

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

1. GENERAL

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

Starting from June 8, 2006, the sole shareholder of the Company was joint stock company "Kazakhstan Holding Company for State Assets Management "Samruk", which in October 2008 was merged with the state owned Sustainable Development Fund "Kazyna" and formed joint stock company "National Welfare Fund "Samruk-Kazyna", now renamed to joint stock company "Sovereign Wealth Fund Samruk-Kazyna" (further Samruk-Kazyna). The Government is the sole shareholder of Samruk Kazyna. On August 7, 2015, the National Bank of RK purchased 9.58% plus one share of the Company from Samruk-Kazyna.

As at December 31, 2020, the Company has interest in 61 operating companies (as of December 31, 2019: 54) (jointly the "Group").

The Company has its registered office in the RK, Nur-Sultan, Dinmukhamed Kunayev, 8.

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

- ◆ Participation in the development and implementation of the uniform public policy in the oil and gas sector;
- ◆ Representation of the state interests in subsoil use contracts through interest participation in those contracts; and
- ◆ Corporate governance and monitoring of exploration, development, production, oil servicing, processing, petrochemistry, transportation and sale of hydrocarbons and the designing, construction and maintenance of oil-and-gas pipeline and field infrastructure.

The consolidated financial statements comprise the financial statements of the Company and its controlled subsidiaries (Note 3).

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2. BASIS OF PREPARATION

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

STATEMENT OF COMPLIANCE

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

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

In course of preparation of these consolidated financial statements the Group management considered the current international economic environment including complex of uncertainties due to COVID-19 pandemic. The consolidated financial statements were prepared on a going concern basis.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

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

Transactions and balances

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

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

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

Group Companies

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

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

Exchange rates

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange (“KASE”) are used as official currency exchange rates in the RK.

The currency exchange rate of KASE as at December 31, 2020 was 420.91 tenge to 1 US dollar. This rate was used to translate monetary assets and liabilities denominated in United States dollars (“US dollar”) as at December 31, 2020 (2019: 382.59 tenge to 1 US dollar). The currency exchange rate of KASE as at March 5, 2021 was 419.66 tenge to 1 US dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of new standards and interpretations effective as of January 1, 2020.

The following amendments were applied for the first time in 2020:

- ◆ Amendments to IFRS 3 Business Combinations. The amendments enhanced definition of a business set out by the standard and clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. The amendments are applicable prospectively. These amendments had no impact on the consolidated financial statements of the Group since the current practice is in line with these amendments.
- ◆ Amendments to IFRS 7 Financial instruments: Disclosures, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 9 Financial instruments. The amendments provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.
- ◆ Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. These amendments introduced new definition of material. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. Since the current practice is in line with these amendments, there is no impact on the consolidated financial statements.
- ◆ Revised version of Conceptual Framework for Financial Reporting. In particular, the revised version introduced new definitions of assets and liabilities, as well as amended definitions of income and expenses. These amendments had no impact on the consolidated financial statements of the Group.
- ◆ Amendments to IFRS 16 Leases in regards of COVID-19-related rent concessions. The amendments provide relief to lessees from assessment whether a COVID-19-related rent concession is a lease modification. The amendments did not have a material impact on the consolidated financial statements, as the Group has not received significant rent concessions related to pandemic.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements named Classification of Liabilities as Current or Non-current. The amendments clarify requirements for classifying liabilities as current or non-current. The amendments are effective on or after January 1, 2023; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements, as the Group already applies criteria set by the amendments.

In May 2020, the IASB issued amendments to IFRS 3 Business Combinations named Reference to the Conceptual Framework. The amendments replace references to the Conceptual Framework for Financial Reporting with the current version issued in March 2018, without significantly changing the requirements of the standard. The amendments are effective on or after January 1, 2022; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

In May 2020, the IASB issued amendments to IAS 16 Property, Plant and Equipment named Property, Plant and Equipment: Proceeds Before Intended Use. The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments are effective on or after January 1, 2022 and should be applied retrospectively. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets named Onerous Contracts – Costs of Fulfilling a Contract. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous. The amendments are effective on or after January 1, 2022; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

In August 2020, the IASB issued amendments to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments as well as IFRS 4 Insurance Contracts and IFRS 16 Leases named Interest Rate Benchmark Reform – Phase II. The amendments provide certain temporary reliefs which address the financial reporting effects related to the transfer to the risk-free interest rate. The amendments are effective on or after January 1, 2021; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

Additionally, a number of amendments, not yet effective, were issued during annual improvement process conducted by IASB. They include the amendments to IFRS 1 First-time Adoption named First-time Adoption: Subsidiary as a First-time Adopter, and the amendments to IFRS 9 Financial Instruments named Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Separately, the Board has also issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments to IAS 1 and IAS 8 will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

Changes in accounting policies related to presentation

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Group decided to apply voluntary changes in accounting policies related to presentation of the consolidated financial statements to improve presentation that led to reclassifications below, none of which affect net profit or comprehensive income or equity.

Changes in presentation of the consolidated statement of comprehensive income

In 2020, the Group decided to present separately Exploration expense that was included in Impairment of property, plant and equipment, intangible assets and exploration and evaluation assets for the year ended December 31, 2019. Accordingly, comparative information in the consolidated statement of comprehensive income, Notes 12 and 15 have been re-presented to align with the presentation of 2020.

Changes in presentation of the consolidated statement of financial position

In 2020, the Group decided to present separately other financial and non-financial current assets, financial and non-financial non-current and current liabilities. Accordingly, comparative information in the consolidated statement of financial position have been re-presented to align with the presentation of 2020.

CHANGE IN ESTIMATES ON CONTRIBUTION OF GAS PIPELINES UNDER TRUST MANAGEMENT AGREEMENTS TERMS FROM THE STATE BODIES

In prior years the Group used a judgement when treating pipelines transferred to the Group from local executive bodies (LEB) or State Property and Privatization Committee Departments (SPPCD) under trust management agreements (TMA). The judgement was that TMA serves as a temporary mechanism, which gives control to the Group over the pipelines until the legal title is transferred to the Group. The Group assumed that the Government transfers the pipelines to Samruk-Kazyna, and the latter transfers to the Group in the shortest period possible. Also the judgment was based on the Memorandum of Understanding signed in 2017 with local authorities, according to which all risks and rewards were transferred to the Group, including property taxation and rights for tariff filings.

During 2020, following significant changes occurred in facts and circumstances that supported the initial judgement:

- ◆ TMA has expired without prolongation and gas pipelines were returned to LEB, while it was initially assumed that the Group will receive legal ownership of these assets;
- ◆ Assets received under TMA were not transferred to the republican ownership (to SPPCD) and, further to Samruk-Kazyna within the short period as was expected. This revealed that the transferring mechanism was not a temporary measure to provide the Group with the ownership rights until the formal transfer of the legal title.
- ◆ The above mentioned Memorandum expired.

Accordingly, the Group concluded that from 2020, the initial judgement is no longer applicable and, after TMA update, the Group no longer can exercise control over the pipelines provided by LEB. In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, this change in judgement does not represent an accounting error and, was accounted prospectively.

As a result, in 2020 the Group derecognized all pipelines received under such TMA at their carrying amounts at that date and, correspondingly, reduced additional paid-in capital by 17,323 million tenge (Note 23). The change in the judgment affects current and future reporting periods, and if the change in the judgement did not occur in 2020, equity and PPE at the end of 2020 would have been higher by 15,873 million tenge, the income statement effect on the current and future reporting periods is insignificant.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of December 31, 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has: power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee, and; the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: the contractual arrangement with the other vote holders of the investee; rights arising from other contractual arrangements; the Group's voting rights and potential voting rights. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, revenue and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

SUBSIDIARIES

As at December 31, 2020 and 2019, the following direct significant subsidiaries were included in these consolidated financial statements:

Significant entities	Main activity	Country of incorporation	Percentage ownership	
			2020	2019
KazMunayGas Exploration Production JSC (KMG EP)	Exploration and production	Kazakhstan		99,70%
KazMunayTeniz LLP	Exploration and production	Kazakhstan		100%
KMG Karachaganak LLP (Karachaganak)	Exploration and production	Kazakhstan		100%
KazTransOil JSC (KTO)	Oil transportation	Kazakhstan		90%
KazMorTransFlot LLP	Oil transportation and construction	Kazakhstan		100%
KazTransGas JSC (KTG)	Gas transportation	Kazakhstan		100%
Cooperative KazMunayGas PKI U.A.	Refinery and marketing of oil products	Netherlands		100%
Atyrau Refinery LLP (Atyrau refinery)	Refinery	Kazakhstan		99,53%
Pavlodar oil chemistry refinery LLP (Pavlodar refinery)	Refinery	Kazakhstan		100%
KMG International N.V. (KMGI)	Refinery and marketing of oil products	Romania		100%
KazMunayGas Onimderly LLP	Marketing of oil products	Kazakhstan		100%
KazMunayGas-Service LLP	Service projects	Kazakhstan		100%
KMG Drilling&Services LLP (KMG Drilling)	Drilling services	Kazakhstan		100%

BUSINESS COMBINATIONS AND GOODWILL

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

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

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

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

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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

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

Business combinations achieved in stages

The acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. In a business combination achieved in stages the acquirer recognises goodwill as of the acquisition date measured as the excess of (1) over (2) below:

1. the aggregate of: (i) the consideration transferred measured in accordance with this IFRS 3 Business Combinations, which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with this IFRS; and (iii) the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree;
2. the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Acquisition of subsidiaries from parties under common control

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

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

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

JOINT OPERATIONS

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

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but which does not comprise control or joint control over those policies. A joint venture (further - JV) is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Under contractual arrangement that establishes joint control the Group may own less than 50% of shares in JVs.

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

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

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

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

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its JV or associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the JV or associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or JV and its carrying value, and then recognizes the loss as "Impairment of investment in JV or associate" in the consolidated statement of comprehensive income. Upon loss of joint control over the JV or significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the JV or associate upon loss of joint control or significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when: expected to be realized or intended to sold or consumed in normal operating cycle; held primarily for the purpose of trading; expected to be realized within 12 (twelve) months after the reporting period; or it is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (twelve) months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 (twelve) months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period. The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are always classified as non current assets and liabilities.

OIL AND NATURAL GAS EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

Costs incurred before obtaining subsoil use rights (licenses)

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

Subsoil use rights and property acquisition costs

Exploration and production subsoil use rights and related property acquisition costs are capitalized within exploration and evaluation assets and subclassified as intangible. Each property under exploration and appraisal is reviewed on an annual basis to confirm that drilling activity is planned and it is not impaired. If no future activity is planned, the carrying amount of the exploration subsoil use right and related property acquisition costs is written off.

Upon determination of economically recoverable reserves ('proved reserves' or 'commercial reserves') and internal approval of development, the carrying amount of the subsoil use right and related property acquisition costs held on a field by field basis is aggregated with exploration and evaluation assets and transferred to oil and gas assets or intangible assets.

Exploration and evaluation costs

associated with exploration and appraisal wells, including unsuccessful development or delineation wells are capitalized as exploration and evaluation intangible or tangible assets, according to the nature of the costs, until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If no expected reserves are found, the exploration and evaluation asset is tested for impairment, if extractable hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be developed commercially; the costs continue to be carried as an asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbon reserves. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery.

When proved reserves of hydrocarbons are determined and development is sanctioned, the relevant expenditure is transferred to oil and gas assets after impairment is assessed and impairment loss recognized, if any.

When this is no longer the case, and the Group decides to relinquish the contract territory to the Government and terminate the subsoil use contracts, the assets are written off.

Development costs

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

OIL AND GAS ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

INTANGIBLE ASSETS

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

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are tested for impairment when reclassified to oil and gas development tangible or intangible assets or whenever facts and circumstances indicate impairment.

One or more of the following facts and circumstances indicate that the Group should test exploration and evaluation assets for impairment (the list is not exhaustive):

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

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

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

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

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

ASSET RETIREMENT OBLIGATION (DECOMMISSIONING)

Provision for decommissioning is recognized in full, on a discounted cash flow basis, when the Group has an obligation to dismantle and remove a facility or an item of plant, property and equipment and to restore the site on which it is located, and when a reasonable estimate of that provision can be made. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also created. This asset is subsequently depreciated as part of the capital costs of the production and transportation facilities based on the appropriate depreciation method.

Changes in the measurement of an existing decommissioning provision that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or change in the discount rate, is accounted for so that:

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

FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. In order for a debt financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

- ◆ Financial assets at amortised cost (debt instruments)
- ◆ Financial assets at fair value through profit or loss

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

FINANCIAL ASSETS AT AMORTISED COST (DEBT INSTRUMENTS)

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

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

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

The Group's financial assets at amortised cost include trade and other receivables, loans due from related parties and bank deposits.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

DERECOGNITION

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss.

ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

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

INVENTORIES

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

VALUE ADDED TAX (VAT)

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

CASH AND CASH EQUIVALENTS

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

FINANCIAL LIABILITIES

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Trade and other payables

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

Loans and borrowings

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

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the expected credit losses allowance calculated under IFRS 9 and the amount recognised less cumulative amortisation, if any

Derecognition

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

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

Offsetting of financial instruments

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

Fair value of financial instruments

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

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

PROVISIONS

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost

Provision for obligations to the Government

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

EMPLOYEE BENEFITS

Pension scheme

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

Long-term employee benefits

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

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

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

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

REVENUE RECOGNITION

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

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

Interest income and expense

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

Trade receivables

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

Contract liabilities

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

EXPENSE RECOGNITION

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

INCOME TAXES

Income tax for the year comprises current income tax, excess profit tax and deferred tax. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax ("CIT") relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

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

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

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

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

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

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

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

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority. Deferred tax assets are recognized for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

EQUITY

Non-controlling interest

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

Dividends

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

Distributions to the Shareholders

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

SUBSEQUENT EVENTS

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

CONSIDERATIONS IN RESPECT OF COVID-19 PANDEMIC AND HYDROCARBON ECONOMY IN 2020

The impact of COVID-19 and unfavorable trend in the global hydrocarbons market on the basis of preparation of this consolidated financial statements has been considered as part of the going concern assessment. To support this assertion liquidity forecast has been assessed under several stressed scenarios. And as a result, impairment tests for upstream and midstream segments were performed

Impairment testing assumptions

The Group's long-term assumptions for Brent oil prices, KZT/USD exchange rate and inflation projections have been revised and are based on externally sourced forecasts and rates of the independent research organizations considering long-term market expectations. Production volumes estimates are based on proved developed and undeveloped reserves for subsidiaries, and on proved and probable reserves for significant investments in JVs and associates. Production period is either based on subsoil use contracts' expiration date or on extended license period, to which the Group has strong intention to extend its licenses. Estimated production volumes are based on the Group's production plans that are mostly used for the purposes of application filing for extension of subsoil use contracts.

