Condensate
Joint Stock Company

Consolidated Financial Statements
for the year ended 31 December 2019
and
Independent Auditor's Report

ЦЕНТРАУДИТ-КАЗАХСТАН

www.centeraudit.kz

Director
IAC Centeraudit –Kazakhstan LLP
(State audit license MFU No.0000017
dated 27 December 1999)
________________ V. V. Radostovets
29 May 2020

To the Shareholders and the Board of Directors of
Condensate JSC

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the consolidated financial statements of Condensate Joint Stock Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, 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 financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its 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 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 the Group's management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of 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 id 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 consolidated 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, issued 24 December 2003)

V. Ye. Kim

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

(in thousands of Tenge)

MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Management is responsible for the preparation of the financial statements that present fairly, in all material respects, the financial position of the Group and its subsidiaries (the Group) as at 31 December 2019, 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 financial statements that are free from material misstatements, whether due to fraud or error 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 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 financial statements of the Group comply with IFRSs;
-maintaining accounting records in compliance with the 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 financial statements for the year ended 31 December 2019 were authorised on 29 May 2020 by Management of the Group.

On behalf of the Group's Management:

N.S. Mufteyeva	L.K. Mambetova
Director General	Chief Accountant
29 May 2020	29 May 2020
Aksai, Kazakhstan	Aksai, Kazakhstan

ДЛЯ ФИНАНСОВЫХ ДОКУМЕНТОВ

Translated from the Russian original

(in thousands of Tenge)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

		31.12.2019	31.12.2018
ASSETS			
Non-current assets			
Property, plant and equipment	5	38,649,251	42,334,124
Advances paid	6		73,426
Intangible assets	7	199,365	23,008
Deferred tax asset	23	3,172,739	2,675,383
Right-of-use asset	8	61,952	
Total non-current assets		**42,083,307**	**45,105,941**
Current assets			
Trade receivables	9	7,366	19,842
Inventories	10	3,591,657	2,533,428
VAT recoverable		905,362	1,607,640
Income tax prepaid		209,868	192,239
Advances paid	6	260,599	1,252,811
Taxes and other payments prepaid		156,383	342,406
Bank deposits	11	2,193,285	8,315,933
Cash and cash equivalents	12	27,249	158,204
Other current assets	13	948,639	1,199,927
Total current assets		**8,300,408**	**15,622,430**
Total assets		**50,383,715**	**60,728,371**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	186,000	186,000
Retained earnings		9,640,829	16,720,443
Total equity		**9,826,829**	**16,906,443**
Non-current liabilities			
Borrowings	15	32,509,201	37,295,027
Long-term lease liability	8	32,045	
Total non-current liabilities		**32,541,246**	**37,295,027**
Current liabilities			
Borrowings	15	6,600,973	5,207,258
Short-term lease liability	8	33,483	
Trade and other payables	16	1,358,182	1,237,032
Other tax and payment liabilities		23,002	82,611
Total current liabilities		**8,015,640**	**6,526,901**
Total equity and liabilities		**50,383,715**	**60,728,371**

* Notes on pages 6-30 are an integral part of these consolidated financial statements.

Director General **N. S. Mufteyeva**

Chief Accountant **L.K. Mambetova**

АКЦИОНЕРНОЕ ОБЩЕСТВО "КОНДЕНСАТ" АКЦИОНЕРЛІК ҚОҒАМЫ
ДЛЯ ФИНАНСОВЫХ ДОКУМЕНТОВ

(in thousands of Tenge)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2019

		2019	2018
Revenue	17	16,433,878	27,926,930
Cost	18	(18,070,423)	(26,804,568)
Gross loss		**(1,636,545)**	**1,122,362**
Administrative expenses	19	(1,592,513)	(1,286,753)
Selling expenses	20	(753,570)	(569,190)
Loss from impairment of financial assets	9,11	(6,397)	
Finance income	11	89,736	53,835
Finance cost	21	(3,538,373)	(2,946,132)
Gain (loss) from translation difference (net)		140,587	(3,080,594)
Other gain/loss (net)	22	(279,895)	(148,367)
Loss before tax		**(7,576,970)**	**(6,854,839)**
Corporate income tax recovery	23	497,356	1,308,389
Total loss for the year		**(7,079,614)**	**(5,546,450)**
Other comprehensive income (loss)			
Total comprehensive loss for the year		**(7,079,614)**	**(5,546,450)**
Loss per share, in Tenge		(1,180)	(924)

* Notes on pages 6-30 are an integral part of these consolidated financial statements.

Director General N. S. Mufteyeva

Chief Accountant L.K. Mambetova

Республика Казахстан Зап.-Казахстанская обл. АКЦИОНЕРНОЕ ОБЩЕСТВО "КОНДЕНСАТ" АКЦИОНЕРЛІК ҚОҒАМЫ
ДЛЯ ФИНАНСОВЫХ ДОКУМЕНТОВ

(in thousands of Tenge)

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	2019	2018
Operating activities:		
Loss before tax	**(7,576,970)**	**(6,854,839)**
Adjustment to:		
Depreciation and amortisation of property, plant and equipment and intangible assets	3,825,379	3,707,003
Loss from disposal of property, plant and equipment, net	112	832,460
Loss from impairment of construction in progress	30,976	
Impairment of investments to subsidiaries		293
Finance income	(89,736)	(53,835)
Finance cost	3,538,373	2,946,132
Provision for write-off of inventories to net realisable value	262,301	
Provision for doubtful debt	(100,764)	
Allowance for financial instruments	6,397	68,582
Loss (gain) from translation difference, net	(258,522)	3,159,767
Adjusted net profit before changes in working capital	**(362,454)**	**3,805,563**
Changes in trade and other receivables	(1,762,840)	1,795,186
Changes in advances paid	1,612,018	(882,343)
Changes in inventories	(1,320,530)	539,952
Changes in other assets	351,983	(210,336)
Changes in taxes recoverable	884,729	620,460
Changes in trade and other payables	1,322,594	(1,436,700)
Changes in taxes payable	(57,955)	61,398
Cash from operating activities	**667,545**	**4,293,180**
Recovered (paid) income tax		281,268
Borrowing origination expense paid	(1,886)	(64,080)
Lease interest repayment	(9,992)	
Interests paid	(3,483,607)	(2,870,471)
Net cash generated from operating activities	**(2,827,940)**	**1,639,897**
Investment activities:		
Cash inflows, total	**6,158,250**	**64,033**
Interests received	83,298	64,033
(Opening)/withdrawal of fixed-term deposits	6,074,952	
Total cash outflows	**(249,611)**	**(4,847,480)**
Purchase of property, plant and equipment	(249,611)	(2,792,506)
Purchase of investment property		(649,889)
Advances paid against property, plant and equipment		(73,426)
Opening)/withdrawal of fixed-term deposits		(1,321,978)
Purchase of intangible assets		(9,681)
Net cash used in investing activities	**5.908.639**	**(4,783,447)**
Financing activities:		
Total cash proceeds	**5,002,650**	**10,101,461**
Proceeds from bank loans	5,002,650	10,101,461
Total cash outflow	**(8,263,928)**	**(6,900,968)**
Repayment of bank borrowings	(8,236,528)	(6,900,968)
Repayment of lease principal debt	(27,400)	
Net cash flows from financing activities	**(3,261,278)**	**3,200,493**
Net cash increase /(decrease)	**(180,579)**	**56,943**
Cash at the beginning of the year	**158,204**	**187,938**
Effect of exchange rate changes on cash balances in foreign currency	49,624	(86,677)
Cash at the end of the year	**27,249**	**158,204**

Director General **N. S. Mufteyeva**

Chief Accountant **L.K. Mambetova**

(in thousands of Tenge)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Share capital	Retained earnings	Total
1 January 2018	**186,000**	**22,266,893**	**22,452,893**
Loss and comprehensive loss for the year		(5,546,450)	(5,546,450)
31 December 2018	**186,000**	**16,720,443**	**16,906,443**
1 January 2019	**186,000**	**16,720,443**	**16,906,443**
Loss and comprehensive loss for the year		(7,079,614)	(7,079,614)
31 December 2019	**186,000**	**9,640,829**	**9,826,829**

* Notes on pages 6-30 are an integral part of these consolidated financial statements.

