	**(2,397,181)**
Corporate income tax expense (recovery)	21	1,231,092	364,694
Total loss for the year		**(5,178,570)**	**(2,032,487)**
Other comprehensive income (loss)			
Total comprehensive loss for the year		**(5,178,570)**	**(2,032,487)**
Earnings (loss) per share, in Tenge		(863)	(441)

* The notes on pages 6-24 are an integral part of these consolidated financial statements.

General Director _______________ Mufteyeva N. S.

Chief Accountant _______________ Mambetova L. K.

(in thousands of Tenge)

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	2017	2016
Operating activities:		
Loss before tax	(6,409,662)	(2,397,181)
Adjustments for:		
Depreciation and amortization expense of property, plant and equipment and intangible assets	3,281,263	1,129,076
Loss on disposal of property, plant and equipment, net	3,367	(2,530)
Loss from impairment of construction in progress	7,586	130,285
Finance income	(361,624)	(628,259)
Finance costs	2,864,084	262,800
Provision for write down of inventories to net realisable value	(2,607)	(194,909)
Provision for doubtful debt	(361,134)	24
Foreign exchange loss (gain), net	126,076	(318,491)
Adjusted net profit before changes in working capital	**(852,651)**	**2,019,184**
Changes in working capital:		
Change in trade and other accounts receivable	765,859	1,209,610
Change in advances paid	(348,885)	(1,044,092)
Change in inventories	(616,362)	(1,313,501)
Change in other assets	346,982	(1,033,148)
Change in tax receivable	612,262	(912,431)
Change in trade and other accounts payables	(1,898,880)	321,250
Change in taxes payable	(58,079)	68,691
Change in other liabilities	(12,532)	4,036
Cash generated from operating activities	**(2,062,286)**	**(4,718,770)**
Income tax refund (paid)	(21,522)	52,452
Interest paid	(3,024,188)	(2,357,698)
Net cash generated from operating activities	**(5,107,996)**	**(7,024,016)**
Investing activities:		
Cash inflow, total	**9,205,446**	**3,846,903**
Proceeds from sale of property, plant and equipment	2,041	
Interest received	192,090	555,264
(Placement) withdrawal of term deposits	9,011,315	3,291,639
Cash outflow, total	**(4,360,413)**	**(13,176,276)**
Purchase of property, plant and equipment	(3,990,994)	(11,617,246)
Advances paid for property, plant and equipment		(1,554,409)
Purchase of intangible assets	(210)	(4,621)
Purchase of other non-current assets	(369,209)	
Investments un subsidiaries		
Net cash used in investing activities	**4,845,033**	**(9,329,373)**
Financing activities:		
Cash inflow, total	**2,562,763**	**11,088,352**
Proceeds from long-term borrowings	2,422,763	11,088,352
Stock issue	140,000	
Cash outflow, total	**(3,210,361)**	**(9,562)**
Repayment of bank loans	(3,181,503)	
Dividends paid	(28,858)	(9,562)
Net cash from financing activities	**(647,598)**	**11,078,790**
Net increase /(decrease) in cash	**(910,561)**	**(5,274,599)**
Cash at the beginning of the year	**929,344**	**5,909,378**
Effect of exchange rate changes on the balance of cash held in foreign currencies	169,155	294,565
Cash at the end of the year	**187,938**	**929,344**

General Director ____________ **Mufteyeva N. S.**

Chief Accountant ____________ **Mambetova L. K.**

(in thousands of Tenge)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Share capital	Retained earnings	Total
Balance as at 1 January 2016	**46,000**	**27,468,616**	**27,514,616**
Loss and comprehensive loss for the year		(5,178,570)	(5,178,570)
Stock issue	140,000		140,000
Balance as at 31 December 2017	**186,000**	**22,290,046**	**22,476,046**
Balance as at 1 January 2016	**46,000**	**29,501,103**	**29,547,103**
Loss and comprehensive loss for the year		(2,032,487)	(2,032,487)
Balance as at 31 December 2016	**46,000**	**27,468,616**	**27,514,616**

* The notes on pages 6-24 are an integral part of these consolidated financial statements.

General Director ____________ **Mufteyeva N. S.**

Chief Accountant ____________ **Mambetova L. K.**

1. JSC CONDENSATE AND ITS ACTIVITIES

JSC Condensate (the Company) was registered with the Justice Office of Burlinsk district of the Justice Department of the West Kazakhstan region on 2 October 2007, the state registration number is 16-1926-OZ-AO. The initial registration was made on 29 June 1992, Business Identification Number (BIN) is 921040000053. Legal address of the Company is 172, M. B. Iksanov Street, Aksai, 090301.

The main business of the Company is hydrocarbons processing at at the low-tonnage plant (LTP) and the production of various types of fuels. The range of products produced and the volume of production depend on the emerging demand for the company's products in the oil products market. Currently, the Company has set up the production and sales of the following products:
- AI-92-K5 gasoline (TR TS 013/2011, GOST 32513-2013);
- AI-95-K5 gasoline (TR TS 013/2011, GOST 32513-2013);
- straight gas oil fraction (ST AO 15336125-03-2009);
- vacuum gas oil (ST AO 921040000053-12-2017);
- industrial block gas sulfur (GOST 127.1-93);
- tar (ST AO 921040000053-13-2017).

As at 31 December 2017 and 31 December 2016, the Company's major shareholders were Condensate Holding Ltd, Mr. Junussov V. K., and Premium LLP. The major participants of Condensate Holding Ltd and Premium LLP were Mr. Junussov V. K. and Mrs. Junussova N.A., citizens of the Republic of Kazakhstan.

The Laws of the Republic of Kazakhstan "On Licensing" and "On State Regulation of Production and Turnover of Certain Oil Products' Types" regulate operating activity of the Company.

Subsidiaries
As at 31 December 2017 and 2016 the Company has the following subsidiaries:
1. Condensate AZC LLP – as at 31 December 2017 and 2016 the participation interest comprises 100%. Business Identification Number (BIN) is 161040025960. Legal address is 172 A, Iksanov Street, Aksai, Burlinsk district, West Kazakhstan region, Republic of Kazakhstan. The main business is retail sale of petroleum, oil and lubricant.
2. Condensate-Marketing LLP - as at 31 December 2017 and 2016 the participation interest comprises 100%. Business Identification Number (BIN) is 161040026027. Legal address is 172 A, Iksanov Street, Aksai, Burlinsk district, West Kazakhstan region, Republic of Kazakhstan. The main business is purchase and sale of oil, gas condensate, oil products derivatives, and other hydrocarbons.