Discount rates were estimated on the weighted average cost of capital of the individual cash generating unit and ranged between 7.77%-14.50% depending on the functional currency, production period, size, equity risk premium, beta and gearing ratio of the relevant cash-generating unit (CGU).

CONSIDERATIONS IN RESPECT OF COVID-19 PANDEMIC AND HYDROCARBON ECONOMY IN 2020

Impairment testing assumptions

The long-term price assumptions applied were derived from Bloomberg consensus; so did the near-term commodity price assumptions, a summary of which, in real 2020 terms, is provided below:

	2021	2022	2023	2024	2025
Brent oil (\$/bbl)	48	54.5	54	56	57

In Exploration and production of oil and gas segment net impairment charges were 91,094 million tenge for 2020. Impairment charges mainly relate to producing assets and principally arose as a result of changes to the group's oil and gas price assumptions, and include 60,440 million tenge attributable to Embamunaigas JSC, the Group subsidiary, (EMG) (Note 12) and 30,654 million tenge related to the Group's JVs and associate (Note 18). The Group's share of impairment charges arising in equity-accounted entities was 16,818 million tenge and mainly attributable to PetroKazakhstan Inc. The recoverable amounts of the CGUs within these businesses were based on value-in-use calculations.

In Refining and trading of crude oil and refined products segment impairment charges of 162,455 million tenge were recognized in 2020, which represents partial impairment of refining assets of KMGI due to the decline in refining margins following lock-downs caused by COVID-19 (Note 12). The recoverable amount of these assets for impairment testing purposes was determined based on fair value less cost to disposal.

Headroom of the majority of oil and refining assets are sensitive to changes in price or other assumptions. The changes within next financial periods may result in recoverable amount of these assets above or below the current carrying amounts and therefore there is a risk of impairment reversals or charges in those periods. Sensitivity to key assumptions for significant CGUs of the Group, at which impairment charges were recognized in 2020, were disclosed in Note 12. Impairment testing is performed by independent qualified appraisers on an annual basis.

OIL AND GAS RESERVES

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

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

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

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

[Please refer Note 12 for details on annual impairment test results](#)

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

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

KMGI CGU, including goodwill

As at December 31, 2020 and 2019, the Group performed its annual impairment tests for goodwill and downstream, refining and other assets due to existence of impairment indicators at the CGUs of KMGI. As the result of the impairment analysis, recoverable amount of KMGI CGUs exceeded their carrying values, except for Refining CGU (Note 12).

Pavlodar refinery, goodwill

As of December 31, 2020 and 2019 the Group has goodwill of 88,553 million tenge related to acquisition of Pavlodar refinery (Note 16). The Group performed annual impairment test for the Pavlodar refinery goodwill using the current tolling business scheme used by Pavlodar refinery in December 2020 and 2019. The Group considered the forecast for oil tolling volumes, oil tolling tariffs, capital expenditures, among other factors, when reviewing for indicators of impairment. The recoverable amount is calculated using a discounted cash flow model. In 2020, the discount rate of 10.79% (2019: 9.7%) was calculated based on the weighted average cost of capital before taxes. The weighted average cost of capital considers both borrowed funds and equity. The cost of equity is derived from the expected return on investment. The cost of debt capital is based on long-term interest-bearing loans of Pavlodar refinery. The inherent risk was included by applying an individual beta factor. The beta factor was estimated based on the publicly available market data. Forecasted cash flows till to 2029 were based on five-years business plan of Pavlodar refinery 2021-2025, which assumes current management estimates on potential changes in operating and capital costs. The significant part of those cash flows after 2025 was forecasted by applying expected inflation rate of 2020: 5.53% (2019: 5.49%), excluding capital costs, which are based on the best estimate of the Group as of valuation date. As at December 31, 2020 and 2019 the recoverable amount of goodwill, which was determined based on value-in-use, exceeded its book value, as such no impairment of Pavlodar refinery goodwill was recognised.

Sensitivity to changes in assumptions

Results of the assessment of recoverable amount of Pavlodar refinery goodwill are sensitive to changes in key assumptions, in particular, assumptions related to changes in discount rate and target EBITDA in terminal period. Increase in discount rates by 1.0% to 11.89% and decrease of target EBITDA in terminal period by 1% from 34% to 35% would result in decrease of the recoverable amount of CGU Pavlodar refinery to its carrying value.

Other CGUs

Revision to the Group's commodity price and other assumptions have not resulted in impairment charges in any other CGUs of the Refining and trading of crude oil and refined products segment.

ASSETS RETIREMENT OBLIGATIONS

Oil and gas production facilities

Under the terms of certain subsoil use contracts, legislation and regulations the Group has legal obligations to dismantle and remove tangible assets and restore the land at each production site.

Specifically, the Group's obligation relates to the ongoing closure of all non-producing wells and final closure activities such as removal of pipes, buildings and recultivation of the contract territories, and also obligations to dismantle and remove tangible assets and restore territory at each production site. Since the subsoil use contract terms cannot be extended at the discretion of the Group, the settlement date of the final closure obligations has been assumed to be the end of each subsoil use contract period. The extent of the Group's obligations to finance the abandonment of wells and for final closure costs depends on the terms of the respective subsoil use contracts and current legislation.

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

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

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

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

The long-term inflation and discount rates used to determine the obligation in the consolidated statement of financial position across the Group entities at December 31, 2020 were in the range from 2.00% to 7.3% and from 3.68% to 11.00% (December 31, 2019: from 2.01% to 5.49% and from 4.43% to 8.95%). As at December 31, 2020 the carrying amounts of the Group's asset retirement obligations relating to decommissioning of oil and gas facilities were 66,177 million tenge (December 31, 2019: 54,165 million tenge) (Note 25).

Major oil and gas pipelines

According to the Law of the RK On Major Pipelines which was made effective on July 4, 2012 mainly KTO and Intergas Central Asia JSC, the subsidiary of KTG, have legal obligation to decommission its major oil pipelines at the end of their operating life and to restore the land to its original condition. Asset retirement obligation is calculated based on estimate of the work to decommission and rehabilitate. As at December 31, 2020, the carrying values of the Group's asset retirement obligations relating to decommissioning of pipelines and land were 113,558 million tenge (December 31, 2019: 100,229 million tenge) (Note 25).

ENVIRONMENTAL REMEDIATION OBLIGATIONS PROVISION

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

Liabilities are determined based on current information about costs and expected plans for remediation and are recorded on discounted basis. The Group's environmental remediation provision represents management best estimate based on an independent assessment of the anticipated expenditure necessary for the Group to remain in compliance with the current regulatory regime in Kazakhstan and Europe. The Group has classified this obligation as non-current except for the portion of costs, included in the annual budget for 2020 and 2021. For environmental remediation provisions, actual costs can differ from estimates because of changes in laws and regulations, public expectations, discovery and analysis of site conditions and changes in clean-up technology. Movements in the provision for environmental remediation obligations are disclosed in Note 25.

EMPLOYEE BENEFITS

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

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

TAXATION

In assessing tax risks, management considers to be probable obligations the known areas of tax positions which the Group would not appeal or does not believe it could successfully appeal, if assessed by tax authorities. Such determinations inherently involve significant judgment and are subject to change as a result of changes in tax laws and regulations, amendments to the taxation terms of the Group's subsoil use contracts, the determination of expected outcomes from pending tax proceedings and current outcome of ongoing compliance audits by tax authorities. The provision for tax risks other than on income tax are disclosed under provisions for taxes in Note 25. Contingent liabilities for tax risks other than on income tax are disclosed in Note 31. Provisions and contingent liabilities related to income tax are included or disclosed as income tax liabilities or contingencies (see Note 28 and 31 for further details).

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments presented in the consolidated financial statements. Further details are disclosed in Note 30.

5. REVENUE

In millions of tenge	2020	2019
Type of goods and services		
Sales of crude oil and gas	2,467,391	3,966,941
Sales of refined products	1,337,579	2,043,848
Oil and gas transportation services	289,880	389,496
Refining of oil and oil products	193,659	195,896
Other revenue	267,528	262,675
	4,556,037	6,858,856
Geographical markets		
Kazakhstan	950,298	1,212,267
Other countries	3,605,739	5,646,589
	4,556,037	6,858,856

6. SHARE IN PROFIT OF JOINT VENTURES AND ASSOCIATES, NET

In millions of tenge	2020	2019
Asia Gas Pipeline LLP (AGP)	175,339	168,086
Tengizchevroil LLP (TCO)	173,476	414,940
Caspian Pipeline Consortium (CPC)	81,582	70,869
Beineu-Shymkent Pipeline LLP (BSP)	55,005	56,194
Mangistau Investments B.V. (MIBV)	16,749	81,991
KazGerMunay LLP (KGM)	15,622	17,561
Kazakhstan - China Pipeline LLP (KCP)	10,380	3,313
Teniz Service LLP (Teniz Service)	3,891	6,742
Kazakhoil-Aktobe LLP (KOA)	2,448	9,722
KazRosGas LLP (KRG)	957	18,091
Valseira Holding BV (Valseira)	(6,137)	(6,107)
KMG Kashagan B.V. (Kashagan)	(6,961)	13,114
PetroKazakhstan Inc. (PKI)	(8,812)	(18,244)
Ural Group Limited BVI (UGL)	(10,265)	(18,895)
Other joint ventures and associates	7,921	10,602
	511,195	827,979

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

In millions of tenge	2020	2019
Purchased oil for resale	1,311,169	2,448,412
Purchased gas for resale	380,261	493,280
Cost of oil for refining	313,543	638,293
Materials and supplies	226,223	217,138
Purchased petroleum products for resale	45,870	116,621
	2,277,066	3,913,744

8. PRODUCTION EXPENSES

In millions of tenge	2020	2019
Payroll	339,877	338,120
Repair and maintenance	114,700	129,450
Energy	83,290	88,910
Transportation costs	42,507	30,456
Short-term lease expenses	37,743	52,091
Others	122,669	82,666
	740,786	721,693

9. TAXES OTHER THAN INCOME TAX

In millions of tenge	2020	2019
Export customs duty	71,746	131,326
Mineral extraction tax (MET)	59,374	100,300
Rent tax on crude oil export (rent tax)	41,120	133,144
Other taxes	97,319	89,525
	269,559	454,295

10. TRANSPORTATION AND SELLING EXPENSES

In millions of tenge	2020	2019
Transportation	415,842	374,686
Payroll	12,811	12,542
Other	29,533	33,174
	458,186	420,402

11. GENERAL AND ADMINISTRATIVE EXPENSES

In millions of tenge	2020	2019
Payroll	74,704	78,055
Consulting services	23,402	25,448
Maintenance	8,655	8,711
Accrual of impairment of VAT receivable	6,435	15,703
Social payments	5,961	8,933
VAT that could not be offset	4,528	6,910
Communication	3,809	2,963
Accrual of ECL for trade receivables and current financial assets (Note 20)	4,225	14,096
(Reversal)/accrual of impairment losses allowance for other non-financial current assets (Note 20)	(65)	42
Allowance for/(reversal of) fines, penalties and tax provisions	44	(19,755)
Provision under the KMG DS - Consortium case (Note 31)	–	34,132
Other	38,510	38,729
	170,208	213,967

For the year ended December 31, 2020, the total payroll amounted to 427,392 million tenge (2019: 428,717 million tenge) and was included in production expenses, transportation and selling expenses and general and administrative expenses in the consolidated statement of comprehensive income.

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

In millions of tenge	2020	2019
Impairment expense		
Property, plant and equipment (Note 14)	220,913	144,482
Exploration and evaluation assets (Note 15)	16,389	171
Investment property	142	(142)
Intangible assets (Note 16)	6,250	6,240
	243,694	150,751
Exploration expense (exploration and evaluation assets write-off) (Note 15)		
Brownfields of KMG EP	19,692	18,888
Pearls project	-	38,180
Samtyr, Zhayik, Saraishyk, Zaburunie projects	115	-
	19,807	57,068
	263,501	207,819

For the following CGUs impairment losses were recognised for years ended:

In millions of tenge	2020	2019
Refining CGU of KMGI	162,455	93,587
EMG CGU	60,440	-
Sunkar, Barys and Berkut, self-propelled barges (Barges)	10,297	11,837
Satti, the drilling jackup rig (Satti rig)	-	24,505
Batumi Oil Terminal, the CGU (BNT CGU)	-	12,583
Others	10,502	8,239
	243,694	150,751

Refining CGU of KMGI

In 2020 and 2019, the Group performed impairment test of the Refining CGU of KMGI. The Group considered forecasted refining margins and production volumes, among other factors, when reviewing for indicators of impairment. The recoverable amount of Refining CGU of KMGI was determined based on fair value less costs of disposal (FVLCD), which was calculated using the discounted cash flow method. The key assumptions used in the FVLCD calculations for the CGU were operating profit, discount rates and growth rate used to extrapolate cash flows beyond the budgeted period. The discount rate applied to cash flow projections for Refining CGU was 10.7% (2019: 9.6%) and cash flows beyond the 5-year period were extrapolated using 2.2% (2019: 1.9%) growth rate, which is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values was 8.5% (2019: 7.7%). For the purposes of impairment test, the Group updated projected cash flows to reflect the decrease in forecasted refining margins and change in post-tax discount rate. In 2020, based on the results of the test performed, the Group recognized impairment loss of property, plant and equipment and intangible assets of 155,544 million tenge and 6,911 million tenge respectively (2019: 86,946 million tenge and 6,641 million tenge, respectively).