Director General _______________ **N. S. Mufteyeva**

Chief Accountant _______________ **L.K. Mambetova**

АКЦИОНЕРНОЕ ОБЩЕСТВО "КОНДЕНСАТ" АКЦИОНЕРЛІК ҚОҒАМЫ
ДЛЯ ФИНАНСОВЫХ ДОКУМЕНТОВ

1. CONDENSATE JSC AND ITS ACTIVITIES

Condensate JSC (the Company) was registered by the Department of Justice of Burlin district of the Department of Justice of West Kazakhstan oblast on 02 October 2007, state registration number 16-1926-O3-AO. The initial registration took place on 29 June 1992. Business identification number (BIN): 921040000053. The Company location is as follows: 172, M. B. Iksanova str., 090301, Aksai.

Core activities are the processing of hydrocarbons at the refinery (the refinery) and the production of different types of fuels. The range of products and products yield depend on the emerging demand for the Company's products at oil product market. Currently, the Company setup the yield and sale of following products:
- motor vehicle gasoline brand АИ-92-К5 (ТР ТС 013/2011, GOST 32513-2013);
- motor vehicle gasoline brand АИ-95-К5 (ТР ТС 013/2011, GOST 32513-2013);
- diesel EURO, winter, ДТ-З-К5 (GOST 32511-2013)
- diesel EURO, summer, ДТ-Л-К5 (GOST 32511-2013)
- diesel EURO, summer, ДТ-Л-К4 (GOST 32511-2013)
- block gas industrial sulphur (GOST 127.1-93);
- vacuum residues (CT AO 921040000053-13-2017);
- other oil products; and
- toll processing.

Information on the persons who have a material effect on the Company is provided in Note 26 “Related party transactions”.

The Company's activities are regulated in accordance with the laws of the Republic of Kazakhstan On Licensing and On State Regulation of Production and Turnover of Certain Types of Oil Products.

Subsidiaries
As at 31 December 2019 and 31 December 2018, the Company has the following subsidiaries:
1. Condensate-AZS LLP - the share of the Company' percentage holding as at 31 December 2019 and 31 December 2018 is 100%. Business Identification Code is 161040025960. Legal address: 172A, M. Iksanov Str., Burlinsky district, Aksai, West Kazakhstan oblast, Republic of Kazakhstan. The subject of the Partnership's activities is the retail sale of fuels and petroleum, oil and lubricants (POL).
2. Condensate-Marketing LLP - the share of the Company's percentage holding as at 31 December 2019 and 31 December 2018 is 100%. Business Identification Code is 161040026027. Legal address: 172, M. Iksanov Str., Burlinsky district, Aksai, West Kazakhstan oblast, Republic of Kazakhstan. The subject of the Partnership's activities is the purchase and sale of oil, gas condensate, refined oil products, and other crude hydrocarbons.

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

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (the IASB), and were authorised by the Group's Management on 29 May 2020.

Basis of consolidation

The consolidated financial statements include the financial statements of the parent Group and its subsidiaries as at 31 December 2019. 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 profit and loss and other comprehensive income 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 Group owners 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 derecognises the related assets (including goodwill);
- it derecognises the carrying amount of non-controlling interests;
- it derecognises the cumulative translation differences recorded in equity;
- it recognizes the fair value of the consideration received;
- it recognizes the fair value of the remaining investment;
- it recognizes the surplus or deficit in profit or loss resulting from the transaction;
- it reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings in accordance with specific IFRSs requirements, as if the Group had directly disposed of the relevant assets or liabilities.

Functional and presentation currency

(a) Functional and presentation currency

The national currency of the Republic of Kazakhstan is Tenge, which is the functional currency of the Group and the currency used when preparing these consolidated financial statements in accordance with IFRSs.

All financial information presented in Tenge except where otherwise indicated.

(in thousands of Tenge)

(b) Transactions in foreign currency and balances thereon

To retranslate items of the consolidated financial statements denominated in foreign currencies, and also to record foreign currency transactions in the accounting records, the Group used the official exchange rates established in the Republic of Kazakhstan (RoK).

Exchange rate is as follows:

	31.12.2019	31.12.2018
USD	381.18	384.20
EUR	426.85	439.37
RUB	6.17	5.52

Going concern

These consolidated financial statements have been prepared on a going concern basis that the Group continues and will continue to operate in the foreseeable future.

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

According to the Management's estimates, a full-production launch of AI-92 and AI-95 motor gasoline, K5 environmental class diesel will significantly improve the financial performance of the Group. Since 2018, the capacity of the refinery for toll processing has been increased to 850 thousand tons. Also, in 2018, within the framework of phase 2 of the Investment project "Production of Motor Fuels of K5 ecological class", the construction of hydrotreating components section of ecological class diesel was completed.

In 2019 versus 2018, there was a significant decrease in the Group's revenues from the sale of finished products and services due to the fact that the Group did not achieve the refinery's real utilisation rate for the entire reporting period. Since July 2018, the Group has been included in the Schedule of transportation of oil from Kazakhstan producers via the system of main oil pipelines and by rail, approved by the Ministry of Energy (ME) for subsoil users of the Republic of Kazakhstan in accordance with the Law of the Republic of Kazakhstan "On State Regulation of Production and Turnover of Certain Types of Oil Products". Due to non-fulfillment of the Schedule based on the results of the Group's operations for 2019, processing of feedstock amounted to 155 thousand tons or 18.24% of production utilisation rate. The Group in cooperation with the Ministry of Energy of the Republic of Kazakhstan keep working together to increase the refinery loading with feedstock.

In order to change the existing situation in supplying the refinery with feedstock, in 2019 the Management proposed an option of loading the refinery with feedstock from the Karachaganak oilfield in the amount of 600 thousand tons per year at the expense of the Republic's Share in this project with applying an appropriate tool for compensating potential losses. Despite the fact that the issue of providing feedstock from the Karachaganak oilfield at the expense of RoK Share has not been resolved by RoK Ministry of Energy, the Group resumed purchasing unstable gas condensate at a cost-effective price in April 2020. At the same time, to load production capacities, the Group makes every effort in purchasing feedstock from the sources out of the Schedule of the Ministry of Energy of the Republic of Kazakhstan, comprising through attracting tollers.

To ensure stable and long-term growth of the Group, a Strategic Development Plan was developed, according to which the Group's management believes that it will be able to continue as a going concern in the foreseeable future.

Accrual basis

The consolidated financial statements, except for information about cash flows, are prepared on an accrual basis of accounting. Under the accrual basis of accounting, results of business transactions and other events when they occur are recognised in financial statements regardless of payment time. The transactions and events are recognised in the accounting records and included in the financial statements of the periods in which they occurred.

Recognition of consolidated financial statement elements

The consolidated financial statements include all assets, liabilities, equity, income, and expense being elements of the financial statements.

All elements of the consolidated financial statements are recorded in the form of line items. Several elements of the consolidated 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.

Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires the Management to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities and as well as disclosure of contingent liabilities at the reporting date. However, main assumptions and other principal sources of uncertainty in estimates at the reporting can lead to significant adjustments in the carrying value of assets or liabilities in future. The 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 change affects only that period or in the change period and future periods, if the change affects both current and future periods.

Main assumptions on future events and other principal sources of uncertainty at the reporting which carry a significant risk of the need to make material adjustments to the carrying amount of assets and liabilities during the next reporting year are presented 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 revisions at least as at the end of each reporting year and, if expectations differ from previous estimates, the change is recorded as a change in accounting estimates.

Impairment of tangible and intangible assets

The Group reviews the existence of impairment indicators for the carrying amount of tangible and intangible assets at each reporting date.