The Company and its subsidiaries are collectively referred to as the Group.

2. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and were authorised by management of the Group on 20 April 2018.

Consolidation principles

These consolidated financial statements include the financial statements of the parent company and its subsidiaries as at 31 December 2017.
The control is exercised when the Group has a right for the variable returns on investment or is exposed to risks associated with its change and may affect the return due its powers in respect to investment. In particular, the Group controls an investment, only if the following conditions are met:
- the Group has powers in relation to an investment (i.e. the existing law, providing the ability to manage the current significant investment);
- the Group has rights to variable returns on investments or is exposed to risks associated with its change;
- the Group has the possibility to use its powers in respect to investment in order to influence the variable return on investment.
When the Group has less than the majority of voting rights or similar rights in respect to investments, the Group takes into account all relevant facts and circumstances when assessing the authorities in respect to an investment:

- an agreement with other persons having voting rights of the investee;
- the rights due to other agreements;
- voting rights and potential voting rights held by the Group.

The Group re-analyzes the presence of controls on investment object, if the facts and circumstance indicate the change of one or more of three components of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the owners of the Group's parent company and to the non-controlling interests even if this results in a negative 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 intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Any changes in the ownership interest of the Group in a subsidiary (without loss of control) are accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- terminates the recognition of assets and liabilities of the subsidiary (including related goodwill);
- derecognises the carrying amount of non-controlling interests;
- derecognises the cumulative translation differences, recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment;
- recognises the surplus or deficit resulting in operation in profit or loss;
- reclassifies the parent's share in components previously recognised in other comprehensive income to profit or loss or retained earnings in accordance with the specific requirements of IFRSs, as if the Group had directly disposed of the related assets or liabilities.

Functional and presentation currency

(a) Functional and presentation currency

The national currency of Kazakhstan is Tenge, which is the functional currency of the Company and the currency used in preparing these consolidated financial statements in accordance with the International Financial Reporting Standards. All financial information has been presented in thousands of Tenge , except where otherwise indicated.

(b) Foreign currency transactions and related balances

To retranslate items of the financial statements denominated in foreign currencies and also to record foreign currency transactions in the accounting records, the Group used the official exchange rates fixed in Kazakhstan.

The exchange rate was as follows:

	31.12.2017	31.12.2016
USD	332.33	333.29
EUR	398.23	352.42
RUB	5.77	5.43

Going concern

The consolidated financial statements have been prepared on a going concern basis which contemplates the realisation of assets and the settlement of liabilities in the normal course of business in the foreseeable future.

The consolidated financial statements do not include any adjustments should the Group be unable to continue as a going concern.

In 2017 and 2016 the Group's revenue decreased significantly due to economic situation on the market, which resulted in decline of the net profit for these years. The Group received significant negative flows from operating activities in 2017 and 2016. According to the management's estimates, the launch of K5 RON92 motor gasoline and K5 RON95 motor gasoline ouput will significantly improve the Group's financial performance. In 2017 the capacity of the refinery for processing raw materials was brought up to 850 thousand tons.

In 2017, the construction of the vacuum distillation section was completed.

The Group is currently implementing the project K5 environmental class (Euro 5) diesel production units (planned completion of the project – second quarter of 2018).

JSC Condensate developed the Strategic Development Plan to enable stable and long-term growth of the Company, according to which management of the Group believes that it will be able to continue its continuing operations in the foreseeable future.

Accrual basis
The consolidated financial statements have been prepared in accordance with accrual basis. Under this basis, the effects of transactions and other events which are not effects of transactions of the Group, but which have impact on its financial position, are recognised when they occur, regardless of payment time. Transactions and events are reported in accounting records and included in the financial statements of the periods to which they relate.

Recognition of consolidated financial statement elements
These consolidated financial statements include all assets, liabilities, equity, income, and expense being the elements of financial statements.
All elements of the consolidated financial statements are recorded in the form of line items. Several elements of the financial statements were consolidated into one item subject to their characteristic (functions) in activities of the Group. Each fundamental category of similar items shall be separately presented in the consolidated financial statements. Items of different nature or purpose shall only be separately recorded, unless they are fundamental.

Base of measurement
The consolidated financial statements have been prepared on the basis of historical cost.

Use of professional judgments, accounting estimates and assumptions

The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty in respect to such estimates and assumptions can lead to results that in future may require significant adjustments in the carrying amount of assets or liabilities.

Accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful life of property, plant and equipment
Depreciation is charged to property, plant and equipment over the useful life. The useful life is reviewed by management for possible review at least as of the end date of each reporting year and, if expectations differ from previous estimates, the corresponding change should be accounted for as a change in the accounting estimates.

Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

The existence of indicators of asset impairment depends on a large number of factors such as a change in proposed cash flows, changes in access to financing in the future, technological obsolescence, the cessation of goods realization, current replacement costs and other changes to conditions.

If any such indication exists, the recoverable amount of the asset is estimated and compared to its carrying amount. If the carrying amount exceeds the recoverable amount, impairment is recorded. The recoverable amount is the greater of fair value less cost to sell and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that management believes reflects current market assessment of the time value of money and the risks specific to the assets. A change in the estimated recoverable amount may result in impairment or its recovery in future periods.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies applied by the Group in preparing the consolidated financial statements for the year ended 31 December 2017 are consistent with those applied in prior period, except for adoption of below stated new and revised standards and interpretations IFRIC effective on or after 1 January 2017.

The following new IFRSs, amendments to IFRSs and interpretations, effective for annual periods beginning on 1 January 2017 did not have any impact on the consolidated financial statements of the Group:

- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses. The amendments will have no impact on the Group's consolidated financial statements.
- Amendments to IAS 7 Statement of Cash Flows - Disclosure Initiative). The Group provided the additional disclosures on changes in loans for the period (Note 15);
- Annual Improvements 2014-2016 Cycle with respect to applying IFRS 12 effective for annual periods beginning on or after 1 January 2017). The amendments will have no impact on the Group's consolidated financial statements.

New IFRSs, amendments to IFRSs and interpretations not effective for annual periods ended on 31 December 2017.