Sensitivity to changes in assumptions:

The additional impairment charges will occur if the weighted average cost of capital increases by more than 2.3 points to 13%, or should the operating profit decrease by more than 28.4%.

EMG CGU

In 2020, EMG carried out an assessment of the recoverable amount of property, plant and equipment and exploration and evaluation assets due to the presence of impairment indicators such as decline in the forecasted oil prices. EMG calculated recoverable amount using a discounted cash flow model for value in use valuation method. The discount rate applied to cash flow projections was equal to 14.4%. The 5-year business plan was used as a primary source of information, which contains forecasts for crude oil production, sales volumes, revenues, costs and capital expenditure.

The result of this assessment indicated that the carrying value of assets exceeded their estimated recoverable amount by 60,440 million tenge, particularly, 44,098 million tenge of property, plant and equipment and 16,342 million tenge of exploration and evaluation assets were impaired in the consolidated statement of comprehensive income.

Sensitivity to changes in assumptions:

The additional impairment charges will occur if the weighted average cost of capital increases by more than 1 point to 15.4% or if the Brent price decreases by more than 1%.

Barges

The recoverable amount of the barges was determined on the basis of value-in-use method. Value-in-use was assessed as the present value of the future cash flows expected to be derived from the barges until the end of the existing and probable contracts at the discount rate of 11.3% (2019: 10.05%). As a result of the test, the Group recognized an impairment loss of 10,297 million tenge for the year ended December 31, 2020 in regards of Sunkar, Barys and Berkut barges (2019: 11,837 million tenge on Sunkar and Berkut).

Satti rig

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

BNT CGU

For the year ended December 31, 2019, the Group recognized an impairment loss of 12,583 million tenge using FVLCD. The impairment was caused due to decrease in oil transshipment volumes in post-prognosis period. As at December 31, 2020, the recoverable value of BNT CGU exceeded its carrying value.

13. FINANCE INCOME / FINANCE COST

FINANCE INCOME

In millions of tenge	2020	2019
Interest income on bank deposits, financial assets, loans and bonds	86,067	99,274
Amortization of issued financial guarantees	6,497	1,974
Total interest income	92,564	101,248
Discount on a loan with non-market interest rate (Note 24)	11,002	7,781
Bonds redemption gain (Note 24)	927	–
Derecognition of loan (Note 24)	–	111,476
Write-off of guarantee due to significant modification	–	13,573
Other	5,260	6,802
	109,753	240,880

FINANCE COSTS

In millions of tenge	2020	2019
Interest expense on loans and bonds	239,855	235,728
Interest expense on lease liabilities	3,438	3,916
Interest expense under oil supply agreement	–	19,541
Total interest expense	243,293	259,185
Bonds redemption fee (Note 24)	21,057	–

In millions of tenge	2020	2019
Unwinding of discount on asset retirement obligations, for environmental obligation and other provisions (Note 25)	13,373	13,819
Discount on employee benefits obligations (Note 25)	3,605	3,559
Issued financial guarantees	–	11,341
Other	16,223	29,529
	297,551	317,433

14. PROPERTY, PLANT AND EQUIPMENT

In millions of tenge	Oil and gas assets	Pipelines	Refinery assets	Buildings and improvements	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
As at January 1, 2019	1,081,676	787,813	1,550,680	263,204	394,602	116,561	44,124	275,986	4,514,646
Foreign currency translation	(2,749)	(173)	(1,115)	(306)	374	(314)	(50)	–	(4,333)
Change in estimate	13,006	12,156	–	27	–	–	19	–	25,208
Additions	48,725	6,370	794	10,615	11,190	5,076	6,400	345,236	434,406
Disposals	(24,598)	(2,161)	(4,100)	(15,970)	(7,534)	(3,455)	(7,200)	(1,088)	(66,106)
Depreciation charge	(85,565)	(28,859)	(121,306)	(17,969)	(37,832)	(11,608)	(10,601)	–	(313,740)
Accumulated depreciation and impairment on disposals	14,198	1,794	4,039	11,148	7,085	3,141	6,733	325	48,463
(Impairment)/reversal (Note 12)	(4,911)	228	(86,946)	(5,277)	(31,068)	(13,140)	(1,057)	(2,311)	(144,482)
Transfers (to)/from assets classified as held for sale	18	–	(81)	(10,610)	(18,390)	(6,493)	(65)	–	(35,621)
Transfers from /(to) investment property	215	–	–	16,314	144	–	2,356	(39)	18,990
Transfers from/(to) inventory, net	35	–	4,435	1	362	13	666	3,295	8,772
Transfers from exploration and evaluation assets (Note 15)	1,743	–	–	–	–	–	–	1,024	2,767
Transfers (to)/from intangible assets (Note 16)	(145)	(35)	(64)	–	–	–	97	(4,587)	(4,699)
Transfers and reclassifications	8,115	26,584	35,325	49,478	138,878	7,856	64,864	(331,100)	–
Net book value as at December 31, 2019	1,049,763	803,717	1,381,661	300,655	457,811	97,637	106,286	286,741	4,484,271
At cost	2,032,972	1,028,456	2,408,000	568,723	841,626	226,215	222,426	336,772	7,665,190

In millions of tenge	Oil and gas assets	Pipelines	Refinery assets	Buildings and improvements	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
Accumulated depreciation and impairment	(983,209)	(224,739)	(1,026,339)	(268,068)	(383,815)	(128,578)	(116,140)	(50,031)	(3,180,919)
Net book value as at December 31, 2019	1,049,763	803,717	1,381,661	300,655	457,811	97,637	106,286	286,741	4,484,271
Foreign currency translation	50,582	3,992	39,281	6,928	3,404	2,973	7,033	15,034	129,227
Change in estimate	6,785	5,914	-	28	-	-	-	-	12,727
Additions	4,738	1,967	2,176	4,455	6,901	5,439	2,561	404,519	432,756
Disposals	(17,138)	(18,212)	(10,829)	(4,412)	(4,135)	(1,887)	(2,783)	(2,533)	(61,929)
Depreciation charge	(109,846)	(29,297)	(119,746)	(19,746)	(37,922)	(11,085)	(11,163)	-	(338,805)
Accumulated depreciation and impairment on disposals	13,876	1,893	10,364	3,352	4,007	1,720	2,521	1,356	39,089
Impairment (Note 12)	(37,887)	(731)	(155,544)	(5,101)	(1,366)	(11,766)	(1,750)	(6,768)	(220,913)
Transfers to assets classified as held for sale	-	-	(834)	(14,777)	(71,856)	(86)	(228)	(1,400)	(89,181)
Transfers from exploration and evaluation assets (Note 15)	67	-	-	-	-	-	-	-	67
Transfers to intangible assets, net (Note 16)	-	-	(96)	-	-	-	(619)	(2,558)	(3,273)
Transfers to investment property	-	-	-	(19,207)	-	-	-	-	(19,207)
Transfers and reclassifications	122,633	39,542	23,058	37,527	96,713	1,770	9,557	(330,800)	-
Net book value as at December 31, 2020	1,083,615	808,757	1,171,110	289,702	453,821	84,661	111,947	366,132	4,369,745
At cost	2,232,770	1,063,532	2,537,233	591,757	880,230	235,520	244,801	422,492	8,208,335
Accumulated depreciation and impairment	(1,149,155)	(254,775)	(1,366,123)	(302,055)	(426,409)	(150,859)	(132,854)	(56,360)	(3,838,590)
Net book value as at December 31, 2020	1,083,615	808,757	1,171,110	289,702	453,821	84,661	111,947	366,132	4,369,745

ADDITIONS

In 2020, additions to capital work in progress are mainly attributable to development drilling at OMG, EMG and Karachaganak for the total of 148,593 million tenge, construction of compressor stations at KTG for 113,844 million tenge within the framework of the projects “Beineu-Bozoy-Shymkent and Bukhara-Ural” and reconstruction of “Bozoi” underground gas storage, replacement of “Prorva-Kulsary” and “Uzen-Atyray-Samara” pipeline for 43,247 million tenge at KTO, and overhauls at the plant facilities at Rompetrol Rafinare for 51,617 million tenge.

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

TRANSFER TO ASSETS HELD FOR SALE

During 2020, the Group reclassified to assets held for sale property and equipment of 89,181 million tenge mainly represented by compressor stations “Korkyt-ata” and “Turkestan”. During 2020, the Group sold the compressor station “Turkestan” for the consideration of 43,667 million tenge (Note 29). As at December 31, 2020, assets classified as held for sale is mainly represented by the compressor station “Korkyt-ata” for 42,241 million tenge, the transaction is expected to be completed during 2021.

During 2019, the Group classified as assets held for sale tankers and gas compressor station with net book value of 35,621 million tenge, the latter was sold for the consideration of 32,696 million tenge.

OTHER

For the year ended December 31, 2020, the Group capitalized to the carrying amount of property, plant and equipment borrowing costs related to construction of 2,890 million tenge at the average interest rate of 5.78% (for the year ended December 31, 2019: 2,525 million tenge at the average interest rate of 4.3%) (Note 24).

As at December 31, 2020, the cost of fully depreciated but still in use property, plant and equipment was 517,484 million tenge (as at December 31, 2019: 394,841 million tenge).

As at December 31, 2020, property, plant and equipment with the net book value of 910,216 million tenge (as at December 31, 2019: 1,023,146 million tenge) were pledged as collateral to secure borrowings and payables of the Group.

15. EXPLORATION AND EVALUATION ASSETS

In millions of tenge	Tangible	Intangible	Total
Net book value as at December 31, 2018	162,813	26,987	189,800
Additions	51,385	3,144	54,529
Write-off (Note 12)	(51,546)	(5,522)	(57,068)
Impairment (Note 12)	(171)	–	(171)
Disposal	(1,991)	(653)	(2,644)
Transfer to intangible assets (Note 16)	–	(1,800)	(1,800)
Transfer to property, plant and equipment (Note 14)	(2,767)	–	(2,767)
Change in estimate	9	–	9
Transfers from inventory	9	–	9
Transfers and reclassifications	(5,449)	5,449	–
Net book value as at December 31, 2019	152,292	27,605	179,897
Additions	14,212	787	14,999
Write-off (Note 12)	(19,235)	(572)	(19,807)
Impairment (Note 12)	(12,797)	(3,592)	(16,389)
Trial production	(248)	–	(248)
Transfer to property, plant and equipment (Note 14)	(67)	–	(67)
Net book value as at December 31, 2020	134,157	24,228	158,385

As at December 31, 2020 and 2019 the exploration and evaluation assets are represented by the following projects:

In millions of tenge	December 31, 2020	December 31, 2019
Zhambyl	59,603	58,293
EMG	33,458	41,337
Urikhtau	38,834	35,265
KTG projects	17,366	13,206
Others	9,124	31,796
	158,385	179,897

16. INTANGIBLE ASSETS

In millions of tenge	Goodwill	Marketing related intangible assets	Software	Other	Total
Net book value as at December 31, 2018	100,054	33,364	13,429	26,230	173,077
Foreign currency translation	(1,493)	2,237	(62)	(461)	221
Additions	–	–	5,827	4,599	10,426
Disposals	–	–	(3,725)	(1,678)	(5,403)
Change in estimates	–	–	–	(174)	(174)
Amortization charge	–	–	(5,709)	(5,608)	(11,317)
Accumulated amortization and impairment on disposals	–	–	3,551	527	4,078
(Impairment)/ reversal, net (Note 12)	–	(6,641)	5	396	(6,240)
Transfers from inventory	–	–	–	5	5
Transfers from exploration and evaluation assets (Note 15)	–	–	–	1,800	1,800
Transfer from/(to)property, plant and equipment, net (Note 14)	–	–	4,838	(139)	4,699
Transfers and reclassifications	–	–	1,300	(1,300)	–
Net book value as at December 31, 2019	98,561	28,960	19,454	24,197	171,172
Foreign currency translation	1,003	2,775	296	1,071	5,145
Additions	–	–	2,855	3,553	6,408
Disposals	–	–	(5,576)	(2,246)	(7,822)
Amortization charge	–	–	(6,494)	(2,804)	(9,298)
Accumulated amortization and impairment on disposals	–	–	5,544	215	5,759
(Impairment)/ reversal, net (Note 12)	–	(6,911)	(270)	931	(6,250)
Transfer from property, plant and equipment, net (Note 14)	–	–	1,925	1,348	3,273
Transfers to assets classified as held for sale	–	–	(24)	–	(24)
Transfers from right-of-use assets	–	–	–	118	118
Transfers and reclassifications	–	–	2,404	(2,404)	–
Net book value as at December 31, 2020	99,564	24,824	20,114	23,979	168,481
At cost	210,012	63,722	74,841	100,784	449,359
Accumulated amortization and impairment	(110,448)	(38,898)	(54,727)	(76,805)	(280,878)

In millions of tenge	Goodwill	Marketing related intangible assets	Software	Other	Total
Net book value as at December 31, 2020	99,564	24,824	20,114	23,979	168,481
At cost	209,009	57,921	70,381	93,290	430,601
Accumulated amortization and impairment	(110,448)	(28,961)	(50,927)	(69,093)	(259,429)
Net book value as at December 31, 2019	98,561	28,960	19,454	24,197	171,172

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

Cash-generating unit	December 31, 2020	December 31, 2019
Cash-generating unit, Pavlodar refinery	88,553	88,553
Cash-generating units of KMGI	11,011	10,008
Total goodwill	99,564	98,561

In 2020 and 2019, based on the impairment test results, no impairment of Pavlodar refinery or KMGI goodwill was recognized. For the detailed discussion of Pavlodar refinery goodwill impairment test refer to Note 4.

17. BANK DEPOSITS

In millions of tenge	December 31, 2020	December 31, 2019
Denominated in US dollar	324,646	390,598
Denominated in tenge	14,863	21,940
Less: allowance for ECL	(509)	(508)
	339,000	412,030

As at December 31, 2020, the weighted average interest rate for long-term bank deposits was 1.07% in US dollars and 1.58% in tenge, respectively (December 31, 2019: 1.08% in US dollars and 2.58% in tenge, respectively).