The determination of whether an asset is impaired is based on a large number of factors, such as estimated cash flows, changes in future availability of financing, technological obsolescence, discontinuation of sales, current replacement costs and other changes in terms.

Where such indicators exist, the recoverable amount of the assets is estimated and compared with the carrying amount of the assets. If the carrying amount exceeds the recoverable amount, the impairment is recognised. The recoverable amount is determined as the higher of the fair value of assets less costs to sell and cost to use. In assessing value in use, future cash flows are discounted to their present value using a pre-tax discount rate that in the opinion of the management reflects current market assessments 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 reversal in future periods.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies according to which the Group prepared the financial statements for the year ended 31 December 2019 are consistent with those adopted in the prior period, except for adoption of below new and revised standards and IFRIC interpretations effective on or after 1 January 2019.

Adoption of new or revised standards to be applied for annual period beginning on or after 1 January 2019.

In 2019, the Group for the first time applied some amendments to standards and clarifications.

IFRS 16 Leases
IFRS 16 Leases introduces a single on-balance sheet model for determining lease agreements and accounting by both the lessor and the lessee. Once it is effective, the new standard will replace IAS 17 Leases and all related clarifications.
IFRS 16 leases distinguishes between leases and service contracts based on whether the buyer controls the identified asset. There is no longer a separation between operating leases (off-balance sheet accounting) and finance leases (on-balance sheet accounting) for the lessee, instead of it a model is used whereby the lessee's accounting should recognize the right-of-use asset and a corresponding liability for all leases (on-balance sheet accounting for all leases), except for short-term and 'low-value' leases.
A right-of-use asset is initially recognized at cost and, after initial recognition, is carried at cost (with a few exceptions) less accumulated depreciation and accumulated impairment losses, adjusted for revaluation of the lease liability. The lease liability is initially measured at the present value of the remaining lease payments. After initial recognition, the lease liability is adjusted for interest on the liability and lease payments, as well as, among other things, for the effect of modifications to the lease agreement.
In contrast to accounting by the Lessee under IFRS 16, Lessor accounting is substantially unchanged under IAS 17, and required to classify leases as either operating or finance leases.
Moreover, IFRS 16 requires lessees and lessors to make more extensive disclosures.
The Group reviewed agreements that may contain leases and assessed the disclosure requirements under the new clarifications.
The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application; however, the liability and the related right-of-use asset are based on future payments as defined by the standard. The Company also decided to use the exception for recognising leases that, at the date of initial recognition, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), as well as leases for which the underlying asset is of a 'low value'.

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 leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities. 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 at the rate of 12.4%. The effect of IFRS 16 as at 1 January 2019 was disclosed in Note 10 to these consolidated financial statements.

The following new IFRSs, amendments to IFRSs and interpretations that did not affect the financial results of the Group and do not require retrospective adjustments:

- 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. An entity must equally consider all income tax consequences of dividends;
  - 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 IAS 19 "Plan Amendment, Curtailment or Settlement" (effective for annual periods beginning on 1 January 2019);

(in thousands of Tenge)

- IFRIC 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (effective for annual periods beginning on 1 January 2019);
- Amendments to IFRS 9 "Prepayment Features with Negative Compensation" (effective for annual periods beginning on 1 January 2019).

New IFRSs, amendments to IFRSs and interpretations not effective for annual periods ended on 31 December 2019:
The Company has not early adopted standards, interpretations and amendments that have been issued but are not yet effective:

- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021);
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. These amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. Temporary exemption allows entities that meet certain criteria to defer the implementation date of IFRS 9 until the effective date of IFRS 17, that is, until 1 January 2021.
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020;
- Amendments to IAS 1 and IAS 8 Definition of Material (effective for annual periods beginning on or after 1 January 2020);
- Amendments to IFRS 3 Definition of a Business (effective for annual periods beginning on or after 1 January 2020).
- 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 Group intends to adopt these standards, if applicable, when they become effective.
The impact of implementing these standards, amendments, and interpretations on the Group's consolidated financial position and consolidated financial statements is currently being assessed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment
Property, plant and equipment of the Group are recognised initially at cost, which includes the actual acquisition costs made.
After initial recognition property, plant and equipment are valued at cost less any accumulated amortisation and accumulated impairment losses.
The Group uses the straight-line method of depreciation over the estimated useful lives.
The estimated useful lives of property, plant and equipment for the reporting period are presented as follows:

	Years
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, plant 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, plant and equipment is ceased from the first day of the disposal month.
Subsequent costs for property, plant 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, plant 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 gain or loss of the reporting period when the asset was disposed.

The useful lives and methods of depreciation rates are reviewed and adjusted as needed at the end of reporting period.

Construction in progress is construction in progress of property, plant and equipment stated at cost, net of accumulated impairment losses. Construction in progress includes the cost of construction, equipment and other direct costs, as well as indirect overheads incurred during construction process. Construction in progress is not depreciated. Depreciation of construction in progress will begin when the assets are put into operation. The present value of construction in progress is regularly reviewed for fair presentation and the need to recognise impairment losses.

Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition intangible assets are stated at cost, less accumulated depreciation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Depreciation of intangible assets is calculated under the straight-line method of depreciation over the estimated useful life of items. Depreciation of intangible assets begins when the asset is ready for use, and is allocated on a systematic basis over the best estimated useful life.

The Group applies the following useful lives for intangible assets:

	Years
Software	3-7
Other licenses	3-10

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed by the Group at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Impairment of non-financial assets

At each reporting date, the Group determines whether there are indications of potential impairment of an asset. If any such indication exists, or when an asset is required to be tested annually for impairment, the Group estimates the recoverable amount of the asset. The recoverable amount of an asset or cash flow generating units (cash generating unit/CGU) - is the higher of the fair value of an asset (CGU), less costs to sell and value in use of the asset (CGU). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from units generating by other assets or groups of assets. If the carrying amount of an asset or cash flow generating unit exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use, future cash flows are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to an asset. In determining fair value less costs to sell the recent market transactions are taken into account (if any). In their absence the appropriate assessment model is used.

Impairment losses from continuing operations (including impairment of inventories) are recognised in the statement of profit and losses and other comprehensive income in those expense categories consistent with the function of impaired asset.

An assessment is made by the Group at each reporting date 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 exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit and loss and other comprehensive income.

Leases

Company as a lessee

At inception of a contract, the Company shall assess whether the contract is, or contains, a lease, in other words, the Company determines whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. As at the beginning of lease the Company recognises lease liabilities as right-of-use assets.
In 2018, the Group applied IAS 17 “Leases” and at the date of recognition classified leases as financial or operating.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. 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;
lease payments made at or before the commencement date less any lease incentives received; and
an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Right-of-use assets are depreciated on a straight-line basis. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of 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. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.
After the commencement date, the Group shall measure the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

Financial instruments

Initial recognition of financial instruments

The Group recognizes its financial assets and liabilities in its statement of financial position only when it (the Group) becomes a party on contractual provisions under financial instruments. Financial assets and liabilities are recognized at the date of the transaction.
The Group initially measures financial assets and liabilities at its fair value plus, in the case of financial assets and liabilities not at fair value through profit or loss, directly associated with transaction costs.

Financial assets

The Group classifies its financial assets at initial recognition as follows:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVOCI);
- financial assets at fair value through profit or loss (FVPL);

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets is changed. The Group's financial assets include cash, bank deposits and trade receivables. The Group attributes trade receivables to a class of financial assets subsequently measured at amortized cost.

Financial assets at amortised cost
Financial assets measured at amortised cost are financial assets that are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, where 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 fair value through other comprehensive income (FVOCI)
The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, where 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.
Changes in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in "interest income" using the effective interest rate method.

Financial assets at fair value through profit or loss
Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, debt instruments may be designated at fair value through profit or loss.
Profit or loss from the measurement of the fair value of a financial asset is recognised in profit or loss with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.