The Group has not early adopted standards, interpretations and amendments that have been issued but are not yet effective:

- IFRS 9 Financial Instruments (issued in 2014, effective for annual periods beginning on or after 1 January 2018);
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018);
- Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018);
- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 2, Classification and Measurement of Share-based Payment (effective prospectively for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective depending on the overlay approach selected by an entity);
- IFRIC 22, Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IAS 40, Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018);
- Annual Improvements 2014-2016 Cycle with respect to applying IFRS 1 and IAS 28 – on or after 1 January 2018). Amendments were introduced to the following documents:
- IFRS 1, First-time Adoption of International Financial Reporting Standards (amendments are effective for annual periods beginning on or after 1 January 2018);
- IFRS 12, Disclosure of Interests in Other Entities. The amendment respectively applies in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors for annual periods beginning on or after 1 January 2017;
- IAS 28, Investments in Associates and Joint Ventures. The amendment respectively applies in accordance with IAS 8 for annual periods beginning on or after 1 January 2018, with earlier application permitted. If an entity applies the amendments for an earlier period it shall disclose that fact;

- Annual Improvements 2015-2017 Cycle (effective on or after 1 January 2019, with earlier application permitted). The improvements apply to the following standards:
  - IFRS 3, Business Combinations. The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business;
  - IFRS 11, Joint Arrangements. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business;
  - IAS 12, Income Taxes. The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises;
  - IAS 23, Borrowing Costs. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale.
  - Amendments to IFRS 10 / IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date of the amendments indefinitely until the research project on the equity method has been concluded).

The impact of changes on the Group's financial position and consolidated financial statements is currently being assessed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment

Property, plant and equipment are recognised on initial recognition at cost, which includes all actually incurred necessary costs for purchase of property and equipment.

Following initial recognition, property, plant and equipment are accounted for at cost less accumulated depreciation and ac-cumulated impairment losses.

The Group applies the straight-line method of depreciation over the estimated useful life.

For the reporting period the average estimated useful life of property and equipment was as follows:

Buildings and structures	up to 50 years
Production machinery and equipment	up to 30 years
Motor vehicles	up to 5 years
Other property, plant and equipment	up to 20 years

Within each range the useful life is determined with reference to management's estimate based on work experience with similar assets.

Depreciation on property and equipment newly put into service is accumulated beginning from the first day of the month of putting into service and in respect to disposed property and equipment is ceased from the first day of the disposal month.

Subsequent costs for property and equipment are included in the asset's carrying amount or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with this asset will flow to the Group and the cost of this asset can be measured reliably. All other expenses for repairs and maintenance are included in profits and losses during that reporting period in which they were incurred.

Property and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in profits and losses of the reporting period when the asset was disposed.

The residual values, useful lives, and methods of depreciation rates are reviewed at each financial year end and adjusted prospectively, if appropriate.

Construction in progress represents an unfinished construction of property, plant and equipment stated at cost, less impairment losses. Construction in progress is not depreciated. The depreciation of construction in progress commences when the assets are put into operation. Construction in progress is reviewed regularly to determine whether its carrying value is fairly stated and whether appropriate allowance for impairment is made.

Impairment of non-financial assets

The Group assesses at the end of each reporting period 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 of money and the risks specific to the asset. In determining fair value less costs to sell, recent arm's-length transactions are taken into account (if any). In their absence, an appropriate valuation model is used.

Impairment losses relating to continuing operations, including impairment on inventories, are recognised in the consolidated statement of profit or loss and other comprehensive income in the expense categories which are consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised 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 recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss and other comprehensive income.

Financial instruments

Initial recognition of financial instruments

The Group recognises the financial assets and liabilities in its consolidated statement of financial position only when it (the Group) becomes a party on contractual provisions under financial instruments. Financial assets and liabilities are recognised at the date of the transaction.

Financial assets and liabilities are initially measured at fair value, - increased in case of investments that are not measured at fair value through profit or loss - directly related transaction costs.

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Financial assets

The Group classifies its financial assets within the scope of IAS 39 as follows:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available- for- sale financial assets.

The Group's financial assets are represented by cash, trade accounts receivable, bank deposits.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, loans and receivables are measured at amortised cost using the effective interest rate method (EIR), less provision for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR and transaction costs. The EIR amortisation is included in financing income, in period profits or losses. The expenses arising from impairment are recognised in administrative expenses of the statement of profit and loss and other comprehensive income. Income and expense arising from derecognition of the asset in the financial statements are recognised in administrative expenses.

Fair value

The fair value is defined as the price that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using different valuation techniques. 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 Group is not in a position to predict what changes in political and economic conditions and what effect such changes might have on the adequacy of estimates in future periods.

Impairment of financial assets

The Group assesses at each reporting period-end whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset ("loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows such as changes in arrears or national or local economic conditions that correlate with defaults.

Derecognition of financial assets

- A financial asset (or, where applicable a part of a financial asset of a group of similar financial assets) is derecognised in 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 (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) 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 receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.
- In this case the Group also recognises the respective obligation. The transferred asset and respective obligation are assessed on the basis which reflects rights and obligations retained by the Group.

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 pay.

Financial liabilities

- Financial liabilities within the scope of IAS 39 are classified as:
- financial liabilities at fair value through profit or loss;
- loans and payables.

Financial liabilities of the Group include borrowings and trade and other accounts payable.

Trade payables

After initial recognition *trade payables* are measured at amortised cost using the effective interest rate method (EIR). Income and expenses are recognised in finance income and costs, in profits or losses of the period when loans and payables are derecognised or impaired as well as through the EIR amortisation period.

Derecognition of financial liability

A financial liability is derecognised from the statement of financial position when the obligation under the liability is discharged or cancelled or expires.

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

Inventories

Inventories of the Group include finished goods, work in progress, raw materials and materials intended for use in the manufacturing process, and other consumables.

The cost of inventories comprises all costs incurred in acquiring the inventories, production costs and other costs incurred in bringing them to their existing location and condition.

Costs incurred in acquiring the inventories include the purchase price, import duties and other taxes, transport and procurement costs attributable to bringing the asset to the storage and bringing to proper condition.

The costs for inventories processing include costs such as direct labor costs that are directly related to production, constant and variable production overheads arising from the processing of raw materials into finished products.

The cost is calculated using the FIFO method.

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cash

Cash includes cash on hand and cash on settlement and deposit accounts of the Group with a maturity of less than 3 months.

Other financial assets

Other financial assets are represented by deposits with maturity of 12 months.

Current and deferred tax

Current tax

The tax currently payable is based on the taxable income for the year. Taxable income differs from income as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date. Taxes on income are computed in accordance with the laws of the Republic of Kazakhstan.