As at December 31, 2020, the weighted average interest rate for short-term bank deposits was 0.40% in US dollars and 3.10% in tenge, respectively (December 31, 2019: 1.57% in US dollars and 8.33% in tenge, respectively).

In millions of tenge	December 31, 2020	December 31, 2019
Maturities under 1 year	282,472	359,504
Maturities between 1 and 2 years	796	1,029
Maturities over 2 years	55,732	51,497
	339,000	412,030

As at December 31, 2020 bank deposits include cash pledged as collateral of 56,528 million tenge (December 31, 2019: 50,046 million tenge), which are represented mainly by restricted bank accounts designated as a liquidation fund per requirements of subsoil use contracts of 44,497 million tenge (December 31, 2019: 37,916 million tenge).

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

In millions of tenge	Main activity	Place of business	December 31, 2020		December 31, 2019	
			Carrying value	Percentage ownership	Carrying value	Percentage ownership
Joint ventures						
TCO	Oil and gas exploration and production	Kazakhstan	2,793,887	20.00%	2,377,207	20.00%
Kashagan	Oil and gas exploration and production	Kazakhstan	2,256,816	50.00%	2,057,795	50.00%
AGP	Construction and operation of gas pipeline	Kazakhstan	291,086	50.00%	168,086	50.00%
BSP	Construction and operation of gas pipeline	Kazakhstan	156,771	50.00%	101,766	50.00%
MIBV	Oil and gas development and production	Kazakhstan	142,585	50.00%	158,867	50.00%
KRG	Processing and sale of natural gas and refined gas products	Kazakhstan	76,702	50.00%	79,849	50.00%
UGL	Oil and gas exploration and production	Kazakhstan	44,585	50.00%	47,662	50.00%
KGM	Oil and gas exploration and production	Kazakhstan	32,840	50.00%	25,620	50.00%
KOA	Production of crude oil	Kazakhstan	20,886	50.00%	21,438	50.00%
Teniz Service	Design, construction, facilities and offshore oil operations support	Kazakhstan	20,473	48.996%	19,277	48.996%
Valsera	Oil refining	Kazakhstan	2,253	50.00%	12,776	50.00%
Other			43,498		41,014	
Associates						
CPC	Transportation of liquid hydrocarbons	Kazakhstan / Russia	478,134	20.75%	359,173	20.75%
PKI	Exploration, production and processing of oil and gas	Kazakhstan	78,636	33.00%	95,320	33.00%
Other			31,869		24,534	
			6,471,021		5,590,384	

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

As at December 31, 2020, the Group's share in unrecognized losses of JVs and associates was 19,038 million tenge (December 31, 2019: 17,812 million tenge). The Group's change in share of unrecognized losses of JVs and associates in 2020 was 1,226 million tenge (2019: 59,628 million tenge).

The following table summarizes the movements in the investments in 2020 and 2019:

In millions of tenge	2020	2019
At January 1	5,590,384	4,895,444
Share in profits of JVs and associates, net (Note 6)	511,195	827,979
Dividends received	(134,772)	(126,461)
Change in dividends receivable	1,680	7,433
Impairment of investments	(30,654)	–
Other changes in the equity of the JVs	21,352	(3,803)
Contribution without change in ownership	1,586	5,889
Disposals, net	(179)	–
Guarantees issued	–	11,162

In millions of tenge	2020	2019
Transfers to assets classified as held for sale	(3,080)	–
Eliminations and adjustments*	2,936	(7,043)
Foreign currency translation	510,573	(20,216)
At December 31	6,471,021	5,590,384

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

The Amsterdam Court imposed certain restrictions on 50% of shares in Kashagan owned by Samruk-Kazyna (further restrictions). During the restrictions period, these shares of Kashagan cannot be sold, transferred or pledged. As of December 31, 2020 and 2019, the restrictions remained in force and control over the asset was not transferred to the Group.

The following tables illustrate summarized financial information of material JVs, based on financial statements of these entities for 2020:

In millions of tenge	TCO	Kashagan	AGP	BSP	MIBV	KRG
Non-current assets	20,221,619	4,332,838	1,333,611	544,058	468,069	44,681
Current assets, including	908,846	178,797	616,479	147,802	89,172	118,142
Cash and cash equivalents	50,588	117,269	180,065	18,027	5,267	44,459
Non-current liabilities, including	(6,412,967)	(371,651)	(886,363)	(351,719)	(160,711)	(207)
Non-current financial liabilities	(4,061,782)	(40,665)	(692,254)	(335,084)	–	–
Current liabilities, including	(748,064)	(129,128)	(481,556)	(76,155)	(110,186)	(9,212)
Current financial liabilities	(69,558)	(9,691)	(464,699)	(63,101)	(21,306)	–
Equity	13,969,434	4,010,856	582,171	263,986	286,344	153,404
Share of ownership	20%	50%	50%	50%	50%	50%
Goodwill	–	251,388	–	–	–	–
Consolidation adjustments	–	–	–	24,778	(587)	–
Carrying amount of the investments as at December 31, 2020	2,793,887	2,256,816	291,086	156,771	142,585	76,702
Revenue	3,776,155	311,663	727,503	201,524	488,032	167,016
Depreciation, depletion and amortization	(700,929)	(196,789)	(78,212)	(18,222)	(75,609)	(289)
Finance income	3,887	2,250	7,352	–	239	2,293
Finance costs	(58,264)	(24,322)	(54,943)	(14,365)	(9,555)	–
Income tax expense	(371,799)	(11,190)	(90,323)	–	(19,663)	(6,628)
Profit/(loss) for the year from continuing operations	867,380	(13,922)	350,677	110,010	33,498	7,785
Other comprehensive (loss)/income	1,216,017	411,964	2,964	–	(1,479)	16,232
Total comprehensive income	2,083,397	398,042	353,641	110,010	32,019	24,017
Change in unrecognized share of losses	–	–	–	–	–	–
Dividends received	–	–	53,821	–	32,291	15,155

¹ * Equity method eliminations and adjustments represent unrealized income from sale of inventory from JVs to subsidiaries and capitalized borrowing costs on the loans provided by the Company and subsidiaries to JVs

The following tables illustrate summarized financial information of material JVs, based on financial statements of these entities for 2020:

In millions of tenge	UGL	KGM	KOA	Teniz Service	Valsera
Non-current assets	246,111	101,629	46,657	118,818	536,659
Current assets, including	993	24,627	10,837	50,602	99,783
Cash and cash equivalents	833	19,264	1,664	9,046	47,783
Non-current liabilities, including	(115,216)	(35,090)	(6,450)	(15,265)	(488,672)
Non-current financial liabilities	(81,291)	–	–	–	(471,886)
Current liabilities, including	(2,718)	(25,486)	(9,272)	(112,370)	(108,681)
Current financial liabilities	–	–	–	–	(73,012)
Equity	129,170	65,680	41,772	41,785	39,089
Share of ownership	50%	50%	50%	48.996%	50%
Impairment of the investment	(20,000)	–	–	–	(17,292)
Carrying amount of the investments as at December 31, 2020	44,585	32,840	20,886	20,473	2,253
Revenue	–	101,595	41,654	260,560	147,569
Depreciation, depletion and amortization	(14)	(27,084)	(7,169)	(215,594)	(36,397)
Finance income	–	511	238	1	17
Finance costs	(16,986)	(1,598)	(544)	(15,377)	(30,195)
Income tax expense	(1,077)	(6,200)	(3,142)	(2,805)	(9,363)
Profit/(loss) for the year from continuing operations	(20,531)	31,245	4,897	7,941	(12,275)
Other comprehensive (loss)/income	11,671	4,337	–	–	(420)
Total comprehensive income/(loss)	(8,860)	35,582	4,897	7,941	(12,695)
Dividends received	–	10,372	8,000	2,695	4,176

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

In millions of tenge	TCO	Kashagan	AGP	MIBV	BSP	KRG
Non-current assets	16,276,182	4,087,310	1,395,615	433,950	482,553	10,176
Current assets, including	975,247	273,048	578,072	114,571	171,411	195,666
Cash and cash equivalents	45,128	74,330	136,318	16,091	11,918	83,674
Non-current liabilities, including	(4,137,239)	(499,989)	(1,225,064)	(148,898)	(354,711)	(148)
Non-current financial liabilities	(2,563,353)	(581)	(1,050,532)	(49,553)	(342,836)	–
Current liabilities, including	(1,228,155)	(201,781)	(412,451)	(80,495)	(145,277)	(45,996)

In millions of tenge	TCO	Kashagan	AGP	MIBV	BSP	KRG
Current financial liabilities	(44,762)	(194)	(379,633)	(400)	(119,557)	–
Equity	11,886,035	3,658,588	336,172	319,128	153,976	159,698
Share of ownership	20%	50%	50%	50%	50%	50%
Goodwill	–	228,501	–	–	–	–
Consolidation adjustments	–	–	–	(697)	24,778	–
Carrying amount of the investments as at December 31, 2019	2,377,207	2,057,795	168,086	158,867	101,766	79,849
Revenue	6,231,720	443,545	785,250	836,474	172,894	306,259
Depreciation, depletion and amortization	(874,694)	(175,119)	(74,734)	(70,250)	(16,028)	(280)
Finance income	9,428	5,377	9,674	159	–	2,384
Finance costs	(39,896)	(41,813)	(90,669)	(8,772)	(26,563)	–
Income tax expense	(889,194)	(57,794)	(113,177)	(51,818)	–	(8,625)
Profit for the year from continuing operations	2,074,701	26,228	428,204	165,766	112,387	30,311
Other comprehensive (loss)/ income	(41,327)	(17,880)	–	485	–	(846)
Total comprehensive income	2,033,374	8,348	428,204	166,251	112,387	29,465
Change in unrecognized share of losses	–	–	46,016	–	–	–
Dividends received	–	–	–	61,872	–	–

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

In millions of tenge	UGL	KGM	KOA	Teniz Service	Valsera
Non-current assets	218,689	118,312	53,020	335,845	564,128
Current assets, including	729	42,245	19,326	51,621	80,995
Cash and cash equivalents	714	37,401	11,947	6,953	41,660
Non-current liabilities, including	(123,902)	(40,343)	(6,533)	(117,580)	(513,735)
Non-current financial liabilities	(94,532)	–	–	–	(507,803)
Current liabilities, including	(192)	(68,975)	(22,937)	(230,542)	(90,320)
Current financial liabilities	–	–	–	(1,360)	(27,035)
Equity	95,324	51,239	42,876	39,344	41,068
Share of ownership	50%	50%	50%	48.996%	50%
Consolidation adjustments	–	–	–	–	(7,758)
Carrying amount of the investments as at December 31, 2019	47,662	25,620	21,438	19,277	12,776
Revenue	–	191,297	61,597	257,944	132,246
Depreciation, depletion and amortization	(13)	(50,605)	(11,886)	(194,344)	(25,790)
Finance income	–	227	185	3	21
Finance costs	(27,471)	(1,348)	(91)	(25,434)	(34,425)

In millions of tenge	UGL	KGM	KOA	Teniz Service	Valsera
Income tax expense	(1,688)	(73,148)	113	–	(22,964)
Profit/(loss) for the year from continuing operations	(37,790)	35,121	19,445	13,760	(12,214)
Other comprehensive loss	(627)	(216)	–	–	(85)
Total comprehensive income/(loss)	(38,417)	34,905	19,445	13,760	(12,299)
Dividends received	–	30,183	9,057	4,410	757

The following tables illustrate summarized financial information of material associates, based on their financial statements for 2020:

In millions of tenge	December 31, 2020	
	CPC	PKI
Non-current assets	2,082,957	284,545
Current assets	193,677	67,047
Non-current liabilities	(32,817)	(72,335)
Current liabilities	(134,300)	(20,426)
Equity	2,109,517	258,831
Share of ownership	20.75%	33%
Goodwill	40,409	–
Impairment of the investment	–	(6,778)
Carrying amount of the investment as at December 31	478,134	78,636
Revenue	872,851	83,863
Depreciation, depletion and amortization	(184,379)	(26,470)
Finance income	171	252
Finance costs	(12,080)	(2,464)
Income tax expense	(99,572)	5,599
Profit for the year (Note 6)	393,165	(26,702)
Other comprehensive income	180,142	13,223
Total comprehensive income	573,307	(13,479)
Dividends received	–	2,609

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

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

In millions of tenge	December 31, 2019	
	CPC	PKI
Finance income	10,720	425
Finance costs	(52,453)	(2,769)
Income tax expense	(111,797)	(20,904)
Profit for the year	341,537	(55,286)
Other comprehensive income	(6,181)	(1,473)
Total comprehensive income	335,356	(56,759)
Dividends received	–	15,004

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

In millions of tenge	December 31, 2020	December 31, 2019
Group share in		
Non-current assets	123,063	143,772
Current assets	53,760	52,488
Non-current liabilities	(85,476)	(110,096)
Current liabilities	(65,550)	(62,503)
Goodwill	172	4,050
Impairment of the investment in joint venture	(3,635)	(3,635)
Accumulated unrecognized share of losses	(18,163)	(16,938)
Carrying amount of the investments as at December 31	43,498	41,014
Profit for the year from continuing operations	25,690	25,069
Other comprehensive income	47	–
Total comprehensive income	25,737	25,069
Unrecognized share of (loss)/income	1,225	13,612

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

In millions of tenge	December 31, 2020	December 31, 2019
Group share in:		
Non-current assets	36,869	30,415
Current assets	56,671	55,185
Non-current liabilities	(8,998)	(10,566)
Current liabilities	(53,548)	(51,374)
Accumulated unrecognized share of losses	(875)	(875)
Carrying amount of the investments as at December 31	31,868	24,534
Profit/losses for the year from continuing operations	11,442	2,457
Other comprehensive income/ (loss)	6,218	(398)
Total comprehensive income	17,660	2,059

19. INVENTORIES

In millions of tenge	December 31, 2020	December 31, 2019
Materials and supplies (at cost)	108,506	116,327
Refined products (at lower of cost and net realizable value)	56,712	53,974
Gas products (at cost)	32,841	52,566
Crude oil (at cost)	30,006	58,348
	228,065	281,215

As at December 31, 2020 inventories of 72,277 million tenge are pledged as collateral (December 31, 2019: 47,863 million tenge).

20. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

In millions of tenge	December 31, 2020	December 31, 2019
Trade accounts receivable	455,321	430,125
Trade accounts receivable	(32,500)	(32,368)
Less: allowance for ECL	422,821	397,757
Other current financial assets		
Other receivables	90,904	91,610
Dividends receivable	2,913	7,582
Less: allowance for ECL	(36,746)	(35,637)
	57,071	63,555
Other current non-financial assets		
Advances paid and prepaid expenses	45,497	138,822
Taxes receivable, other than VAT	35,003	52,642
Other	11,867	10,794
Less: impairment allowance	(3,546)	(3,719)
	88,821	198,539
Total other current assets	145,892	262,094

As at December 31, 2020 and 2019 the above assets were non-interest bearing. As at December 31, 2020 trade accounts receivable of 155,998 million tenge are pledged as collateral (December 31, 2019: 71,296 million tenge).

Trade accounts receivable is denominated in the following currencies as of December 31, 2020 and December 31, 2019:

In millions of tenge	December 31, 2020	December 31, 2019
Tenge	123,824	118,870
US dollars	235,099	206,155
Romanian Leu	57,637	60,673
Euro	6,059	4,676
Other currency	202	7,383
	422,821	397,757

Movements in the allowance for ECL and impairment were as follows:

In millions of tenge	Individually impaired	
	Trade accounts receivable and other current financial assets	Other current non-financial assets
As at December 31, 2018	70,796	4,424
Charge for the year, net (Note 11)	14,096	42
Written-off	(15,976)	(683)
Transfers and reclassifications	217	(64)
Foreign currency translation	(1,128)	–
As at December 31, 2019	68,005	3,719
Charge for the year, net (Note 11)	4,225	(65)
Written-off	(9,259)	(108)
Foreign currency translation	6,275	–
As at December 31, 2020	69,246	3,546

Set out below is the information about credit risk exposure on the Group's trade receivables using a provision matrix:

In millions of tenge	Days past due					Total
	current	<30 days	30-60 days	61-90 days	>91 days	
December 31, 2020						
ECL rate	0.18%	2.94%	2.66%	4.34%	81.01%	
Trade accounts receivable	398,752	12,361	2,844	2,845	38,519	455,321
ECL	(733)	(363)	(76)	(124)	(31,204)	(32,500)
December 31, 2019						
ECL rate	0.12%	1.19%	5.30%	3.37%	82.30%	
Trade accounts receivable	364,869	19,869	5,418	1,871	38,098	430,125
ECL	(427)	(236)	(287)	(63)	(31,355)	(32,368)

21. LOANS AND RECEIVABLES DUE FROM RELATED PARTIES

In millions of tenge	December 31, 2020	December 31, 2019
At amortized cost:		
Loans due from related parties	558,546	509,003
Bonds receivable from Samruk-Kazyna (Note 29)	17,312	16,290
Lease receivable from a joint venture	–	4,458
Other	2,470	–
Less: allowance for ECL	(3,947)	(3,508)
At fair value through profit or loss:	574,381	526,243
Loans due from related parties	138,024	214,395
Note receivable from a shareholder of a joint venture	–	13,627
	138,024	228,022

Total loans and receivables due from related parties	712,405	754,265
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Loans and receivables due from related parties are denominated in the following currencies:

In millions of tenge	December 31, 2020	December 31, 2019
Tenge	398,896	380,248
US dollars	310,175	370,593
Other foreign currencies	3,334	3,424
	712,405	754,265

In millions of tenge	December 31, 2020	December 31, 2019
Current portion	27,795	138,719
Non-current portion	684,610	615,546
	712,405	754,265

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

In millions of tenge	
As at December 31, 2018	3,963
Recovered, net	(447)
Foreign currency translation	(8)
As at December 31, 2019	3,508
Charged, net	340
Foreign currency translation	99
As at December 31, 2020	3,947

22. CASH AND CASH EQUIVALENTS

In millions of tenge	December 31, 2020	December 31, 2019
Term deposits with banks – US dollar	435,119	108,298
Term deposits with banks – tenge	163,820	210,354
Term deposits with banks – other currencies	54,800	6,450
Current accounts with banks – US dollar	397,774	633,231
Current accounts with banks – tenge	75,369	75,168
Current accounts with banks – other currencies	10,370	10,220
Cash in transit	7,508	19,991
Cash-on-hand and cheques	1,138	1,150
Less: ECL	(34)	(410)
	1,145,864	1,064,452

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

As at December 31, 2020, the weighted average interest rate for time deposits with banks was 0.37% in US dollars, 7.74% in tenge and 1.44% in other currencies, respectively (December 31, 2019: 2.02% in US dollars, 8.84% in tenge and 0.12% in other currencies, respectively).

As at December 31, 2020 and 2019, cash and cash equivalents were not pledged as collateral.

23.EQUITY

SHARE CAPITAL

Total number of outstanding, issued and paid shares comprises:

	December 31, 2019 and 2020
Number of shares issued and paid, including	610,119,493
Par value of 27,726.63 tenge	137,900
Par value of 10,000 tenge	20,719,604
Par value of 5,000 tenge	59,707,029
Par value of 2,500 tenge	71,104,187
Par value of 2,451 tenge	1
Par value of 1,000 tenge	1
Par value of 921 tenge	1
Par value of 858 tenge	1
Par value of 838 tenge	1
Par value of 704 tenge	1
Par value of 592 tenge	1
Par value of 500 tenge	458,450,766
Share capital (thousands of tenge)	916,540,545

As at December 31, 2020 and 2019, the Company had only one class of issued shares. As at December 31, 2020 and 2019, common shares in the number of 239,440,103 were authorized, but not issued. In 2020, there was no issuance of any ordinary share

ADDITIONAL PAID-IN CAPITAL (APIC)

Transfer of pipelines contributed by the Government due to termination of the trust management agreement

In 2020 the Group disposed gas pipeline assets obtained on trust management terms from the Government for 17,323 million tenge due to change in judgements (Note 3). These pipelines were recognised within APIC in prior years. As of disposal date the book value of pipelines was 16,118 million tenge. The difference between cost and book value as of disposal date mainly represents depreciation of the pipelines, and was reversed from retained earnings.

Transfer of difference between par and fair value of the loan received from Samruk-Kazyna to the Company due to the loan settlement

In 2020, the Group transferred the difference between par and fair value of loan received from Samruk-Kazyna of 10,971 million tenge, recognised in 2011 within APIC, to retained earnings due the fact that the loan payable was settled.

Transfer of excess of fair value over nominal value of the loan receivable, contributed by Samruk-Kazyna due settlement

In 2020, the Group transferred 3,519 million tenge, the difference between fair and nominal value of a loan receivable, from APIC to retained earnings. This loan represents the "Kazakhstan Note" receivable from CPC, and which was contributed to the Company in 2015, and fully settled in 2020 (Note 29).

DIVIDENDS

In 2020, based on the decision of Samruk-Kazyna and National Bank of RK, the Company declared and paid-off dividends for 2019 of 133.97 tenge per common share in the total of 81,738 million tenge (2019: declared dividends for 2018 of 60.64 tenge per common share in the total of 36,998 million tenge).

In 2020, the Group declared and paid-off dividends to the non-controlling interest holders of KTO, KMGI and KMG EP in the total amount of 4,856 million tenge and 4,553 million tenge, respectively (2019: 4,138 million tenge and 5,693 million tenge, respectively).

TRANSACTIONS WITH SAMRUK-KAZYNA

In 2020, the Company provided Samruk-Kazyna additional interest-free financial aid tranches of 54,951 million tenge (2019: 54,720 million tenge) under a long-term financial aid agreement signed on December 25, 2015, with a current maturity in 2022 (Note 29). In 2020, the difference between the fair value and nominal amount of the additional tranches of 11,617 million tenge (2019: 14,184 million tenge) was recognized as transactions with Samruk-Kazyna in the consolidated statement of changes in equity.

DISTRIBUTIONS TO SAMRUK-KAZYNA

In 2020, in accordance with the Government decree on housing of the residents, living in Zhana-ozen town, the Group distributed 3,098 million tenge and paid 2,490 million tenge (2019: distributed and paid 568 million tenge).

In 2020, the Group accrued and settled additional distribution of 5,497 million tenge for to Samruk-Kazyna for social facilities construction in Turkestan city (2019: distributed and paid-off 1,773 million tenge and 22,673 million tenge, respectively).

Additionally, in 2020, the Company reversed its distribution to Samruk-Kazyna by 832 million tenge, which was recognised in prior years under the construction project of a kindergarden in Nur-Sultan city.

In 2019, the Company transferred to Samruk-Kazyna proceeds from the sale of its non-core assets of 3,853 million tenge, recognised as distribution to Samruk-Kazyna in accordance with the Government decrees and the decision of the Management Board of Samruk-Kazyna.

In 2019, under the construction project of the Palace of martial arts in Nur-Sultan city, the Group transferred cash of 9,203 million tenge to fulfill its commitments, recognized within distributions to Samruk-Kazyna in 2016-2017.

BOOK VALUE PER SHARE

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

In millions of tenge	December 31, 2020	December 31, 2019
Total assets	14,653,287	14,081,915
Less: intangible assets	168,481	171,172
Less: total liabilities	6,016,608	5,885,259
Net assets	8,468,198	8,025,484
Number of ordinary shares	610,119,493	610,119,493
Book value per ordinary share	13.880	13.154

EARNINGS PER SHARE

In 2020 and 2019, the weighted average number of common shares for basic and diluted earnings per share was 610,119,493, and earnings per share in net profit for the period was 282 tenge in 2020, and 1,899 tenge in 2019.

NON-CONTROLLING INTEREST

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

	Country of incorporation and operation	December 31, 2020		December 31, 2019	
		Non-controlling shares	Carrying value	Non-controlling shares	Carrying value
Rompetrol Downstream S.R.L.	Romania	45.37%	53,065	45.37%	51,591
KTO	Kazakhstan	10.00%	47,314	10.00%	44,733
Rompetrol Petrochemicals S.R.L.	Romania	45.37%	15,338	45.37%	5,518
KMG EP	Kazakhstan	0.28%	5,447	0.30%	9,733
Rompetrol Vega	Romania	45.37%	(15,824)	45.37%	(16,289)
Rompetrol Rafinare S.A.	Romania	45.37%	(185,286)	45.37%	(74,441)
Other			8,305		17,410
			(71,641)		38,255

The following tables illustrate summarized financial information of subsidiaries on a stand-alone basis, in which the Group has significant non-controlling interests as at December 31, 2020 and for the year then ended:

In millions of tenge	Rompetrol Downstream S.R.L.	KTO	Rompetrol Petrochemicals S.R.L.	KMG EP	Rompetrol Vega	Rompetrol Rafinare S.A.
Summarized statement of financial position						
Non-current assets	101,670	523,992	3,072	1,329,294	30,643	131,929
Current assets	165,467	110,803	31,415	326,047	6,406	41,149
Non-current liabilities	(60,155)	(88,539)	(659)	(81,848)	(26,078)	(80,806)
Current liabilities	(90,026)	(79,066)	(22)	(107,727)	(45,847)	(500,643)
Total equity	116,956	467,190	33,806	1,465,766	(34,876)	(408,371)
Attributable to:						
Equity holder of the Parent Company	63,891	419,876	18,468	1,460,319	(19,052)	(223,085)
Non-controlling interest	53,065	47,314	15,338	5,447	(15,824)	(185,286)
Summarized statement of comprehensive income						
Revenue	495,075	235,222		718,825	58,229	790,412
Profit/(loss) for the year from continuing operations	2,505	73,267	1,840	127,124	4,528	(240,657)
Total comprehensive income/(loss) for the year, net of tax	3,249	69,936	21,642	65,600	1,025	(244,304)
Attributable to:						
Equity holder of the Parent Company	1,775	62,817	11,822	65,403	560	(133,458)
Non-controlling interest	1,474	7,119	9,820	197	465	(110,846)
Dividends declared to non-controlling interests		(4,538)		(16)		
Summarized cash flow information						
Operating activity	10,357	94,608		131,498	4,607	84,236

In millions of tenge	Rompetrol Downstream S.R.L.	KTO	Rompetrol Petrochemicals S.R.L.	KMG EP	Rompetrol Vega	Rompetrol Refinare S.A.
Investing activity	1,108	(26,354)		(137,375)	(3,110)	(42,881)
Financing activity	(9,736)	(47,434)		(2,717)	(1,643)	(6,675)
Net increase/(decrease) in cash and cash equivalents	1,729	23,366		(1,727)	(146)	34,680

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

In millions of tenge	Rompetrol Downstream S.R.L.	KTO	Rompetrol Petrochemicals S.R.L.	KMG EP	Rompetrol Vega	Rompetrol Refinare S.A.
Summarized statement of financial position						
Non-current assets	114,262	490,914	3,800	893,471	27,272	102,697
Current assets	135,270	104,433	9,024	1,235,457	9,511	219,194
Non-current liabilities	(56,084)	(78,008)	(643)	(75,452)	(24,905)	(93,091)
Current liabilities	(79,741)	(74,699)	(19)	(167,393)	(47,778)	(392,868)
Total equity	113,707	442,640	12,162	1,886,083	(35,900)	(164,068)
Attributable to:						
Equity holder of the Parent Company	62,116	397,907	6,644	1,876,350	(19,611)	(89,627)
Non-controlling interest	51,591	44,733	5,518	9,733	(16,289)	(74,441)
Summarized statement of comprehensive income						
Revenue	610,232	239,626		1,119,068	85,831	1,316,167
Profit/(loss) for the year from continuing operations	6,884	56,653	19,830	272,863	10,657	(143,227)
Total comprehensive income/ (loss) for the year, net of tax	6,511	53,448	19,471	267,684	10,792	(141,676)
Attributable to:						
Equity holder of the Parent Company	3,557	48,045	10,637	266,518	5,895	(77,204)
Non-controlling interest	2,954	5,403	8,834	1,166	4,897	(64,472)
Dividends declared to non- controlling interests		(3,999)		(16)		
Summarized cash flow information						
Operating activity	11,581	94,060	1	237,576	3,666	70,429
Investing activity	3,183	(57,033)		(368,188)	(3,541)	(26,015)
Financing activity	(14,590)	(41,853)		(4,457)	(46)	(43,941)
Net increase/(decrease) in cash and cash equivalents	174	(4,630)	1	(139,237)	79	473