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

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

Impairment of financial assets at amortised cost or at fair value through other comprehensive income
To assess the estimated provision for financial instruments, the Group applies a three-level model of expected credit losses with the exception of trade and lease receivables.

Level 1 – 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);
Level 2 – 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);
Level 3 – For credit exposures for which there is an objective evidence of impairment of the financial instrument.

Trade or lease receivables are classified under level 2 or 3:
Level 2 – includes receivables for which a simplified approach was applied to the assessment of ECLs during the entire credit period, except for certain trade receivables classified in stage 3,
Level 3 – includes accounts receivable that are more than 180 days past due or individually determined to be impaired.

The Group considers the following indicators for assessment of significant increase in credit risk of a loan:

- the loan is at least 30 days past due;
- there have been legislative, technological, or macroeconomic changes with a significant negative impact on the borrower;
- there is information about significant adverse events in relation to the loan or other loans of the same borrower with other lenders, such as termination of loans, breach of covenants, renegotiations due to financial difficulties etc.;
- Financial assets are written-off, in whole or in part, when the Group practically exhausted all recovery efforts and has concluded that there is no reasonable expectation of recovery. This normally occurs when the asset is over 360 days past due.

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

- the rights to receive cash flows from the asset have expired;
- 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) 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.

Financial liabilities

The Group classifies its financial liabilities within the scope of IFRS 9 as follows:

- financial liabilities at fair value through profit or loss;
- borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs.
The Group's financial liabilities include trade payables and borrowings.

Trade payables

Trade payables after initial recognition measured at amortised cost using the EIR method.
Income and expenses are recognised in profit or loss of the period when loans and borrowings and payables are derecognised or impaired as well as during the amortisation process.

Borrowings

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium associated with repayment of borrowings.
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer payment for at least 12 months after the reporting date.

Borrowing cost

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

Derecognition of a financial liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss of the reporting year.

Inventories

The Group's inventories are as follows: finished products, work in progress, feedstock (toll) and materials intended for use in the production process, other consumables.
Cost of inventory includes all acquisition costs, processing costs, and other costs incurred to ensure the current location and status of inventory.

Cost of acquired inventories include: inventory acquisition cost, import duties, other taxes, ordering costs, related to their delivery to storage and bringing them to proper condition.

Inventory processing costs include costs, such as direct labor costs, which are directly related to the production of goods, fixed and variable production overheads arising from the processing of feedstock (toll) into finished products.

FIFO (first-in/first-out) method is used to estimate the cost of inventory.
Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in

course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cash
Cash include cash on hand and cash on bank accounts and deposits with a maturity of less than 3 months.

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

Current and deferred tax

Current tax
The amount of income tax expenses in the current period is determined taking into account the amount of taxable profit gained for the year. Taxable profit differs from net profit recorded in the income statement because it does not include items of income or expense that are taxable or deductible for tax purposes in other years, and excludes items that are not taxable or accounted for. The Group's income tax expense for the current year is accrued using tax rates that have been introduced in full or to a great extent as at the date of preparation of the statement of financial position. Income tax is calculated in accordance with the Legislation 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, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised
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 recognized 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 deferred tax 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 contributions
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 mandatory social security expenditure to the State Fund of Social Insurance. The aggregate amount of social tax and social security expenditure constitutes 9.5% 1 % deductible from taxable income of employees.
The Group makes contributions for its employees to the Compulsory Social Health Insurance Fund (CSHI) at the rate of 1.5 % of employees' taxable income.
The Group also withholds 10% from the salary of its employees as mandatory pension contributions to the Unified Accumulative Pension Fund (UAPF). In accordance with the legislation mandatory pension contributions are obligations of employees, and the Group has neither current nor future payment obligations upon retirement of its employees.

Provisions-liabilities
Provisions-liabilities are recognised when the Group has present obligation (legal or constructive) as a result of past event, and 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 obligation amount. 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 the statement of profit and loss and other comprehensive income net of any reimbursement. If the effect of time value of money is material, provisions are determined by discounting the expected cash flows using pre-tax rate that reflects the current market assessment of time value of cash 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 recognised as a finance cost.

Recognition of revenue and expenses

Revenue under contracts with customer s is recognised when control over goods and services is handed over to the customer. Revenue is assessed in the amount reflecting reimbursement, the right to which the Company expects to be entitled in exchange for transferring goods or services to a customer.
After revenue is recognized, all subsequent uncertainty about the likelihood of recovery of that revenue is recognized as an adjustment to the amount receivable rather than as an adjustment to revenue.
The Group recognises revenue to reflect the transfer of promised goods or services to customers in the amount of the consideration that the Group expects to be entitled to receive in exchange for the goods or services specified.

The Group takes the following steps to recognise revenue:
1) identification of the contract with the buyer;
2) identification of liability to be performed under the contract;
3) determining the transaction price;
4) distribution of prices between single liabilities to be performed under the contract;
5) revenue recognition at the time (or to the extent) of the liability to be performed under the contract.
Revenue is recognised net of value added tax and excise, if any.

Interest income

Interest income is recognised at the time of accrual of interest (using the effective interest method, i.e. at a rate which discounts estimated future cash flows during the expected duration of the financial instrument to the net book value of the financial asset).

Expenses

Expenses are accounted for as incurred and reflected in the consolidated financial statements in that period to which they relate based on an accrual method.

Related party transactions

The related parties shall mean those parties under common control or one of which able to control or exercise significant influence over the operational and financial decisions of the other party. The nature of related party transactions is disclosed in Note 24.

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 Group.
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 on the financial position of the Group at the date of preparation of the financial statements (adjusting events) are recorded in the financial statements. The events which take place after the reporting date which are non-adjusting events are disclosed in the notes to the financial statements, 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						
01.01.2018	**20,426,476**	**27,003,581**	**245,122**	**1,678,663**	**8,243,259**	**57,597,101**
Addition	104,286	125,838	1,847	20,170	3,839,023	4,091,164
Addition from construction in progress	4,999,629	4,651,419		97,448	(9,748,496)	
Disposal	(212)	(1,810)	(18,022)	(1,079)	(831,530)	(852,653)
Transfer to intangible assets					(2,506)	(2,506)
31.12.2018	**25,530,179**	**31,779,028**	**228,947**	**1,795,202**	**1,499,750**	**60,833,106**
Addition	44,273	23,473	35,430	12,790	150,403	266,369
Addition from construction in progress	624,694	(222,762)		(86)	(401,846)	
Disposal		(6,911)	(2,287)	(23,337)		(32,535)
31.12.2019	**26,199,146**	**31,572,828**	**262,090**	**1,784,569**	**1,248,307**	**61,066,940**
Depreciation						
01.01.2018	**(3,387,187)**	**(10,995,089)**	**(162,554)**	**(273,817)**		**(14,818,647)**
Accrued for the year	(1,686,770)	(1,828,875)	(22,401)	(162,482)		(3,700,528)
Accrued on disposed property, plant and equipment		1,426	18,022	745		20,193
31.12.2018	**(5,073,957)**	**(12,822,538)**	**(166,933)**	**(435,554)**		**(18,498,982)**
Accrued	(1,925,301)	(1,833,484)	(22,878)	(165,618)		(3,947,281)
Disposed		5,243	1,914	21,417		28,574
31.12.2019	**(6,999,258)**	**(14,650,779)**	**(187,897)**	**(579,755)**		**(22,417,689)**
Carrying amount						
31.12.2018	**20,456,222**	**18,956,490**	**62,014**	**1,359,648**	**1,499,750**	**42,334,124**
31.12.2019	**19,199,888**	**16,922,049**	**74,193**	**1,204,814**	**1,248,307**	**38,649,251**

As at 31 December 2019, the initial cost of fully depreciated property, plant and equipment still in use amounted to 798,854 thousand Tenge (2018: 786,413 thousand Tenge).

As at 31 December 2019 property, plant and equipment pledged as security for liabilities amounted to 35,553,870 thousand Tenge (2018: 17,972,545 thousand Tenge).