Deferred tax
Deferred tax is recognised for all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences.
Deferred tax assets are recognised for all deductible temporary differences, unused tax credits and unused tax losses, to the extent that it is probable that the temporary difference will be recovered in the foreseeable future and taxable profit will be available against which the deductible temporary differences, unused tax credits and unused tax losses can be utilized.
The carrying amount of the deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled based in the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.
The current and deferred taxes relating to items recognised out of profit or loss shall be recognised out of profit or loss. Accordingly, the current tax and deferred tax relating to items which are recognised:
a) in other comprehensive income shall be recognised in other comprehensive income;
b) directly in equity shall be recognised directly in equity.
Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax assets and liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Retirement obligations and social tax
The Group pays social tax to the budget of the Republic of Kazakhstan in accordance with the tax legislation of the Republic of Kazakhstan. The Group pays statutory obligatory social contributions to the State Social Insurance Fund. The aggregate amount of social tax and social contributions constitutes 11% deductible from taxable income of employees.
The Group also withholds 10% from the salary of its employees as pension contributions to the Single Accumulative Pension Fund. In accordance with the legislation pension contributions are obligations of employees, and the Group has neither current nor future payment obligations upon retirement of its employees.
The Group pays Compulsory social health insurance to the Social Health Insurance Fund in the amount of 1% of the taxable income of employees.

Provisions
Provisions are recognised 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 the part or entire provision to be reimbursed e.g. the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The provision related expense is recognised in profit and losses net of any reimbursement.
If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is rec-ognised as a finance cost.

Recognition of revenue and expenses
The Group primarily generates revenue from the sale of heavy neutral liquid fuel and gasoil fraction. Due to the gasoline plant putting into operation the sale of heavy neutral liquid oil fuel was stopped. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and other sales taxes or duties. Revenue is recognised net of value-added tax and excise tax, if any.

Interest income
Interest income is recognised as interest accrues using effective interest rate (i.e. at the rate which discounts approximate future cash proceeds within the expected period of financial instruments to the net carrying amount of the financial asset).

Expenses

Expenses are charged when incurred and recognised in the financial statements on the accrual basis in the period to which they relate.

Related party transactions

Parties are considered to be related if one party has the ability to control the other party or can exercise significant influence over the other party in making financial and operational decisions, or parties are under common control. Related party transactions are disclosed in Note 22.

Commitments and contingencies

Commitments and contingencies shall not be recognised, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
A possible obligation that arises from past events, but is not recognised as
(i) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(ii) and the amount of liability cannot be reliably estimated.

Subsequent events

The events which take place after the reporting date which provide additional information about the financial position of the Group at the date of preparation of the consolidated financial statements (adjusting events) are recorded in the consolidated financial statements. The events which take place after the reporting date (non-adjusting events) are disclosed in the notes, if they are material.

(in thousands of Tenge)

5. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and structures	Production machinery and equipment	Motor vehicles	Other property, plant and equipment	Construction in progress	Total
Cost						
Balance as at 01.01.2016	**4,460,208**	**10,344,681**	**156,048**	**148,630**	**21,003,122**	**36,112,689**
Additions	2,000	37,156	58,098	35,041	14,710,206	14,842,501
Transfer from construction in progress	11,089,569	13,714,683		1,254,401	(26,058,653)	
Disposal	(42,688)	(20,029)	(3,350)	(1,496)		(67,563)
Impairment					(130,285)	(130,285)
Balance as at 31.12.2016	**15,509,089**	**24,076,491**	**210,796**	**1,436,576**	**9,524,390**	**50,757,342**
Additions	4,788	75,863	39,120	24,996	6,742,699	6,887,466
Transfers	4,912,599	2,870,658		225,632	(8,008,889)	
Disposals		(19,431)	(4,794)	(8,524)		(32,749)
Transfer to inventories				(17)	(3,570)	(3,587)
Transfer to intangible assets					(3,871)	(3,871)
Impairment					(7,500)	(7,500)
Balance as at 31.12.2017	**20,426,476**	**27,003,581**	**245,122**	**1,678,663**	**8,243,259**	**57,597,101**
Depreciation						
Balance as at 01.01.2016	**(1,679,047)**	**(8,557,562)**	**(134,606)**	**(102,900)**		**(10,474,115)**
Accrued	(290,627)	(808,371)	(15,346)	(27,660)		(1,142,004)
Transfers	2,207	(2,207)				
Disposals	18,625	19,869	1,047	1,310		40,851
Balance as at 31.12.2016	**(1,948,842)**	**(9,348,271)**	**(148,905)**	**(129,250)**		**(11,575,268)**
Accrued	(1,438,345)	(1,665,875)	(18,443)	(152,139)		(3,274,802)
Disposals		19,057	4,794	7,572		31,423
Balance as at 31.12.2017	**(3,387,187)**	**(10,995,089)**	**(162,554)**	**(273,817)**		**(14,818,647)**
Carrying amount						
31.12.2016	**13,560,247**	**14,728,220**	**61,891**	**1,307,326**	**9,524,390**	**39,182,074**
31.12.2017	**17,039,289**	**16,008,492**	**82,568**	**1,404,846**	**8,243,259**	**42,778,454**

As at 31 December 2017 the cost of fully depreciated property, plant and equipment that are still in use amounted to 905,188 thousand Tenge (2016: 523,230 thousand Tenge).
As at 31 December 2017 the amount of pledged property, plant and equipment and construction in progress amounted to 12,054,919 thousand Tenge (2016: 14,055,647 thousand Tenge). Capitalized borrowing costs in 2017 amounted to 113,881 thousand Tenge (2016: 2,139,271 thousand Tenge).
As at 31 December 2017 construction in progress includes inventories, which will be installed in the future in the amount of 302, 420 thousand Tenge (2016: 1,811,840 thousand Tenge).

6. ADVANCES PAID

	Balance as at 31.12.2017	Balance as at 31.12.2016
Long-term advances paid, incl.:	**648,769**	**1,554,409**
To third parties for property, plant and equipment purchase	918,719	1,545,930
To related parties for property, plant and equipment purchase (Note 22)	9,610	8,479
Provision for long-term advances paid	(279,560)	
Short-term advances paid, incl.:	**360,126**	**1,130,305**
To third parties for materials and services	316,265	1,088,482
To related parties for materials and services (Note 22)	43,885	41,823
Provision for short-term advances paid	(24)	

7. OTHER NON-CURRENT ASSETS

On 26 March 2007 the Group entered into the Agreement with BTA Bank JSC regarding the guarantee provision to Zhaiktrans LLP for the loan received from BTA Bank JSC to the amount of 2,156,793 thousand Tenge. Also, in 2009 the Group issued an interest-free loan to Zhaiktrans LLP in the amount of 809,300 thousand Tenge. In 2014 Zhaiktrans LLP was adjudged bankrupt, and the Group accrued the provision to the total amount of debt of Zhaiktrans LLP in the amount of 2,966,093 thousand Tenge.
In 2016 accounts receivable from Zhaiktrans LLP were written off against this provision.