24. BORROWINGS

In millions of tenge	December 31, 2020	December 31, 2019
Fixed interest rate borrowings	3,394,958	3,146,477
Weighted average interest rates	5.50%	5.48%
Floating interest rate borrowings	683,490	691,027
Weighted average interest rates (Note 30)	4.38%	5.73%
	4,078,448	3,837,504

Borrowings are denominated in the following currencies as of December 31,

In millions of tenge	2020	2019
US dollar	3,669,668	3,555,347
Tenge	318,034	271,776
Russian ruble	85,223	–
Euro	2,319	2,881
Other currencies	3,204	7,500
	4,078,448	3,837,504

In millions of tenge	December 31, 2020	December 31, 2019
Current portion	361,556	253,428
Non-current portion	3,716,892	3,584,076
	4,078,448	3,837,504

As at December 31, 2020 and as at December 31, 2019, the bonds comprised:

In millions of tenge	Issuance amount	Redemption date	Interest	December 31, 2020	December 31, 2019
Bonds					
Bonds LSE 2020	750 million USD	2033	3.50%	317,474	–
AIX 2019	56 billion KZT	2024	5.00%	45,192	52,843
Bonds LSE 2018	1.5 billion USD	2048	6.375%	631,832	574,230
Bonds LSE 2018	1.25 billion USD	2030	5.375%	530,776	482,393
Bonds LSE 2018	0.5 billion USD	2025	4.75%	212,117	192,764
Bonds LSE 2017	1.25 billion USD	2047	5.75%	516,505	468,940
Bonds LSE 2017	1 billion USD	2027	4.75%	419,390	380,413
Bonds ISE 2017	750 million USD	2027	4.375%	299,934	289,487
Bonds LSE 2017	0.5 billion USD	2022	3.88%	–	191,694
Bonds LSE 2013	1 billion USD	2023	4.40%	–	154,442
Other	–	–	–	4,593	4,518
Total				2,977,813	2,791,724

In October – November, 2020, the Company made an early full repayment of bonds due 2022 and 2023 with nominal value of 906,564 thousand US dollars (equivalent to 392,214 million tenge). Bond repayment fee was 49 million US dollars (equivalent to 21,057 million tenge) (Note 13).

In October, 2020, the Company placed bonds for 750 million US dollars (equivalent to 321,698 million tenge) at coupon interest rate of 3.5% per annum and due 2033.

In May 2020, KTG made an early partial repayment of bonds placed at ISE for the total amount of 41 million US dollars (equivalent to 17,816 million tenge) with bonds repayment gain of 927 million tenge (Note 13).

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

As at December 31, 2020 and as at December 31, 2019, the borrowings comprised

In millions of tenge	Issuance amount	Redemption date	Interest	31 December 2020	31 December 2019
Loans					
The Export-Import Bank of China (EXIM)	1.13 billion USD	2026	6M Libor + 4.10%	287,387	350,042
Development bank of Kazakhstan JSC (DBK) (Note 29)	230 billion KZT	2022-2030	7.00%-13.67%	166,377	138,313
The Syndicate of banks (Unicredit Tiriac Bank, ING Bank, BCR, Raiffeisen Bank)	435 million USD ²	2021-2023	1M Libor + 2,75%, 1M Libor + 2,50%, 1M Robor + 2,00%, 1M Robor + 1,50%, ON Libor + 2,50%, 1W Libor + 2,50%	118,228	99,554
DBK (Note 29)		2023-2025	6M Libor + 4,00%, 5,00%, 10,99%	107,318	131,022
VTB Bank Kazakhstan and VTB Bank (PJSC)	1.1 billion USD	2023	Key Rate of Central Bank of Russia Federation + 2.15%	85,223	-
Japan Bank for International Cooperation	15 billion RUB	2025	2,19% + CIRR	60,098	65,254
Halyk bank JSC (Halyk bank)	297.5 million USD	2023	5,00%	42,145	38,323
Halyk bank	100 million USD	2024	11,00%	41,207	-
Bank of Tokyo-Mitsubishi UFJ, Ltd (London Branch)	41 billion KZT	2021	COF (0,18%) + 1,50%	38,215	-
ING Bank NV	150 million USD	2021	COF (0,28%) + 2,00%	35,029	-
European Bank for Reconstruction and Development (EBRD)	250 million USD	2026	3M CPI + 50 basis points + 2.15%	33,786	42,940
EBRD	68 billion KZT	2026	6M CPI + 100 basis points + 2.15%	24,278	24,573
Credit Agricole	39 billion KZT	2021	COF (0,29%) + 2,00%	14,862	874

¹ revolving credit facility

² 275 million USD with revolving credit facility

In millions of tenge	Issuance amount	Redemption date	Interest	31 December 2020	31 December 2019
The Syndicate of banks (Citibank, N.A. London Branch, Mizuho Bank Ltd., MUFG Bank Ltd., Société Générale, ING Bank and ING Bank N.V.)	200 million USD	2021	3M Libor + 1,35%	–	76,442
Halyk bank	150 million USD	2024	5,25%	–	52,771
Other	–	–	–	46,482	25,672
Total				1,100,635	1,045,780

In 2020, Atyrau refinery made partial repayment of the loan from Eximbank for 289 million US dollars (equivalent to 112,494 million tenge), including accrued interest.

In 2020, Atyrau refinery and KTG received an additional long-term loan under the loan agreement with DBK for the total amount of 49,609 million tenge and made a partial redemption of existing loans for 27,832 million tenge, including accrued interest.

In 2020, Atyrau refinery and Pavlodar refinery, made a partial repayment of the loan from DBK for 98 million US dollars (equivalent to 39,005 million tenge), including accrued interest.

In November, 2020, KTG received a long-term loan from VTB Bank Kazakhstan and VTB Bank (PJSC) for the total amount of 15,152 million Russian rubles (equivalent to 84,621 million tenge) at the rate of Key Rate of Central Bank of Russia + 2.15% per annum and maturity of 3 years. KTG used proceeds from these loans to make a full early repayment of its syndicated loan of 205 million US dollars (equivalent to 86,971 million tenge), including accrued interest. This syndicated loan was raised to partially fund a strategic project – construction of three compressor stations at MG “Beineu-Bozoi-Shymkent”.

In December, 2020, Atyrau refinery received a long-term loan from Halyk bank for the total amount of 41,089 million tenge with 11% interest rate and maturity of 4 years, and used it to fully refinance its long-term loan from Halyk bank for 144 million US dollars (equivalent to 59,007 million tenge), including accrued interest.

In 2020, KMGI received and repaid short-term loans to finance working capital from Bank of Tokyo-Mitsubishi UFJ, Ltd (London Branch) at the rate of COF (0.18%) + 1.50% for 91 million US dollars (equivalent to 37,539 million tenge).

In 2020, KMGI received and repaid short-term loans to finance working capital from ING Bank NV at the rate of COF (0.28%) + 2.00% for 83 million US dollars (equivalent to 34,409 million tenge).

In 2020, KTG made a partial repayment of the loan from EBRD for the total amount of 12,696 million tenge, including accrued interest.

In 2020, KMGI received and repaid short-term loans to finance working capital from Credit Agricole at the rate of COF (0.29%) + 2.00% for 33 million US dollars (equivalent to 13,655 million tenge).

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

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

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

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

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

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

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

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES:

In millions of tenge	2020			
	Short-term loans	Long-term loans	Bonds	Total
On January 1	70,843	974,937	2,791,724	3,837,504
Received in cash	169,088	186,641	321,250	676,979
Repayment of principal in cash	(64,921)	(299,501)		(807,355)
Derecognition of loan (Note13)	-	-	(442,933)	-
Interest accrued	7,265	64,931	163,890	236,086
Interest paid	(7,278)	(64,953)	(164,192)	(236,423)
Interest capitalized (Note 14)	-	2,890	-	2,890
Discount (Note 13)	-	(11,002)	-	(11,002)
Bonds redemption fee (Note 13)	-	-	21,057	21,057
Bonds redemption gain (Note 13)	-	-	(927)	(927)
Foreign currency translation	4,790	9,164	205,725	219,679
Foreign exchange loss/(gain)	4,583	54,367	82,365	141,315
Other	-	(1,209)	(146)	(1,355)
On December 31	184,370	916,265	2,977,813	4,078,448
Current portion	184,370	133,094	44,092	361,556
Non-current portion	-	783,171	2,933,721	3,716,892

COVENANTS

The Group is required to ensure execution of the financial and non-financial covenants under the terms of loan agreements. As of December 31, 2020 and 2019, the Group complied with all financial and non-financial covenants

HEDGE OF NET INVESTMENT IN THE FOREIGN OPERATIONS

As at December 31, 2020 certain borrowings denominated in foreign currency were designated as hedge instrument for the net investment in the foreign operations. These borrowings are being used to hedge the Group's exposure to the US dollar foreign exchange risk on these investments. In 2020, loss of 205,725 million tenge (2019: gain of 10,332 million tenge) on the translation of these borrowings were transferred to other comprehensive income and offset against translation gains and losses of the net investments in foreign operations.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the US Dollars borrowings. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the fixed rate borrowings. As at December 31, 2020 and 2019, there was no ineffective portion of the hedge.

2019				
	Short-term loans	Long-term loans	Bonds	Total
	81,813	1,258,009	2,813,416	4,153,238
	103,608	111,941	56,223	271,772
	(112,416)	(274,435)	(57,805)	(444,656)
	–	(111,476)	–	(111,476)
	4,765	73,495	152,708	230,968
	(4,906)	(71,043)	(162,405)	(238,354)
	–	2,525	–	2,525
	–	(7,781)	–	(7,781)
	–	–	–	–
	–	–	–	–
	(199)	(422)	(10,332)	(10,953)
	(1,932)	(5,237)	(197)	(7,366)
	110	(639)	116	(413)
	70,843	974,937	2,791,724	3,837,504
	70,843	141,447	41,138	253,428
	–	833,490	2,750,586	3,584,076

25. PROVISIONS

In millions of tenge	Asset retirement obligations	Provision for environmental obligations	Provision for taxes	Provision for gas transportation	Employee benefit obligations	Other	Total
As at December 31, 2018	116,236	62,978	20,334	28,083	47,479	53,158	328,268
Foreign currency translation	(83)	(167)	(13)	(118)	–	69	(312)
Change in estimate	25,990	(7)	–	–	–	50	26,033
Unwinding of discount (Note 13)	10,005	3,670	–	–	3,559	144	17,378
Provision for the year	4,618	2,888	4,393	–	11,568	40,473	63,940
Recovered	(208)	(4,490)	(5,865)	–	–	(18,116)	(28,679)
Use of provision	(2,164)	(4,526)	(1,147)	–	(3,547)	(16,677)	(28,061)
Transfers and reclassifications	–	–	482	–	–	(1,922)	(1,440)
As at December 31, 2019	154,394	60,346	18,184	27,965	59,059	57,179	377,127
Foreign currency translation	2,258	3,706	(1)	2,801	922	5,370	15,056
Change in estimate	13,049	(1,421)	–	–	–	(3)	11,625
Unwinding of discount (Note 13)	11,001	2,242	–	–	3,605	130	16,978
Provision for the year	886	5,454	722	–	13,099	15,857	36,018

In millions of tenge	Asset retirement obligations	Provision for environmental obligations	Provision for taxes	Provision for gas transportation	Employee benefit obligations	Other	Total
Recovered	(1,189)	–	(1,451)	–	–	(5,041)	(7,681)
Use of provision	(664)	(5,326)	(7,019)	–	(6,767)	(62,958)	(82,734)
As at December 31, 2020	179,735	65,001	10,435	30,766	69,918	10,534	366,389

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

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

In millions of tenge	Asset retirement obligations	Provision for environmental obligation	Provision for taxes	Provision for gas transportation	Employee benefit obligations	Other	Total
Current portion	700	8,094	10,435	30,766	5,691	7,549	63,235
Long-term portion	179,035	56,907	–	–	64,227	2,985	303,154
As at December 31, 2020	179,735	65,001	10,435	30,766	69,918	10,534	366,389
Current portion	805	7,728	18,184	27,965	6,425	42,431	103,538
Long-term portion	153,589	52,618	–	–	52,634	14,748	273,589
As at December 31, 2019	154,394	60,346	18,184	27,965	59,059	57,179	377,127

26. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT FINANCIAL AND NON-FINANCIAL LIABILITIES

In millions of tenge	December 31, 2020	December 31, 2019
Other current financial liabilities		
Due to employees	54,741	51,613
Financial guarantees	5,240	5,866
Dividends payable	195	354
Other	26,264	35,306
	86,440	93,139
Other current non-financial liabilities		
Contract liabilities	117,956	184,362
Other	11,065	25,515
Total other financial and non-financial current liabilities	215,461	303,016
Trade accounts payable	536,922	667,861

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

In millions of tenge	December 31, 2020	December 31, 2019
Tenge	249,108	328,538
US dollars	221,097	280,742
Romanian Leu	44,457	42,740
Euro	6,558	3,196
Other currency	15,702	12,645
Total	536,922	667,861

As at December 31, 2020 and 2019, trade accounts payable and other current financial liabilities were not interest bearing.

27. OTHER TAXES PAYABLE

In millions of tenge	December 31, 2020	December 31, 2019
VAT	90,883	19,376
Mineral Extraction Tax	10,147	19,037
Rent tax on crude oil export	10,054	29,586
Individual income tax	5,746	6,135
Social tax	5,691	4,639
Excise tax	2,239	2,163
Withholding tax from non-residents	1,556	1,873
Other	3,947	3,857
	130,263	86,666

28. INCOME TAX EXPENSE

As at December 31, 2020 income taxes prepaid of 70,301 million tenge (2019: 54,517 million tenge) are mainly represented by corporate income tax. As at December 31, 2020 income taxes payable of 8,967 million tenge (2019: 13,011 million tenge) are mainly represented by corporate income tax.