6. ADVANCES PAID

	31.12.2019	31.12.2018
Non-current advances paid, including:		**73,426**
Advances to third parties for acquisition of property, plant and equipment		68,270
Advances to related parties for acquisition of property, plant and equipment (Note 24)		5,156
Provision for non-current advances paid		
Current advances paid, including:	**260,599**	**1,252,811**
Advances paid to third parties against materials and services	260,354	1,252,552
Advances paid to related parties against materials and services (Note 21)	245	259
Provision for current advances paid		

7. INTANGIBLE ASSETS

	Software	Other licenses	Total
Cost			
01.01.2018	**50,230**	**16,178**	**66,408**
Addition	4,601	7,586	12,187
31.12.2018	**54,831**	**23,764**	**78,595**
Addition	182,962	5,233	188,195
Disposal		(20)	(20)
31.12.2019	**237,793**	**28,977**	**266,770**
Accumulated depreciation			
01.01.2018	**(40,435)**	**(8,677)**	**(49,112)**
Depreciation for the year	(2,084)	(4,391)	(6,475)
31.12.2018	**(42,519)**	**(13,068)**	**(55,587)**

(in thousands of Tenge)

Depreciation for the year	(8,257)	(3,581)	(11,838)
Disposal		20	20
31.12.2019	**(50,776)**	**(16,629)**	**(67,405)**
Carrying amount			
31.12.2018	**12,312**	**10,696**	**23,008**
31.12.2019	**187,017**	**12,348**	**199,365**

8. RIGHT-OF-USE ASSET

	2019
Recognition of an asset at the first adoption of IFRS 16	92,928
Depreciation expense	(30,976)
At the end of the year	**61,952**

Assets represent the right-of-use in respect of the office premise taken by the Group for leases that were previously classified as operating leases in accordance with IAS 17 "Leases". The right-of-use assets were recognised based on the amount equal to remaining rental payments. The rental period for the office premise comprises 3 years.

The carrying amount of lease obligations and their changes during the period are presented below:

	2019
Contractual obligations on operating lease as at 31 December 2018	128,191
Weighted average rate for raising additional borrowed funds as at 1 January 2019	12.40%
Contractual obligations related to the lease of low-value assets	(16,473)
Recognition of liability at first adoption of IFRS 16	92,928
Accrued interest	9,992
Payments	(37,392)
At the end of the year	**65,528**
Non-current portion of lease liability	32,045
Current portion of lease liability	33,483

The amounts recognised in the statement of profit or loss are as follows:

	Total
Depreciation expense of the right-of-use assets	30,976
Interest expense on lease liabilities	9,992
Lease expenses related to the lease of low-value assets (included in "Administrative expenses")	13,076
Total amounts recognised in the statement of profit or loss	**54,044**

9. TRADE RECEIVABLES

	31.12.2019	**31.12.2018**
Trade and other receivables from third parties	63,478	66,614
Trade receivables from related parties (Note 24)	3,094	66
Provision for trade and other receivables	(59,206)	(46,838)
Total	**7,366**	**19,842**

Movement in the provision for the years ended 31 December is as follows:

	2019	**2018**
1 January	**46,838**	
Accrued	12,368	46,838
31 December	**59,206**	**46,838**

10. INVENTORIES

	31.12.2019	**31.12.2018**
Feedstock, spare parts and other materials	1,991,409	1,639,831
Finished products	696,612	112,164
Goods in transit	81,789	268,375
Work in progress	1,092,437	570,534
Other	1,579	1,413

(in thousands of Tenge)

Provision for write off of inventories to net realisable value and provision for obsolete stocks	(272,169)	(58,889)
Total	**3,591,657**	**2,533,428**

Movement in the provision for years ended 31 December is represented as follows:

	2019	2018
1 January	**58,889**	**69,187**
Accrued	262,301	2,327
Written off	(49,021)	(12,625)
31 December	**272,169**	**58,889**

11. BANK DEPOSITS

	31.12.2019	31.12.2018
Deposits with initial term of 3-12 months	2,227,388	8,347,942
Interest on deposits	4,823	12,888
Less: allowance for impairment	(38,926)	(44,897)
Total	**2,193,285**	**8,315,933**

The Group places temporarily available funds on deposit accounts with second-tier banks:
In 2019

	% rate	Currency of deposit	Balance at 01.01.2019	Credited	Capitalised	Withdrawn	Translation differences	Balance at 31.12.2019
Deposits in banks	8-10%	KZT	1,400,052	13,713,402	11,170	(14,582,814)		541,810
Deposits in banks	0.5-3.5%	USD	6,888,955	10,700,095	56,635	(15,905,190)	(54,917)	1,685,578
Deposits in banks	4%	RUB	58,935	1,083,601		(1,151,851)	9,315	
Total			**8,347,942**	**25,497,098**	**67,805**	**(31,639,855)**	**(45,602)**	**2,227,388**

In 2018

	% rate	Currency of deposit	Balance at 01.01.2018	Credited	Capitalised	Withdrawn	Translation differences	Balance at 31.12.2018
Deposits in banks	8-10%	KZT	16,742	3,944,000	52	(2,560,742)		1,400,052
Deposits in banks	0.5-3.5%	USD	6,570,856	15,353,196	4,481	(15,438,772)	399,194	6,888,955
Deposits in banks	4.00%	RUB		103,672		(44,376)	(361)	58,935
Deposits in banks (restricted in use)		KZT	35,000			(35,000)		
Total			**6,622,598**	**19,400,868**	**4,533**	**(18,078,890)**	**398,833**	**8,347,942**

Accrued interest in 2019

	Balance at 01.01.2019	Accrued	Paid	Capitalised	CIT withheld	Translation differences	Balance at 31.12.2019
Deposits in banks	12,846	89,332	(15,018)	(67,805)	(14,628)	35	4,762
Current accounts in banks	42	401	(332)		(52)	2	61
Total	**12,888**	**89,733**	**(15,350)**	**(67,805)**	**(14,680)**	**37**	**4,823**

Accrued interest in 2018

	Balance at 01.01.2018	Accrued	Paid	Capitalised	CIT withheld	Translation differences	Balance at 31.12.2018
Deposits in banks	41,075	45,837	(57,220)	(4,533)	(10,962)	(1,351)	12,846
Current accounts in banks	73	7,998	(6,813)		(1,209)	(7)	42
Total	**41,148**	**53,835**	**(64,033)**	**(4,533)**	**(12,171)**	**(1,358)**	**12,888**

12. CASH

	31.12.2019	31.12.2018
Cash in bank, KZT	17,129	22,319
Cash in bank, RUB	0	117,225
Cash in transit, KZT	5,553	13,506
Cash on hand, KZT	4,567	5,154
Total	**27,249**	**158,204**

(in thousands of Tenge)

13. OTHER CURRENT ASSETS

	31.12.2019	31.12.2018
Deferred expenses	946,280	1,202,951
Other	270,685	366,066
Provision for other current assets	(268,326)	(369,090)
Total	**948,639**	**1,199,927**

Movements in the provision for the years ended 31 December are as follows:

	31.12.2019	31.12.2018
1 January	**369,090**	**81,580**
Accrued		287,510
Estimate changes	(100,764)	
31 December	**268,326**	**369,090**

14. SHARE CAPITAL

Share capital

As at 31 December 2019 and 31 December 2018, the number of ordinary shares authorised and placed is 6,000,000 pieces at the share offering price of 100 Tenge per share. 6,000,000 ordinary shares were paid in the total amount of 186,000 thousand Tenge.

No dividends were accrued in 2019 and 2018. Payment of dividends accrued for prior periods amounted to 1,330 thousand Tenge.