(in thousands of Tenge)

8. TRADE ACCOUNTS RECEIVABLE

	31.12.2017	31.12.2016
Trade accounts receivable from third parties	83,025	3,548
Trade accounts receivable from related parties (Note 22)	30	167
Provision for trade accounts receivables		(6)
Total	**83,055**	**3,709**

9. INVENTORIES

	31.12.2017	31.12.2016
Spare parts and other materials	2,212,413	1,301,720
Finished goods	448,664	674,179
Work in progress	483,330	534,562
Other	3,514	21,098
Provision for net realisable value and obsolete inventory	(69,187)	(71,794)
Total	**3,078,734**	**2,459,765**

The movement on provision for net realisable value and obsolete inventory for the years ended 31 December was as follows:

	2017	2016
1 January	**71,794**	**271,457**
Accrued	65,586	67,946
Written off	(68,193)	(267,609)
31 December	**69,187**	**71,794**

10. BANK DEPOSITS

	31.12.2017	31.12.2016
Deposits with original maturity of 3-12 months	6,622,598	15,796,690
Interest on deposits	41,148	107,644
Total	**6,663,746**	**15,904,334**

The Group places temporarily free cash on deposit accounts with second-tier banks.

2017

	interest rate	Currency of deposit	01.01.2016	Replenished	Cash withdrawals	Translation differences	31.12.2016
Bank deposits	10-11%	Tenge	77,657	11,623,134	(11,684,049)		16,742
Bank deposits	0.5-4.5%	USD	15,718,870	19,354,521	(28,167,901)	(334,634)	6,570,856
Bank deposits	5%	RUB	163		(161)	(2)	
Bank deposits (restricted)		Tenge		35,000			35,000
Total			**15,796,690**	**31,012,655**	**(39,852,111)**	**(334,636)**	**6,622,598**

2016

	interest rate	Currency of de-	01.01.2016	Replenished	Cash withdrawals	Translation differences	31.12.2016
Bank deposits	10-11%	Tenge		1,485,227	(1,407,570)		77,657
Bank deposits	2-4.5%	USD	18,670,850	26,277,149	(28,804,000)	(425,129)	15,718,870
Bank deposits	5-6%	RUB		573,200	(593,405)	20,368	163
Letter of credit		USD	822,240		(822,240)		
Total			**19,493,090**	**28,335,576**	**(31,627,215)**	**(404,761)**	**15,796,690**

Accrued interests in 2017 are as follows:

	01.01.2017	Accrued	Paid	CIT withheld	Translation differences	31.12.2017
Bank deposits	106,164	342,504	(346,454)	(61,139)		41,075
Current bank accounts	1,480	18,814	(17,188)	(3,033)		73
Total	**107,644**	**361,318**	(363,642)	(64,172)		**41,148**

(in thousands of Tenge)

Accrued interests in 2016 are as follows:

	01.01.2016	Accrued	Paid	CIT withheld	Translation differences	31.12.2016
Bank deposits	132,930	614,595	(544,908)	(96,153)	(300)	106,164
Current bank accounts		13,664	(10,356)	(1,828)		1,480
Total	**132,930**	**628,259**	**(555,264)**	**(97,981)**	**(300)**	**107,644**

11. CASH

	31.12.2017	31.12.2016
Cash in banks, in USD	35,240	3,504
Cash in banks, in Tenge	44,537	665,366
Cash in banks, in RUB	93,382	253,241
Cash in banks, in EUR	0	435
Cash in transit, in Tenge	7,929	3,127
Petty cash, in Tenge	6,850	3,671
Total	**187,938**	**929,344**

12. OTHER CURRENT ASSETS

	31.12.2017	31.12.2016
Prepaid expenses	995,238	1,259,858
Other	84,003	2,716
Provision for other current assets	(81,580)	
Total	**997,661**	**1,262,574**

13. SHARE CAPITAL

Share capital

As at 31 December 2016 the Company had 4,600,000 issued and fully paid ordinary shares with par value of 10 Tenge per share. In 2017 the number of declared and placed common shares increased by 1,400,000 common shares at offering price of 100 Tenge per share. As at 31 December 2017 6,000,000 common shares were paid to the total amount of 186,000 thousand Tenge.

In 2017 and 2016 dividends were not accrued. The payment of dividends for the prior period constituted 32,572 thousand Tenge (2016: 9,638 thousand Tenge).

14. BORROWINGS

	31.12.2017	31.12.2016
Borrowings	35,951,283	36,774,678
Interests payable	31,885	33,315
Borrowing costs	(81,329)	(90,296)
Total	**35,901,839**	**36,717,697**
including,		
- short-term portion of borrowings	*4,251,780*	*3,005,446*
- long-term portion of borrowings	*31,650,059*	*33,712,251*

The changes in loans are as follows in 2017:

Currency of loan	01.01.2017			Received by cash	Repaid by cash	Translation differences	31.12.2017		
	total	short-term portion	long-term portion				total	short-term portion	long-term portion
KZT	11.088.353	899.056	10.189.297	2.422,763	(1.095.496)		12.415.620	1.460.661	10.954.959
USD	25.686.325	2.082.674	23.603.651		(2.086.007)	(64.655)	23.535.663	2.768.900	20.766.763
	36,774,678	**2,981,730**	**33,792,948**	**2,422,763**	**(3,181,503)**	**(64.655)**	**35,951,283**	**4,229,561**	**31,721,722**

The changes in loans are as follows in 2016:

Currency of loan	Balance as at 01.01.2016			Received by cash	Repaid by cash	Translation differences	Balance as at 31.12.2016		
	total	short-term portion	long-term portion				total	short-term portion	long-term portion
KZT				11.088.352			11.088.352	899.055	10.189.297
USD	26.162.613	3.737.517	22.425.096			(476.287)	25.686.326	2.082.675	23.603.651
	26,162,613	**3,737,517**	**22,425,096**	**11,088,352**		**(476,287)**	**36,774,678**	**2,981,730**	**33,792,948**

(in thousands of Tenge)

The changes in interests are as follows:

	At year-beginning	capitalised	finance costs	paid by cash	translation differences	At year -end
2017	33,315	113,881	2,864,084	(3,024,188)	44,793	31,885
2016	24,657	2,139,272	250,945	(2,357,700)	(23,859)	33,315

Borrowing costs are disclosed below:

	At year-beginning	Finance costs	At year -end
2017	90,296	(8,967)	81,329
2016	102,151	(11,855)	90,296

The effective interest rate on borrowings is 7.5% – 9.8% per annum.
On 29 May 2015, the Company opened a credit line with the DBK to the amount of 120,000,000 USD (equivalent to 40,736,400 thousand Tenge) with the repayment date on 29 May 2026 , taking into account the additional agreement dated 29 April 2016.
The intended purpose of the credit line is to finance the investment project "Production of K5 environmental class motor fuels".
As at 31 December 2017 the Credit line agreement is secured by the pledge of movable and immovable property of the Company in the amount of 15,487,099 thousand Tenge (2016: 14,055,647 thousand Tenge).
As at 31 December 2017 and 2016 the Company did not comply with the thresholds of financial ratios established by the Loan agreement entered into with Development Bank of Kazakhstan JSC (Note 25).