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

In millions of tenge	2020	2019
Current income tax		
Corporate income tax	73,499	146,658
Excess profit tax	(194)	11,291
Withholding tax on dividends and interest income	9,416	12,893
Deferred income tax		
Corporate income tax	546	(1,999)
Excess profit tax	(2,985)	(4,904)
Withholding tax on dividends	26,021	62,241
Income tax expenses	106,303	226,180

A reconciliation of income tax expenses applicable to profit before income tax at the statutory income tax rate (20% in 2020 and 2019) to income tax expenses was as follows for the years ended December 31:

In millions of tenge	2020	2019
Profit before income tax from continuing operations	278,200	1,384,631
Profit before income tax from discontinued operations	–	6
Statutory tax rate	20%	20%
Income tax expense on accounting profit	55,640	276,926
Share in profit of JVs and associates	(76,218)	(103,138)
Other non-deductible expenses and non-taxable income	49,874	36,913
Excess profit tax	(3,179)	6,387
Effect of different corporate income tax rates	30,039	13,047
Change in unrecognized deferred tax assets	50,147	(3,955)
Income tax expense	106,303	226,180

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

In millions of tenge	2020 Corporate income tax	2020 Excess profit tax	2020 Withholding tax	2020 Total	2019 Corporate income tax	2019 Excess profit tax	2019 Withholding tax	2019 Total
Deferred tax assets								
Property, plant and equipment	35,848	–	–	35,848	34,880	–	–	34,880
Tax loss carryforward	591,813	–	–	591,813	556,446	–	–	556,446
Employee benefits related accruals	5,342	–	–	5,342	5,182	82	–	5,264
Impairment of financial assets	13	–	–	13	11	–	–	11
Environmental liability	4,296	–	–	4,296	4,572	256	–	4,828
Other	52,186	–	–	52,186	51,985	3,893	–	55,878
Less: unrecognized deferred tax assets	(582,261)	–	–	(582,261)	(532,114)	–	–	(532,114)
Less: deferred tax assets offset with deferred tax liabilities	(48,647)	–	–	(48,647)	(50,721)	(758)	–	(51,479)
Deferred tax assets	58,590	–	–	58,590	70,241	3,473	–	73,714
Deferred tax liabilities								
Property, plant and equipment	179,394	392	–	179,786	191,989	7,608	–	199,597
Undistributed earnings of JV	–	–	419,083	419,083	–	–	356,581	356,581
Other	5,672	–	–	5,672	4,763	–	–	4,763

In millions of tenge	2020 Corporate income tax	2020 Excess profit tax	2020 Withholding tax	2020 Total	2019 Corporate income tax	2019 Excess profit tax	2019 Withholding tax	2019 Total
Less: deferred tax assets offset with deferred tax liabilities	(48,647)	–	–	(48,647)	(50,721)	(758)	–	(51,479)
Deferred tax liabilities	136,419	392	419,083	555,894	146,031	6,850	356,581	509,462
Net deferred tax liability	77,829	392	419,083	497,304	75,790	3,377	356,581	435,748

Deferred corporate income tax and excess profit tax are determined with reference to individual subsoil use contracts. Deferred corporate income tax is also determined for activities outside of the scope of subsoil use contracts. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax asset arising mainly from tax losses carry forward amounted to 582,261 million tenge as at December 31, 2020 (2019: 532,114 million tenge).

Tax losses carry forward as at December 31, 2020 and 2019 in the RK expire for tax purposes after ten years from the date they are incurred.

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

In millions of tenge	2020 Corporate income tax	2020 Excess profit tax	2020 Withholding tax	2020 Total	2019 Corporate income tax	2019 Excess profit tax	2019 Withholding tax	2019 Total
Net deferred tax liability as at January 1	75,790	3,377	356,581	435,748	77,856	8,281	295,580	381,717
Foreign currency translation	1,601	–	36,481	38,082	1,112	–	(1,240)	(128)
Tax expense/(income) during the year recognized in profit and loss	546	(2,985)	26,021	23,582	(1,999)	(4,904)	62,241	55,338
Tax income during the year recognized in OCI	(108)	–	–	(108)	(1,179)	–	–	(1,179)
Net deferred tax liability as at December 31	77,829	392	419,083	497,304	75,790	3,377	356,581	435,748

29. RELATED PARTY DISCLOSURES

TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES

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

TRANSACTIONS BALANCES

The following table provides the balances of transactions with related parties as at December 31, 2020 and 2019:

In millions of tenge	December 31,	Due from related parties	Due to related parties	Cash and deposits placed with related parties	Borrowings payable to related parties
Samruk-Kazyna entities	2020	402,272	5,921	–	45,192
	2019	327,597	6,168	–	52,843
Associates	2020	4,345	3,541	–	–
	2019	56,331	3,814	–	–
Other state-controlled parties	2020	4,116	113	126,443	273,695
	2019	6,381	712	192,548	269,335
JVs	2020	357,832	246,555	–	–
	2019	519,351	217,027	–	–

DUE FROM RELATED PARTIES

Samruk-Kazyna entities

As at December 31, 2020 due from Samruk-Kazyna entities is mainly represented by the bonds receivable from the Samruk-Kazyna of 17,265 million tenge, net of ECL (December 31, 2019: 16,241 million tenge) (Note 21) and the financial aid provided to Samruk-Kazyna for 379,159 million tenge, net of ECL (December 31, 2019: 307,568 million tenge) (Note 23).

JVs

As at December 31, 2020 due from JVs were mainly represented by the loans given to BSP of 172,151 million tenge (December 31, 2019: 202,669 million tenge), PKOP of 96,958 million tenge (December 31, 2019: 110,172 million tenge), UGL of 41,066 million tenge (December 31, 2019: 48,752 million tenge) and advances paid to TCO for 16,094 million tenge (December 31, 2019: 92,435 million tenge) under crude oil and LPG purchase contract.

As at December 31, 2020 due to JVs were mainly represented by accounts payable to BSP of 47,821 million tenge (December 31, 2019: 95,908 million tenge) and AGP for gas transportation of 36,625 million tenge (December 31, 2019: 39,323 million tenge), for gas purchases to KRG for 54,985 million tenge (December 31, 2019: 30,477 million tenge), and for crude oil to TCO for 67,578 million tenge (December 31, 2019: nil).

CASH AND DEPOSITS PLACED WITH RELATED PARTIES

Other state-controlled parties

As at December 31, 2020 the cash and deposits placed with related parties are mainly attributable to the deposit placed by the Company for 300 million US dollars (equivalent to 126,273 million tenge) at a market rate (December 31, 2019: 500 million US dollars, equivalent to 192,547 million tenge).

On February 1, 2021, the Company withdraw its deposit for 100 million US dollars (equivalent to 42,422 million tenge). The maturity of the deposit was extended to July 30, 2021.

BORROWINGS PAYABLE TO RELATED PARTIES

Other state-controlled parties

As at December 31, 2020 the borrowings payable to related parties are represented by loans received from DBK by Atyrau refinery, Pavlodar refinery and KTG of 273,695 million tenge (December 31, 2019: 269,335 million tenge) (Note 24).

PROCEEDS FROM LOANS GIVEN TO RELATED PARTIES

In 2020 the Group received proceeds from principal and interest redemption of the loan issued to PKOP for 24,588 million tenge and 5,492 million tenge, respectively (2019: 21,995 million tenge and 7,954 million tenge, respectively), BSP for 48,133 million tenge and 9,336 million tenge, respectively (2019: 25,661 million tenge and 6,327 million tenge, respectively) and proceeds from interest on the CPC for 9,596 million tenge (2019: 12,656 million tenge) and "Kazakhstan Note" for 37,847 million tenge (2019: 47,663 million tenge) (Note 23).

TRANSACTIONS TURNOVER

The following table provides the total amount of transactions, which have been entered into with related parties during 2020 and 2019:

In millions of tenge		Sales to related parties	Purchases from related parties	Interest earned from related parties	Interest incurred to related parties
Samruk-Kazyna entities	2020	13,793	24,316	30,055	2,293
	2019	42,250	20,030	24,054	2,841
Associates	2020	21,000	24,710	2,740	–
	2019	19,565	40,930	8,892	–
Other state-controlled parties	2020	42,880	18,765	12,035	26,567
	2019	7,149	3,540	1,300	20,728
JVs	2020	322,894	1,128,533	31,397	4,763
	2019	307,075	1,511,600	43,324	11,183

SALES TO RELATED PARTIES/ PURCHASES FROM RELATED PARTIES

JVs

In 2020, sales to JVs were mainly represented by transportation and cargo servicing provided to TCO for 34,399 million tenge (2019: 64,246 million tenge), sale of compressor station to BSP for 43,667 million tenge (2019: 32,696 million tenge) (Note 14), transportation charges and oil servicing provided to MangystauMunaiGas, subsidiary of MIBV, for 53,951 million tenge and for 72,251 million tenge, respectively (2019: 59,235 million tenge and 79,281 million tenge, respectively).

In 2020, purchases from JVs were mainly attributable to purchases of crude oil from TCO to perform the oil delivery customer contract for 687,896 million tenge (2019: 1,131,890 million tenge), and transportation services provided by BSP for 201,524 million tenge (2019: 172,894 million tenge) and AGP for 106,160 million tenge (2019: 97,904 million tenge).

KEY MANAGEMENT EMPLOYEE COMPENSATION

Total compensation to key management personnel (members of the Boards of directors and the Management boards) included in general and administrative expenses in the accompanying consolidated statement of comprehensive income was equal to 8,159 million tenge and 11,399 million tenge for the years ended December 31, 2020 and 2019, respectively. Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

30. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

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

MARKET RISK

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency, and securities, all of which are exposed to general and specific market movements. The Group manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing appropriate margin and collateral requirements. The sensitivity analyses in the following sections relate to the position as of December 31, 2020 and 2019.

Foreign currency risk

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

In millions of tenge	Increase/ (decrease) in tenge to US dollar exchange rate	Effect on profit before tax
2020	+14%	(335,219)
	(11%)	263,387
2019	+12%	(291,448)
	(9%)	218,586

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term borrowings with floating interest rates. The Group's policy is to manage its interest rate cost using a mix of fixed and variable rate borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before income tax (through the impact on floating rate borrowings). There is no significant impact on the Group's equity.

In millions of tenge	Increase/ decrease in basis points	Effect on profit before tax
2020	+1.00	(6,835)
LIBOR	-0.25	1,709
2019		
LIBOR	+0.35	(2,419)
	(0.35)	2,419

Credit risk

The Group trades only with recognized, creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 13. There are no significant concentrations of credit risk within the Group.

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

The table below shows the risk profile of the Group's cash and cash equivalents, short-term and long-term deposits held in banks as at 31 December 2020 and 2019 using the Fitch credit ratings, or in their absence, using their equivalent rates in S&P and Moody's:

%	As at 31 December	
	2020	2019
AA- to A+	12%	27%
A to A-	30%	8%
BBB+ to BBB-	16%	22%
BB+ to BB-	41%	39%
B+ to B-	1%	4%

Liquidity risk

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

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

The table below summarises the maturity profile of the Group's financial liabilities as at December 31, 2020 and 2019 based on contractual undiscounted payments.

In millions of tenge	On demand	Due later than one month but not later than three months	Due later than three month but not later than one year	Due later than one year but not later than five years	Due after 5 years*	Total
As at December 31, 2020						
Borrowings*	64,664	15,128	449,943	1,699,247	4,607,751	6,836,733
Trade accounts payable	208,648	318,195	10,079	–	–	536,922
Financial guarantees**	–	16,339	48,734	172,619	313	238,005
Lease liabilities	395	515	16,061	26,236	20,448	63,655
Other financial liabilities	33,377	23,337	24,486	11,096	54,586	146,882
	307,084	373,514	549,303	1,909,198	4,683,098	7,822,197
As at December 31, 2019						

Borrowings*	68,135	15,905	325,822	1,750,799	4,358,675	6,519,336
Trade accounts payable	255,550	368,492	43,819	–	–	667,861
Financial guarantees**	–	15,953	43,699	207,850	626	268,128
Lease liabilities	4,922	204	5,795	26,026	10,419	47,366
Other financial liabilities	13,249	8,391	8,570	8,207	1,901	40,318
	341,856	408,945	427,705	1,992,882	4,371,621	7,543,009

Capital management

The primary objective of the Group's capital management is to maximise the shareholder value. The Group manages its capital to ensure that Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Company seeks to maintain a prudent capital structure to support its capital investment plans and maintain investment grade credit rating through the cycle.

Maintaining sufficient financial flexibility is considered strategically important to mitigate industry cyclicity while also enabling the pursuit of organic and inorganic investment opportunities. The Company has a comprehensive and disciplined internal approval process for capital expenditures, new projects and debt incurrence.

For the purpose of the Group's capital management, the capital structure of the Group consists of borrowings disclosed in Note 24 less cash (Note 22) and short-term deposits (Note 17) and equity, comprising share capital, additional paid-in capital, other reserves and retained earnings as disclosed in Note 23.

The Group's management regularly reviews the capital structure. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Also to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to borrowings that define capital structure requirements. There have been no breaches of the financial covenants of any borrowing in the years ended December 31, 2020 and 2019 (Note 24).

In millions of tenge	December 31, 2020	December 31, 2019
Borrowings	4,078,448	3,837,504
less: cash and short-term bank deposits	1,428,336	1,423,956
Net debt	2,650,112	2,413,548
Equity	8,636,679	8,196,656
Capital and net debt	11,286,791	10,610,204

No changes were made in the overall strategy, objectives, policies or processes for managing capital during the years ended December 31, 2020 and 2019.