15. BORROWINGS

	31.12.2019	31.12.2018
Borrowings	39,100,059	42,525,776
Interests payable	130,753	111,443
Borrowing origination expenses	(120,638)	(134,934)
Total	**39,110,174**	**42,502,285**
Including		
- current portion of borrowings	6,600,973	5,207,258
- non-current portion of borrowings	32,509,201	37,295,027

Movement in borrowings in 2019

Borrowing currency	01.01.2019			Received by cash	Repaid by cash	Translation difference	31.12.2019		
	total	current portion	non-current portion				total	current portion	non-current portion
KZT	18,517,741	1,910,927	16,606,814	5,002,650	(5,063,745)		18,456,646	3,310,494	15,146,152
USD	24,008,035	3,201,070	20,806,965		(3,172,783)	(191,839)	20,643,413	3,175,908	17,467,505
	42,525,776	**5,111,997**	**37,413,779**	**5,002,650**	**(8,236,528)**	**(191,839)**	**39,100,059**	**6,486,402**	**32,613,657**

Movement in borrowings in 2018

Borrowing currency	01.01.2018			Received by cash	Repaid by cash	Translation difference	31.12.2018		
	total	current portion	non-current portion				total	current portion	non-current portion
KZT	12,415,620	1,460,661	10,954,959	9,620,561	(3,518,440)		18,517,741	1,910,927	16,606,814
USD	23,535,663	2,768,900	20,766,763	480,900	(3,382,528)	3,374,000	24,008,035	3,201,070	20,806,965
	35,951,283	**4,229,561**	**31,721,722**	**10,101,461**	**(6,900,968)**	**3,374,000**	**42,525,776**	**5,111,997**	**37,413,779**

Movement in interest

	At the beginning of the year	Finance expenses	Paid by cash	Translation differences	At the end of the year
2019	111,443	3,512,199	(3,483,607)	(9,282)	130,753
2018	31,885	2,935,657	(2,870,471)	14,372	111,443

(in thousands of Tenge)

Borrowing origination expenses

	At the beginning of the year	Paid by cash	Finance expenses	At the end of the year
2019	(134,934)	(1,886)	16,182	(120,638)
2018	(81,329)	(64,080)	10,475	(134,934)

On 29 May 2015 the Group entered into a Credit Facility Agreement with Kazakhstan Development Bank JSC in the amount of USD 120,000,000 (equivalent to 40,736,400 thousand Tenge) valid until 29 May 2026, including the Additional Agreement of 29 April 2016. Fixed annual interest rate on the borrowing is 8.5%.
The purpose of the facility: financing of the investment project "Production of Motor Fuels of K5 Environmental Class".
On 16 October 2018 the Group entered into Credit Facility Agreement No. 43-CM-L/05with Kazakhstan Development Bank JSC in the amount of 7,120,000 thousand Tenge with a period of validity until 16 October 2028. Fixed annual interest rate on the borrowing is 11%. Loan currency: Tenge.
As at 31 December 2019 and 2018, the Group does not meet the threshold of the financial ratio established by the Facility Agreement with Kazakhstan Development Bank JSC (Note 27).
To fulfil obligations, the Group has provided movable and immovable assets as collateral, which is disclosed in Notes 5, 6, 26 hereof.

In March 2018, the Group entered into the Credit Facility Agreement with Tsesna Bank JSC in the amount of 7,000,000 US Dollars (equivalent to 2,259,040 thousand Tenge) valid until 19 March 2020. The borrowing's effective annual interest rate is 4.5%. This Credit Facility Agreement is secured by a conditional bank deposit "Deposit-Guarantee" in the amount of 7,078,750 US Dollars. In May 2018, the borrowing's principal and interest were repaid in full; the Credit Facility Agreement with Tsesna Bank JSC was terminated.

On 28 August 2018, the Group entered into Revolving Credit Facility Agreement No. 18-81324-02-KL with SB Sberbank JSC in the amount of 1,850,000 thousand Tenge with period of validity until 28 May 2019. The purpose of loan is replenishment of working capital. The borrowing's effective annual interest rate is 11.6%. In 2019, the Agreement was extended by an Additional Agreement until 01 April 2020, and the borrowing's effective annual rate was substituted with 14.7%.
Collateral under this agreement is as follows: 1. cash in the amount of 1 million U.S. Dollars placed with SB Sberbank JSC on the deposit account; 2. future cash to be credited to settlement account of Condensate JSC in SB Sberbank JSC in the amount of 2,840,000 thousand Tenge. 3. Petrol service station (real estate consisting of buildings, facilities, and structures) located at: 3 building, Saratovskaya Trassa Str., Uralsk, WKO with a market value of 222,442 thousand Tenge (independent evaluation of Property Evaluation LLP dated 22 May 2019); 4. Petrol service station (real estate consisting of buildings, facilities, and structures), located at: 1A building, Industrial Zone Str., Aksai, Burlinsky district, WKO with market value of 249,979 thousand Tenge (independent evaluation of Property Evaluation LLP dated 22 May 2019); 5. Goods for sale according to the warehouse certificate dated 18 March 2019, with a market value of 671.285 thousand Tenge (independent evaluation of Property Evaluation LLP dated 19 March 2019).

16. TRADE AND OTHER PAYABLES

	31.12.2019	31.12.2018
Trade payables to third parties	368,957	256,427
Trade payables to related parties (Note 24)	105,288	84,435
Trade payables to employees	122,043	119,703
Dividend payables	25,410	25,427
Current advances paid	734,273	747,397
Current advances received from related parties (Note 24)	192	
Other payables	2,019	3,643
Total	**1,358,182**	**1,237,032**

17. REVENUE

	2019	2018
Gasoil cut	1,133,097	6,295,670
Gasoline Ai-92 and Ai -95	5,347,698	9,268,951

(in thousands of Tenge)

Diesel	4,641,819	5,950,541
Vacuum gasoil	2,956,360	5,131,335
Oil residue	946,400	822,454
Industrial sulphur	18	13
Accompanying goods	188,980	99,485
Toll processing services	1,219,506	358,481
Total	**16,433,878**	**27,926,930**

18. COST

	2019	2018
Feedstock and materials	12,377,295	20,108,129
Depreciation of property, plant and equipment and intangible assets	3,734,868	3,479,902
Payroll	712,431	714,880
Payroll provision	55,047	43,806
Payroll taxes	71,982	70,035
Repair and maintenance expenses	654,134	360,010
Utility services	45,943	40,499
Transportation expenses	142,571	7,130
Purchase of dry gas	614,306	661,639
Electric power	420,623	486,054
Auxiliary materials	176,650	128,229
Fuel	34,048	35,416
Insurance	11,742	11,197
Safety expenses	67,228	31
Other taxes	14,728	12,363
Other	43,178	394,949
	19,176,774	**26,554,269**
Movement in work in progress and finished products	(1,106,351)	250,299
Total	**18,070,423**	**26,804,568**

19. ADMINISTRATIVE EXPENSES

	2019	2018
Payroll	287,421	342,396
Payroll taxes	27,556	31,279
Provision for leaves	52,913	22,829
External companies services	73,332	91,875
Taxes except for corporate income tax	430,946	376,859
Low value lease expenses	16,473	49,593
Depreciation of property, plant and equipment and intangible assets	19,373	24,322
Training expenses	8,925	11,301
Travel expenses	15,634	21,825
Charity and other social expenses	117	17,040
Fuel	20,523	18,473
Fines	17,680	2,978
Expenses from payment of compulsory membership fees	7,661	7,287
Expenses for repair of property, plant and equipment	38,529	36,187
Excess losses, damage and shortages of inventories	70,688	94,414
Property insurance	86,762	74,102
Depreciation of the right-of-use	30,976	
Adjustment of VAT to be offset	337,092	
Other	49,912	63,993
Total	**1,592,513**	**1,286,753**

20. SELLING EXPENSES

	2019	2018
Transportation expenses	190,637	203,799
Payroll	125,046	114,456
Payroll taxes	12,560	11,564
Payroll provision	5,177	6,717
Repair and maintenance expenses	27,855	25,063
Current lease expenses	16,122	15,108
Depreciation of property, plant and equipment	107,424	105,334

(in thousands of Tenge)

Advisory expenses	16,646	14,949
Feedstock and materials	14,870	30,426
Customs duties	188,084	
Other	49,149	41,774
Total	**753,570**	**569,190**

21. FINANCE COSTS

	2019	2018
Interests on borrowings	3,512,199	2,935,657
Borrowing origination expenses	16,182	10,475
Lease interest expense	9,992	
Total	**3,538,373**	**2,946,132**

22. OTHER GAIN/LOSS (NET)

	2019	2018
Impairment of assets	(262,301)	(293)
Other expenses (net)	(118,358)	(79,492)
Provision for writing off the amount of bad debts	100,764	(68,582)
Total	**(279,895)**	**(148,367)**

23. CORPORATE INCOME TAX EXPENSE

Deferred tax assets and liabilities are calculated at the current corporate income tax rate for 2019 and 2018. The Group's taxable income is 20%.