15. TRADE AND OTHER ACCOUNTS PAYABLE

	31.12.2017	31.12.2016 *
Trade accounts payable to third parties	447,244	1,052,884
Trade accounts payable to related parties (Note 22)	48,340	64,702
Accounts payable to employees	132,279	126,544
Dividends payable	26,757	59,328
Short-term advances received	152,647	499,734
Other accounts payable	8,250	5,736
Total	**815,517**	**1,808,928**

* As at 31 December 2016 trade and other accounts payables to third parties are mainly represented by liabilities to the Branch "Omsk specialized montage department No. 1" and "Rosneftekomplekt-Kazakhstan" LLP for construction and installation works.

16. REVENUE

	2017	2016 *
Heavy neutral liquid oil fuel		5,173,826
Gasoil fraction	9,922,228	3,799,307
Distillation residue	1,010,537	459,540
AI-92 and AI-95 gasoline	8,106,908	800,912
Diesel fuel	177,424	
Vacuum gas oil	3,406,194	
Tar	446,619	
Industrial sulphur	8	
Associated goods	8,892	
Total	**23,078,810**	**10,233,585**

* In 2016 51% of revenue was generated from sales to Occidental Energy Logistics Ltd.

17. COST

	2017	2016
Raw and materials	18,578,788	9,749,821
Depreciation of property, plant and equipment and intangible assets	3,062,534	1,005,590
Salary	764,491	582,494
Provision for salary	42,403	64,579
Payroll taxes	67,821	61,938
Costs for inventoris write down to net realizable value	(64,298)	(194,914)
Repair and technical maintenance costs	498,954	282,720

(in thousands of Tenge)

Utilities	27,287	89,735
Transportation expenses	34,925	144,622
Dry gas purchase	368,721	
Electric energy	470,323	
Supplies	44,974	29,501
Fuel	30,690	19,646
Other	312,921	136,574
Change in work-in-process and finished goods	276,935	(681,114)
Total	**24,517,469**	**11,291,192**

18. ADMINISTRATIVE EXPENSES

	2017	2016
Salary	340,358	304,519
Payroll taxes	41,308	35,952
Provision for leaves	36,770	33,587
Third parties services	188,729	172,442
Taxes, other than income tax	408,153	71,915
Rent expenses	51,116	44,966
Depreciation of property, plant and equipment and intangible assets	30,849	17,105
Training expenses	27,616	34,940
Travel expenses	25,247	13,699
Sponsorship and other social expenses	25,814	29,976
Fuel	19,217	13,072
Penalties	9,435	1,425
Expenses of prior periods	2,201	9,731
Costs for bad debt write off	538	2,412
Costs for mandatory membership fee payment	5,729	6,426
CIT withheld at sourceof payment from non-residents-legal entities income	8,225	75,745
Costs for property, plant and equipment repair	26,733	17,054
Excessive losses, inventories damage and shortage	50,738	5,632
Other	44,253	13,581
Total	**1,343,029**	**904,179**

19. SELLING EXPENSES

	2017	2016
Transportation expenses	297,229	67,978
Salary	55,336	30,004
Payroll taxes	8,500	3,394
Provision for salary	6,823	3,127
Repair and technical maintenance costs	89,955	63,665
Rent expenses	8,326	28,647
Depreciation of property, plant and equipment	99,005	65,653
Consulting expenses	14,000	36,002
Raw and materials	52,932	30,772
Custom duties	83,295	2,875
Other	20,915	29,392
Total	**736,316**	**361,509**

20. OTHER INCOME/EXPENSES (NET)

	2017	2016
Impairment of assets	(62,894)	(130,285)
Other expenses (net)	128,922	(46,434)
Provision for bad claims write off	(361,139)	
Total	**(295,111)**	**(176,719)**

21. CORPORATE INCOME TAX EXPENSE

Deferred tax assets and liabilities were calculated at the effective corporate income tax rate for 2017 and 2016. The tax rate adopted for calculation is 20%.

Income tax expense is disclosed in the following table:

	2017	2016
Current income tax expense		
Deferred income tax expense (recovery)	(1,231,092)	(364,694)
Total	**(1,231,092)**	**(364,694)**

(in thousands of Tenge)

The reconciliation between the contingent and actual income tax expense is provided below:

	2017	2016
Profit (loss) before tax	(6,409,662)	(2,397,181)
Statutory income tax rate	20%	20%
Contingent income tax expense	**(1,281,932)**	**(479,436)**
Permanent differences	50,841	114,742
Income tax expense (recovery)	**(1,231,092)**	**(364,694)**

As at the end of the reporting and prior periods the deferred tax assets and liabilities are presented as follows:

	31.12.2016	Charged to gains and losses	31.12.2017
Deferred tax assets	**(1,368,694)**	**(1,733,158)**	**(3,101,852)**
Inventories		(13,837)	(13,837)
Other	(14,896)	(1,255)	(16,151)
Tax loss carried forward	(1,353,798)	(1,718,066)	(3,071,864)
Deferred tax liabilities	**1,232,792**	**502,067**	**1,734,859**
Property, plant and equipment and intangible assets	1,232,792	502,067	1,734,859
Net deferred tax asset	**(135,902)**	**(1,231,092)**	**(1,366,994)**

	01.01.2016	Charged to gains and losses	31.12.2016
Deferred tax assets	**(74,135)**	**(1,294,559)**	**(1,368,694)**
Inventories	(54,291)	54,291	
Other	(19,844)	4,948	(14,896)
Tax loss carried forward		(1,353,798)	(1,353,798)
Deferred tax liabilities	**302,927**	**929,865**	**1,232,792**
Property, plant and equipment and intangible assets	302,927	929,865	1,232,792
Net deferred tax liability (asset)	**228,792**	**(364,694)**	**(135,902)**

22. RELATED PARTY TRANSACTIONS

Transactions with related parties are approved by the Company's Board of Directors.
Related parties include shareholders, key management personnel, affiliates which have commn righ of ownership.
Transactions with related parties are not necessarily concluded on commercial basis.
The balances due from related parties as at 31 December 2017 and 2016 are disclosed below:

	31.12.2017	31.12.2016
Trade accounts receivable (Note 8)	**30**	**167**
Aksaienergo LLP	30	113
INTEK-ONMR LLP		54
Other		
Long-term advances paid (Note 6)	**9,610**	**8,479**
"Trade House "Nafta" LLP	9,610	8,479
INTEK-ONMR LLP		
Short-term advances paid (Note 6)	**43,885**	**41,823**
INTEK-ONMR LLP	43,885	41,823
Trade accounts payable (Note 15)	**47,347**	**64,702**
"Trade House "Nafta" LLP	8,719	8,130
INTEK-ONMR LLP	13,032	12,174
Aksaienergo LLP	23,888	43,625
Condensate Holding Ltd.	1,708	773

Revenue:

	2017	2016
INTEK-ONMR LLP	800	170
Aksaienergo LLP	1,502	1,225
"Trade House "Nafta" LLP	826	538
Condensate Holding Ltd.	142	
Total	**3,270**	**1,923**

(in thousands of Tenge)

Purchases from related parties:

	2017	2016
"Trade House "Nafta" LLP	219,939	522,126
INTEK-ONMR LLP	272,867	237,889
Aksaienergo LLP	420,280	280,781
Condensate Holding Ltd.	12,787	11,938
Total	**925,873**	**1,052,733**

Key management personnel compensation

As at 31 December 2017 and 2016 the key management personnel totaled 15 persons. Total compensation to the key management personnel amounted to 178,623 thousand Tenge in 2017 (2016: 167,456 thousand Tenge).

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Principal financial instruments of the Group include trade accounts payable, trade accounts receivable, cash, bank deposits, loans received.

Basic risks related to the Group's financial instruments include liquidity risk, market risk and credit risk.

Categories of financial instruments are as follows:

	Notes	31.12.2017	31.12.2016
Cash	11	187,938	929,344
Trade accounts receivable	8	83,055	3,709
Bank deposits	10	6,663,746	15,904,334
Total assets		**6,934,739**	**16,837,387**
Trade accounts payable	15	495,584	1,117,586
Loans	14	35,901,839	36,717,697
Other non-current liabilities			12,532
Total liabilities		**36,397,423**	**37,847,815**
Net balance sheet item		**(29,462,684)**	**(21,010,428)**

Cash flow risk

Cash flow risk means a risk that the amount of future cash flows related to the cash financial instrument will vary. The Group manages cash flow risk through regular budgeting and cash flow analysis.

Liquidity risk

Liquidity risk is the risk that the Group encounters difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk can arise from impossibility to immediately sell a financial asset at the value close to its fair value. The table below summarizes the analysis of maturity profile of financial liabilities based on contractual undiscounted payments as at 31 December 2017 and 31 December 2016:

	Less than 1 month	1-3 months	3-6 months	6-12 months	More than 1 year	Total
31.12.2017	**32,704**	**1,505,041**	**1,275,484**	**1,934,120**	**31,650,074**	**36,397,423**
Trade accounts payable	32,704	346,211	116,669			495,584
Borrowings		1,158,830	1,158,830	1,934,120	31,650,059	35,901,839
31.12.2016	**33,316**	**1,117,586**	**993,910**	**1,978,220**	**33,724,783**	**37,847,815**
Trade accounts payable		1,117,586				1,117,586
Borrowings	33,316		993,910	1,978,220	33,712,251	36,717,697
Other non-current liabilities					12,532	12,532

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

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: currency risk, interest rate risk and other price risk.

The Group manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions.

(in thousands of Tenge)

Currency risk

Currency risk is the risk that fair value or future cash flows for financial instrument will fluctuate due to the changes in foreign exchange rates. The Company is exposed to currency risk, as has financial instruments, denominated in foreign currency.

As at end/beginning of year monetary assets and liabilities of the Company are denominated in the following currencies:

	Assets		Liabilities	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Tenge	165,332	760,199	12,726,518	11,898,614
USD	6,625,139	15,823,349	23,629,276	25,710,937
RUB	144,268	253,404	38,376	226,437
EUR		435	3,253	11,827
	6,934,739	**16,837,387**	**36,397,423**	**37,847,815**

The following table demonstrates the sensitivity analysis of the Company's profit before tax (due to possible changes in the fair value of monetary assets and liabilities) to the change in USD to Tenge exchange rate.

	Net balance sheet item	Increase/ decrease in exchange rate	Effect on profit before tax (- decrease; + increase)
1. 31.12.2017			
USD	17,004,137	10%	1,700,414
USD	17,004,137	-5%	(850,207)
1. 31.12.2016			
USD	9,887,588	10%	988,759
USD	9,887,588	-5%	(494,379)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows related to a financial instrument will fluctuate because of changes in market interest rates. In the opinion of management, the Company is not exposed to the interest rate risk, as the Company has no interest-bearing borrowings with the floating interest rate.

Credit risk

Credit risk is a risk that one party of financial instrument will cause financial loss to other party due to failure to fulfill its contractual obligations. The carrying amount of accounts receivable and cash on current and deposit bank accounts is the maximum amount exposed to credit risk.

	Neither past due, nor impaired	Total
31.12.2017		
Cash	187,938	187,938
Trade accounts receivable	83,055	83,055
Bank deposits	6,663,746	6,663,746
Total financial assets	**6,934,739**	**6,934,739**
31.12.2016		
Cash	929,344	929,344
Trade accounts receivable	3,709	3,709
Bank deposits	15,904,334	15,904,334
Total financial assets	**16,837,387**	**16,837,387**

The ratings of the international rating agencies on the banks servicing the Group are set out below:

	Rating as at 31.12.2017	Rating as at 31.12.2016	Balance as at 31.12.2017	Balance as at 31.12.2016
SB Alfa-Bank JSC	BB-/Stable, BBB+(kaz)/ Stable (29.03.18),**(Fitch Ratings)**	BB-/ stable /B, kzA- (03.11.16) **(Standard & Poor's)**	31,278	90, 963
Kazkommertsbank JSC	B+,kzBBB-(22.12.17), **(Fitch Ratings)**	B-/ negative /C, kzB+ (19.10.16) **(Standard & Poor's)**	40,503	4,680,049
Tsesnabank JSC	B+/Negative/B, kzBBB- (05.05.17),**(S&P Global Ratings)**	B+/ negative /B, kzBBB- (20.05.16) **(Standard & Poor's)**	6,512,770	7,831,061
Halyk Bank of Kazakhstan JSC	BB/ Stable (31.08.17),**(Fitch Ratings)**	BB/ negative /B, kzA (08.07.16) **(Standard & Poor's)**	49	16,708
Development Bank of Kazakhstan JSC	Baa3/ stable (03.11.17),**(Moody's Inves-**	BBB-/ negative /A-3 (30.06.16) **(Standard &**	91	2