Corporate income tax expenses are presented in the following table:

	2019	2018
Current corporate income tax expense		
Deferred corporate income tax expense (recovery)	(497,356)	(1,308,389)
Total	**(497,356)**	**(1,308,389)**

The reconciliation between the contingent and actual income tax expense recorded in these consolidated financial statements is provided below:

	2019	2018
Profit (loss) before tax	(7,576,970)	(6,854,839)
Statutory income tax rate	20%	20%
Contingent income tax expense	**(1,515,394)**	**(1,370,968)**
Estimate review	895,003	
Permanent differences	123,035	62,579
Corporate income tax expense (recovery)	**(497,356)**	**(1,308,389)**

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

(in thousands of Tenge)

	31.12.2018	Charged to profit and loss	31.12.2019
Deferred tax assets	**(4,993,475)**	**(775,899)**	**(5,769,374)**
Provisions	(11,778)	(42,656)	(54,434)
Provision for leaves	(15,131)	(1,801)	(16,932)
Taxes		(235)	(235)
Lease		(715)	(715)
Lease interest		(26,151)	(26,151)
Provision for cash and cash equivalents		(19,627)	(19,627)
Carry-forward tax loss	(4,966,566)	(684,714)	(5,651,280)
Deferred tax liabilities	**2,318,092**	**278,543**	**2,596,635**
Property, plant and equipment and intangible assets	2,318,092	278,543	2,596,635
Net deferred tax asset	**(2,675,383)**	**(497,356)**	**(3,172,739)**

	01.01.2018	Charged to profit and loss	31.12.2018
Deferred tax assets	**(3,101,853)**	**(1,891,622)**	**(4,993,475)**
Provisions	(13,837)	2,059	(11,778)
Other	(16,152)	1,021	(15,131)
Carry-forward tax loss	(3,071,864)	(1,894,702)	(4,966,566)
Deferred tax liabilities	**1,734,859**	**583,233**	**2,318,092**
Property, plant and equipment and intangible assets	1,734,859	583,233	2,318,092
Net deferred tax asset	**(1,366,994)**	**(1,308,389)**	**(2,675,383)**

24. RELATED PARTY TRANSACTIONS

Transactions with related parties are concluded with the permission of the Group's Board of Directors.
Related parties include shareholders who exerting significant impact through companies under their control, companies under their control, companies of significant impact, and key management personnel.

Related party transactions are not necessarily made on a commercial basis.

Please find below transactions with related parties made during the reporting and prior periods.

Movement with companies controlled by shareholders exerting significant impact through companies under their control.

	2019	2018
Sales with VAT	15,091	10,940
Cash inflow	(11,850)	(11,207)
Purchases with VAT	(554,547)	(928,318)
Cash outflow	529,068	870,143

Balance on the companies:

	2019	2018
Trade receivables (Note 9)	3,094	66
Advances paid, current (Note 6)	245	259
Advances paid, non-current (Note 6)		5,156
Trade and other payables (Note 16)	105,288	84,435
Advances paid (Note 16)	192	

Under the Agreement with the Development Bank of Kazakhstan JSC No. 40-CM-L/05-01 dated 29 May 2015, ordinary shares of Condensate JSC owned by a shareholder having significant impact through companies under his control are provided as collateral.

Key management personnel compensation
As at 31 December 2019, key management personnel are composed of 10 persons (in 2018: 9 persons). In 2019, total remuneration to the key management personnel amounted to 114,222 thousand Tenge (2018: 130,589 thousand Tenge).

(in thousands of Tenge)

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Principal financial instruments of the Group include trade payables, trade receivables, cash and bank deposits, and loans obtained.
Main risks associated with the Group's financial instruments include liquidity risk, market risk and credit risk.

Category of financial instruments:

	Notes	31.12.2019	31.12.2018
Cash	12	27,249	158,204
Trade receivables	9	7,366	19,842
Bank deposits	11	2,193,285	8,315,933
Total assets		**2,227,900**	**8,493,979**
Trade payables	16	474,245	340,862
Lease liabilities	8	65,528	
Borrowings	15	39,110,174	42,502,285
Total liabilities		**39,649,947**	**42,843,147**
Net balance sheet item		**(37,422,047)**	**(34,349,168)**

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 following table provides an analysis of the maturity of financial liabilities as at 31 December 2019 and 31 December 2018 based on contractual undiscounted payments:

	Upon demand	1 to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
31.12.2019	**37,515**	**2,497,215**	**1,967,179**	**5,606,681**	**7,839,566**	**7,811,324**	**7,334,808**	**7,333,115**	**11,639,438**	**52,066,841**
Trade receivables	29,890	420,517	23,838							474,245
Lease liabilities	7,625			41,108	41,108					89,841
Borrowings		2,076,698	1,943,341	5,565,573	7,798,458	7,811,324	7,334,808	7,333,115	11,639,438	51,502,755
31.12.2018	**21,649**	**2,920,334**	**2,594,444**	**6,556,278**	**7,736,924**	**7,834,581**	**7,845,308**	**7,366,654**	**19,042,770**	**61,918,942**
Trade payables	21,649	229,178	76,102							326,929
Borrowings		2,691,156	2,518,342	6,556,278	7,736,924	7,834,581	7,845,308	7,366,654	19,042,770	61,592,013

The Group regularly monitors a demand in liquid funds and the Management ensures that sufficient funds are available to meet any upcoming liabilities.

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 interest rate risk, currency 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.

Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group is exposed to currency risk because it has financial instruments denominated in foreign currencies.
As at the end and beginning of the reporting period, the Group's financial assets and liabilities are denominated in the following currencies:

	Assets		Liabilities	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
KZT	549,655	1,453,534	18,859,321	18,770,080
USD	1,659,875	6,860,913	20,673,002	24,030,913
RUB	18,370	179,532	114,188	38,564
EUR			3,436	3,590
	2,227,900	**8,493,979**	**39,649,947**	**42,843,147**

(in thousands of Tenge)

The following table demonstrates the sensitivity to a change in currency exchange rate against Tenge of the Group's profit before tax (due to possible changes in the fair value of monetary assets and liabilities):

	Net balance sheet item	Appreciation / devaluation of exchange rate	Effect on profit before tax (- devaluation; + appreciation)
As at 31.12.2019			
USD	(19,013,127)	20%	(3,802,625)
USD	(19,013,127)	-5%	950,656
As at 31.12.2018			
USD	(17,170,000)	20%	(3,434,000)
USD	(17,170,000)	-5%	858,500

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 Management's opinion, the Group is not exposed to interest rate risk as the Group does not have interest-bearing borrowings with floating 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 value of receivables and funds in current and deposit accounts with banks represents the maximum amount exposed to credit risk.