(in thousands of Tenge)

	tors Service)	Poor's)		
Bank CenterCredit JSC	B/ Stable,BB+(kaz) / Stable (15.12.17) **(Fitch Ratings)**	B2/ negative (in national currency), B1.kz (09.03.16) **(Moody's Investors Service)**	70,989	3,397,338
Branch of SB Sberbank JSC	BB+/Positive,AA-(kaz)/Positive(15.12.17) **(Fitch Ratings)**	Ba3/ negative /NP (07.09.15) **(Moody's Investors Service)**	194,075	906,517
ATF Bank JSC	B/ Stable, BB+(kaz)/ Stable (15.12.17) **(Fitch Ratings)**	B- / Stable (20.12.16) (**Fitch Ratings)**	1,929	2,003
Total			**6,851,684**	**16,833,678**

Operational risk

Operational risk is the risk of the Group incurring financial losses as a result of business interruption and possible damage to the Group's property through natural disasters and technological accidents. In accordance with current legislation, the Group is obliged to provide ecological insurance, insurance against accidents during production and occupational diseases for its employees.
As at 31 December 2017 and 2016 the Group believes that it has sufficient insurance policies in respect of civil liability.

Fair value
Management believes that the fair value of the Company's financial assets and liabilities, which are classified within Level 1 fair value measurements for cash and cash equivalents, Level 2 fair value measurements for borrowings and other financial assets, and Level 3 fair value measurements for trade and other accounts receivable and accounts payables, approximates their carrying amounts. The estimated fair values of financial instruments have been determined by the Company using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Management has used all available market information in estimating the fair value of financial instruments.

Valuation techniques and assumptions for fair value measurement
Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Company's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The fair values of the instruments presented herein are not necessarily reflect the amounts the Company could realize in a market exchange from the sale of its full holdings of a particular instrument.
The following methods and assumptions were used by the Company to estimate the fair value of each class of financial instrument:

- The carrying amount of cash and bank balances approximates their fair value due to the short-term maturity of these financial instruments.
- For financial assets and financial liabilities with maturity within twelve months, the carrying amount approximates their fair value due to the short-term nature of these financial instruments.
- For financial assets and financial liabilities with maturities of more than twelve months, the fair value represents a present value of discounted estimated future cash flows with the use of market rates effective at the end of the reporting period.
- The carrying value of floating rate instruments approximates their fair value.

24. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns, to maintain an optimal capital structure to reduce the cost of capital.
The Group's equity is comprised of the share capital paid-in, retained earnings.
The Group monitors capital using the leverage ratio, i.e. debt- to- equity ratio.

	31.12.2017	31.12.2016 0o
Trade accounts payable	495,584	1,117,586
Borowings	35,901,839	36,717,697
less: cash	(187,938)	(929,344)
Net debt	36,209,485	36,905,939
Shareholder's quity	22,476,046	27,514,616
Shareholder's quity and net debt	58,685,531	64,420,555
Leverage ratio, %	61.70%	57.29%

25. COMMITMENTS AND CONTINGENCIES

Economoic environment

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. These reforms and developments and the effectiveness of economic, financial and monetary measures taken by the Government are aimed at supporting the future stability of the Kazakhstan economy.

The Kazakhstan economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector and tighter credit conditions within the Republic of Kazakhstan.

The accompanying consolidated financial statements reflect management's assessment of the impact of the Kazakhstan economic and political environment on the operations and the financial position of the Group.

However, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

Taxation

Kazakhstan tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Group may not coincide with that of management.

As a result, transactions may be challenged by tax authorities and the Group may be assessed additional taxes, penalties, and interest. Tax periods remain open to retroactive review by the tax authorities for five years.

Relevant areas of subjectivity also include transfer pricing. The law applies to cross-border and in-country transactions involving sales of goods and services. As at 31 December 2017 and 2016 management of the Group believes that it has made all tax accruals, and therefore no allowance has been made in the consolidated financial statements.

Capital obligations

As at 31 December 2017 the outstanding commitments on the Group's capital investments comprise 168,442 thousand Tenge (2016: 3,468,517 thousand Tenge).

Agreement with Development Bank of Kazakhstan JSC (DBK)

The Group on a regular basis controls and monitors the performance thresholds of financial ratios established by the loan agreement with DBK. Under the agreement with the DBK, the Group shall comply with a number of thresholds of financial ratios. The Group shall be obliged to comply with the debt service coverage ratio of at least 1.4, the long-term loans to equity not exceeding 1, and to comply with financial debt ratio to Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) of not more than 4.5.

As at 31 December 2017 and 2016 the Group fulfilled all covenants with the exception of the ratio of financial debt to EBITDA, management informed the DBK thereof before the reporting date-2016.

Despite non-compliance with the terms of the covenants, on the basis of the Group's request and the positive decision of the bank in 2017, additional agreements were signed aimed at improving the terms of the debt financing:

1) the term of principal debt repayment began from 26.06.2017;
2) the financing tem comprises 11 years.
3) On 15.03. 2017 the bank provided another tranche of the loan without any additional conditions. Given these circumstances, management believes that DBK does not exercise its right to early repayment of the debt.

Environmental matters

Management of the Group believes it is currently in compliance with all existing Kazakhstan environmental laws and regulations. However, Kazakhstan environmental laws and regulations may change in the future. The Group is unable to predict the timing or extent to which these environmental laws and regulations may change. Such change, if it occurs, may require the Group to modernize technology to meet more stringent standards. These financial statements do not contain provisions, if any deemed required, as a result of non-compliance with environmental laws and regulations.

Legal proceedings

The Group is involved in certain litigations and claims arising in the normal course of its operations. Management believes that settlement, if any, would not have a material impact on the Group's financial statements. These financial statements do not contain provisions, if any deem required as a result of outcome of such litigations.

26. EVENTS AFTER THE REPORTING DATE

On 6 March 2018 TPKL UK LLP became the principal shareholder of the Company, the interest in common shares comprises 24% due to the repurchase of the Company's shares from other shareholders.