	No past due	Past due			Total
		Less than 1 month	1 to 3 months	3 months to 1 year	
As at 31.12.2019					
Cash	27,249				27,249
Bank deposits	2,232,211				2,232,211
Expected credit losses	(38,926)				(38,926)
Trade receivables, gross carrying amount		7,945	4,226	54,401	66,572
Expected credit losses		(700)	(4,226)	(54,280)	(59,206)
Total financial assets	**2,220,534**	**7,245**		**121**	**2,227,900**

	No past due	Past due			Total
		Less than 1 month	От 1 до 3 months	3 months to 1 year	
As at 31.12.2018					
Cash	158,204				158,204
Bank deposits	8,360,830				8,360,830
Expected credit losses	(44,897)				(44,897)
Trade receivables, gross carrying amount		7,296	12,546	46,838	66,680
Expected credit losses		(1,288)	(6,374)	(39,176)	(46,838)
Total financial assets	**8,474,137**	**6,008**	**6,172**	**7,662**	**8,493,979**

Below are the ratings of international agencies for banks of the Republic of Kazakhstan servicing the Group:

	31.12.2019	31.12.2018	31.12.2019	31.12.2018
AlfaBank Kazakhstan JSC	BB-/Stable, (28.04.2020),(S&P Global Ratings)	BB-/Stable, BBB+(kaz)/Stable, (20.03.19),(Fitch Ratings)	94	53
Tsesna Bank JSC	B/Stable, kzBB+ (28.04.2020),(S&P Global Ratings)	B-/Stable, kzBB- (20.02.19),(S&P Global Ratings)	11	244

(in thousands of Tenge)

Halyk Bank of Kazakhstan JSC	BB+/Negative,AA(kaz)/Negative (08.04.2020),(Fitch Ratings)	BB/Positive (10.12.2018),(Fitch Ratings)	4,081	1,220
Bank CenterCredit JSC	B2/Stable, Ba2.kz (30.04.2020) (Moody's Investors Service)	B2/Stable, Ba2.kz (12.07.18) (Moody's Investors Service)	2,013,538	7,786,791
SB Sberbank JSC	BBB-/Stable, AA+ (kaz)/Stable (03.12.2019) (Fitch Ratings)	BB+/Positive,AA-(kaz)/Positive (10.12.18) (Fitch Ratings)	237,169	725,572
Total			**2,254,893**	**8,513,880**

Operating risk

Operational risk is the risk of incurring financial losses as a result of business interruption and possible damage to the Group's property from natural disasters and technological accidents. In accordance with the current legislation, the Group is obliged to provide their employees with environmental insurance, industrial accidents and occupational diseases insurances.

As at 31 December 2019 and 2018, the Group is confident of having sufficient civil liability insurance policies.

Fair value

Management believes that the fair value of financial assets and liabilities of the Group that are classified to Level 1 fair value measurement for cash and cash equivalents, Level 2 fair value measurement for borrowings and other financial instruments, as well as Level 3 fair value measurement for trade receivables and payables approximates their carrying amount. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation techniques. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Management has used all available market information in estimating the fair value of financial instruments.

Methods and assumptions used to measure fair value

Fair value is the amount for which a financial instrument could be sold or paid when a liability is transferred between knowledgeable, willing parties in an arm's length transaction at the measurement date.

Since most of the Group's financial instruments do not have an accessible market, in order to obtain fair value it is necessary to use judgment based on the current economic conditions and risks specific to the instrument.

The fair value of the instruments presented here does not necessarily reflect the amounts that the Group would have been able to obtain from the market sale of the entire available package of a particular instrument.

The following methods and assumptions were used by the Group to estimate fair value of each class of financial instruments:

- The carrying value of cash and cash equivalents is approximate to their fair value due to the short maturity of these financial instruments;
- For financial assets and liabilities with maturities of less than twelve months, the carrying amount is approximately equal to the fair value due to the relatively short maturity of these financial instruments;
- The carrying value of borrowings at the market interest rate is equal to their fair value.

26. CAPITAL MANGEMENT

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

	31.12.2019	31.12.2018
Trade receivables	474,245	340,862
Lease liabilities	65,528	
Borrowings	39,110,174	42,502,285
Less: cash	(27,249)	(158,204)
Net debt	**39,622,698**	**42,684,943**
Equity	9,826,829	16,906,443
Equity and net debt	**49,449,527**	**59,591,386**
Leverage ratio, %	80.13%	71.63%

27. COMMITMENTS AND CONTINGENCIES

Economic conditions

The Republic of Kazakhstan continues to implement economic reforms and develop its legislative, tax and regulatory framework, as required by the conditions of the market economy. These reforms are economic, financial and monetary measures taken by the Government aimed at maintenance of the future stability of Kazakhstan's economy.

Kazakhstan's economy is sensitive to a business depression and slowdown in global economic development. The ongoing global financial crisis has caused capital market instability, a significant deterioration in liquidity in the banking sector and tighter credit conditions in Kazakhstan.

These consolidated financial statements reflect the Group's 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 charges. Tax periods remain open to retroactive review by the tax authorities for five (5) years.

The Group's management believes that it has accrued all tax amounts accordingly based on its understanding of the applicable legislation.

Agreement with Kazakhstan Development Bank

The Group regularly oversights and monitors the performance of the thresholds of financial ratios established by the Credit Facility Agreement with Kazakhstan Development Bank JSC (the Bank). Under the terms of the agreement with the Bank, the Company shall perform a number of financial indicators. The Group shall comply with the following financial covenants:

- DSCR taking into account cash and deposits at the beginning of the period: in 2019-2020 – at least 1.5, in 2021 – at least 1.4;
- DSCR: in 2022-2023 – at least 1.0, since 2024 – at least 1.1;
- Total Debt/ EBITDA: in 2019 - no more than 4.5, 2020 – no more than 4.0, 2021 – no more than 3.3, 2022 – no more than 2.7, 2023 – no more than 2.0.

As at 31 December 2019 and 2018, the Group has performed all covenants except for the ratio of financial debt to profit before income tax expense, interest expense and depreciation.

Notwithstanding the non-fulfillment of the conditions under the covenants, on the basis of the Group's appeal and the positive decision of the Bank in 2018, a Credit Facility Agreement No. 43-CM-L/05 dated 16.10.2018 was signed to finance the second phase of the Investment project "Production of Motor Fuels of K5 Environmental Class". For the construction of the diesel fuel hydrotreatment section, the Bank allocated 7,120 million Tenge for a period of up to 10 years from the date of execution of the Agreement, the interest rate of 11% per annum, the grace period for the repayment of the principal is set - 36 months from the date of execution of the Agreement.

In addition, in March 2020, based on the Group's appeal, the Bank decided to postpone payments due on 26 March 2020, 26 June 2020 to 26 September 2020 under the Credit Facility Agreement No. 40-CM-L/05 dated 26 May 2015.

In view of the above circumstances, management believes that the Bank does not exercise its right of early repayment of the debt.

Environment protection issues

The management of the Group believes that the Group currently in compliance with all existing environmental laws and regulations. However, Kazakhstan's environmental laws and regulations may change in the future. The Group is unable to determine the time and extent of changes in environmental laws and regulations. This type of change, if any, may require upgrading of technologies to meet more stringent standards. These financial statements do not include any accruals required in the event of non-compliance with environmental laws and regulations.

Legal issues

In the ordinary course of business the Group is subject to various legal actions and claims. The Management believes that settlement of claims, if any, will be of no material effect on the Group's financial statements. These financial statements do not include any accruals that may be required as a result of such legal proceedings.

28. EVENTS AFTER THE REPORTING PERIOD

Many analysts predict a slowdown in the global economy due to the spread of a new coronavirus. The economic consequences of the outbreak of the coronavirus epidemic will have a significant impact on the Kazakhstani economy, on direct economic growth in the short term period, the level of inflation and the level of unemployment. In addition, since March 2020 a sharp drop in oil prices has been observed at the international market, which, in its turn, correlates with the appreciation of US Dollar against Tenge.

The Group's Management is in the process of evaluating the potential impact of these events on the Company's operations and results of operations in 2020. These events may lead to an increase in credit risk with respect to customers and an increase in the provision for expected credit losses (ECLs) on trade receivables, as well as volatility in commodity (feedstock) prices. Sales volume for April-May 2020 versus the same period in 2019 was less than 60%. Meanwhile, the Group's Management cannot accurately predict the duration and extent of the impact of these events on the Group's financial position.