FAIR VALUES OF FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY

The carrying amount of the Group financial instruments and investment property as at December 31, 2020 and 2019 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

- *The Group excludes from the maturity profile table the borrowings payable to project partners under the carry-in financing agreements, due to the uncertainty of maturity of these loans. As of December 31, 2020, the borrowings due to partners were 7,175 million tenge (December 31, 2019: 2,683 million tenge).
- ** The Group includes financial guarantees to the maturity profile table, however, the cash outflow in relation to financial guarantees is subject to certain conditions. Financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because of specified debtor fails to make payment when due in accordance with the original or modified terms of debt instrument. In 2020 and 2019 there was no significant instances of financial guarantees execution.

In millions of tenge	December 31, 2020				
	Carrying amount	Fair value	Fair value by level of assessment		
			Level 1	Level 2	Level 3
Bonds receivable from Samruk-Kazyna	17,265	16,916	–	16,916	–
Loans given to related parties at amortised cost, lease receivables from JV	557,116	538,063	–	372,823	165,240
Fixed interest rate borrowings	3,394,958	4,103,404	3,640,931	462,473	–
Floating interest rate borrowings	683,490	699,509	–	699,509	–
Financial guarantee issued	14,910	15,464	–	–	15,464

In millions of tenge	December 31, 2019				
	Carrying amount	Fair value	Fair value by level of assessment		
			Level 1	Level 2	Level 3
Bonds receivable from Samruk-Kazyna	16,241	18,835	–	18,835	–
Loans given to related parties at amortised cost, lease receivables from JV	510,002	506,868	–	304,422	202,446
Fixed interest rate borrowings	3,146,477	3,576,082	3,172,400	403,682	–
Floating interest rate borrowings	691,027	714,271	–	714,271	–
Financial guarantee issued	20,189	20,189	–	–	20,189

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

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

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

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

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

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy are shown below:

	Valuation technique	Significant unobservable inputs	Range as of December 31,	
			2020	2019
Loans given to related parties at amortised cost, lease receivables from JV	discounted cash flow method	Interest/discount rate	7.54%-9.9%	4.5%-9.1%
Financial guarantee issued			4.9%	4.1%

31. CONTINGENT LIABILITIES AND COMMITMENTS

OPERATING ENVIRONMENT

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

COMMODITY PRICE RISK

The Group generates most of its revenue from the sale of commodities, primarily crude oil and oil products. Historically, the prices of these products have been volatile and have fluctuated widely in response to changes in supply and demand, market uncertainty, the performance of the global or regional economies and cyclicalities in industries. Prices may also be affected by the Government actions, including the imposition of tariffs and import duties, speculative trades, an increase in capacity or oversupply of the Group's products in its main markets. These external factors and the volatility of the commodity markets make it difficult to estimate future prices. A substantial or extended decline in commodity prices would materially and adversely affect the Group's business and the consolidated financial results and cash flows of operations. The Group mainly does not hedge its exposure to the risk of fluctuations in the price of its products.

TAXATION

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Due to uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at December 31, 2020. As at December 31, 2020, Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

Transfer pricing control

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market price determined in accordance with the arm's length principle. The law on transfer pricing came into force in Kazakhstan from January 1, 2009. The law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance for application of transfer pricing control to various types, as a result, there is a risk that the tax authorities may take a position that differs from the Group's position, which could result in additional taxes, fines and interest. As at December 31, 2020 management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained.

Environmental audit at EMG

Since 2018, EMG has been subject to three ecological audits for the periods from November 2017 to December 2018, and received a notification for damages caused by ecological violations.

As at January 1, 2019 the provision on this case was at 26,070 million tenge. In 2019, EMG filed for tax return of 10,420 million tenge and increased provisions for this amount. In the meantime, to avoid late payment penalties, EMG paid-off 6,472 million tenge. Also, in 2019, the court ruled to decrease the amount of fines, and accordingly EMG reversed 25,433 million tenge, net. As a result, the provision amounted to 4,585 million tenge as at December 31, 2019.

During 2020, EMG reversed 658 million tenge, net, and settled 3,364 million tenge, thus, as of December 31, 2020, the provision was 563 million tenge.

Comprehensive tax audit at Atyrau refinery for 2015- 2017

On December 15, 2020, based on 2015-2017 comprehensive tax audit, Atyrau refinery received additional tax assessment for VAT for 9,257 million tenge, including penalties, and reduction in tax carry-forward losses for 29,026 million tenge. Atyrau refinery has not agreed with tax audit results, and, on January 28, 2021, sent an appeal to the RK Ministry of finance. The Group believes that the risk of additional tax assessment is remote, as such, the Group did not recognize any provisions as of December 31, 2020.

Legal issues and claims

Sign-off of settlement agreement between KMG Drilling and the Consortium (the KMG Drilling - Consortium case)

As of December 31, 2019, KMG Drilling provisioned of 90 million US dollars (equivalent to 34,132 million tenge) (Note 11) in the annual consolidated financial statements of the Group for the year ended December 31, 2019, in relation to the arbitrage dispute with the Consortium of companies (Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP) over the jack-up rig construction contract dated July 5, 2012.

On July 15, 2020, KMG Drilling and the Consortium signed-off a final settlement agreement on the dispute with a slight increase in settlement amount by 0.4 million US dollars.

On November 17, 2020, the full settlement amount of 90.4 million US dollars (equivalent to 38,821 million tenge at transaction date) was paid-off by KMG Drilling, accordingly, as of December 31, 2020, the case is closed.

Resolution of civil litigation at KMGI

On December 5, 2019, the Prosecutor's Office of Romania (further the POR) issued an ordinance according to which charges related to the disputes between the Romanian Government and KMGI were dismissed due to expiration of the statute of limitations.

Three following plaintiffs filed a complaint against the above POR's decision:

4. The Romanian Privatization Agency on the improper fulfillment by KMGI of the post-privatization requirements for obligations of Petromidia Refinery and Vega Refinery in 2013-2014 for 30 million US dollars;
5. Faber Invest & Trade Inc. (further Faber), the non-controlling shareholder of KMGI subsidiaries, who challenged decisions of KMGI as a shareholder of Rompetrol Rafinare S.A. for 55 million US dollars;
6. Mr. Stephenson George Philip, the former director of KMGI.

On December 27, 2019, KMGI appealed against the ordinance and required the case to be dismissed on merits, not expiration of statute of limitations.

On July 10, 2020, the Supreme Court issued a final decision according to which all the complaints against the POR's decision was rejected.

However, Faber has resumed one of the previous filings, which challenged the increase in the Rompetrol Rafinare Constanta, the KMGI subsidiary, share capital of 2003-2005. The hearing was held on November 10, 2020, however, no final decision was made. The next hearings are scheduled to be on March 16, 2021.

The Group believes that its position with regard to the new Faber filing will be sustained similar to the matters resolved in 2020 in favour of the Group, and as such, the Group did not recognize any provisions as of December 31, 2020.

Resolution of the possible breach of anti-monopoly regulations at Atyrau refinery

The Department of the Committee for protection and development of competition of the Ministry of national economy of the RK for the Atyrau region (hereinafter the Department) has conducted an antimonopoly investigation against Atyrau refinery.

On July 9, 2020 the Department finalized investigation results, and concluded that the third-party services were enforced into previous period tolling contracts (January 2016 - August 2018), which breaches RK anti-monopoly legislation.

On August 5, 2020 the Department issued an order to remedy alleged breach, and took this case to the Administrative court. The Department's order was appealed by Atyrau refinery in the Civil court. Additionally, Atyrau refinery made a petition to the Administrative court to suspend proceedings until the Civil court decision was made. This petition was accepted by the Administrative court.

On September 10, 2020, the Civil court ordered that the investigation results were unlawful and terminated the proceedings. This order was appealed against by the Department at the Appeal court, but on November 24, 2020 the case resolved in favour of Atyrau refinery. In the meantime, on October 19, 2020, the Administrative court terminated administrative proceedings due to the absence of administrative offence, as such, as at December 31, 2020 the case is closed in favour of the Group.

DISPUTES REGARDING THE CALCULATION OF THE PROPORTION OF PROFIT OIL SHARING WITH THE RK (KARACHAGANAK)

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

In addition, from August 20, 2014, the Ministry of Energy of the RK (MinEnergy) used to notify quarterly the Contracting Companies, participants of FPSA, (the Contracting Companies) of disagreement regarding the presented calculation of the proportion of the Profit oil sharing.

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

On July 17, 2020, the RK and the Contracting Companies signed-off settlement agreement regarding the calculation of the proportion of Profit oil sharing. According to this agreement, Karachaganak is exempt from obligation to pay the financial contribution and reimburse arbitration costs.

On December 11, 2020, the RK and the Contracting Companies signed-off the dispute closure agreement, as such as of December 31, 2020, the case is closed, and the Group has no due commitments.

COST RECOVERY AUDITS

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

In accordance with the production sharing agreements, not all costs incurred by the contractors could be reimbursed. Certain expenditures need to be approved by the authorized bodies. The authorized bodies conduct the cost recovery audits.

In accordance with the costs recovery audits completed prior to December 31, 2020, certain amounts of the costs incurred by contractors were assessed as non-recoverable. The parties to the production sharing agreements are in negotiations with respect to the recoverability of those costs.

As of December 31, 2020 the Group's share in the total disputed amounts of costs is 1,078 million US dollars (equivalent to 453,641 million tenge as at reporting date) (2019: 1,052 million US dollars, equivalent to 402,474 million tenge as at reporting date), including its share in the joint venture. The Group and its partners under the production sharing agreements are in negotiation with the Government with respect to the recoverability of these costs.

KAZAKHSTAN LOCAL MARKET OBLIGATION

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

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

In 2020, in accordance with its obligations, the Group delivered 6,401 thousand tons of crude oil (2019: 6,224 thousand tons), including its share in the JVs and associates, to the Kazakhstan market.

COMMITMENTS UNDER SUBSOIL USE CONTRACTS

As at December 31, 2020, the Group had the following commitments related to minimal working program in accordance with terms of licenses, production sharing agreements and subsoil use contracts, signed with the Government, including its share in JVs and associate:

In millions of tenge	Capital expenditures	Operational expenditures
Year		
2021	254,859	37,884
2022	94,841	3,625
2023	6,774	3,671
2024	5,003	2,994
2025-2048	5,448	32,221
Total	366,925	80,395

OIL SUPPLY COMMITMENTS

As of December 31, 2020, the Group had commitments under the oil supply agreements in the total amount of 8.2 million ton (December 31, 2019: 12.8 million ton), including its share in JV commitments.

OTHER CONTRACTUAL COMMITMENTS

As at December 31, 2020, the Group, including its share in JVs commitments, had other capital commitments of approximately 196,531 million tenge (as at December 31, 2019: 335,609 million tenge), related to acquisition and construction of long-lived assets.

As at December 31, 2020, the Group had commitments in the total amount of 232,136 million tenge (as at December 31, 2019: 78,677 million tenge) under the investment programs approved by the joint order of Ministry of Energy of RK and Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of RK (hereinafter – the CRNM) to facilitate production units.

Unfulfilled contractual commitments of KTO and KCP under investment programs

KTO and KCP have not fulfilled their investment programs related to previous years (2015-2019) for 26,552 million tenge and 14,477 million tenge (the Group share), respectively. These amounts were not included to the commitments of the Group as of December 31, 2020, due to the following:

- ♦ with regard to KTO, unfulfilled amount in accordance with legislation on natural monopolies of RK was accounted for within tariffs for oil pumping to the domestic market for 2021-2025 by CRNM;
- ♦ with regard to KCP, the CRNM applied temporary compensating tariffs for oil pumping from October 2020 till September 2022, this was challenged by KCP at court. On December 23, 2020, KCP won the case. However, on January 26, 2021, CRNM appealed against the court decision and the application of tariffs is postponed until the court decision is released.

NON-FINANCIAL GUARANTEES

As of December 31, 2020 and 2019, the Group has outstanding performance guarantees issued in favour of third parties whereas it provides guarantee should its subsidiary, JV or associate fail to perform their obligations under the natural gas purchase-sale, transportation and other agreements.

As of December 31, 2020, the management of the Group believes that there were no expected cases of non-performance from the guaranteed parties and, accordingly, no obligations related to the above stated non-financial contingencies were recognized.

32. SEGMENT REPORTING

The Group's operating segments have their own structure and management according to the type of the produced goods and services provided. Moreover, all segments are strategic directions of the business which offer different types of the goods and services in different markets. The functions have been defined as the operating segments of the Group because they are segments a) that engages in business activities from which revenues are generated and expenses incurred; b) whose operating results are regularly reviewed by the Group's chief operating decision makers to make decisions.

The Group's activity consists of four main operating segments: exploration and production of oil and gas, oil transportation, gas trading and transportation, refining and trading of crude oil and refined products. The Group presents the Company's activities separately in Corporate segment, since the Company performs not only the functions of the parent company, but also carries out operational activities. The remaining operating segments have been aggregated and presented as other operating segment due to their insignificance.

Disaggregation of revenue by types of goods and services is presented in Note 5 to the financial statements.

Disaggregated revenue type Sales of crude oil and gas mainly represents sales made by the following operating segments: Gas trading and transportation of 790,642 million tenge (2019: 874,505 million tenge) and Refining and trading of crude oil and refined products of 1,676,749 million tenge (2019: 3,092,437 million tenge).

Disaggregated revenue type Sales of refined products mainly includes revenue of operating segments such as Refining and trading of crude oil and refined products of 989,881 million tenge (2019: 1,665,356 million tenge), Sales of crude oil and gas of 3,910 million tenge (2019: 4,166 million tenge) and Corporate of 333,100 million tenge (2019: 352,056 million tenge).

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

EBITDA is a supplemental non-IFRS financial measure used by management to evaluate segments performance, and is defined as earnings before DD&A, impairment of property, plant and equipment, intangible assets, exploration and evaluation assets, exploration expense, impairments of JVs and associates, finance income and expense, income tax expense.

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

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

GEOGRAPHIC INFORMATION

The Group's property, plant and equipment (Note 14) are located in the following countries:

In millions of tenge	2020	2019
Kazakhstan	3,730,070	3,751,128
Other countries	639,675	733,143
	4,369,745	4,484,271

The following represents information about assets and liabilities and profit and loss of operating segments of the Group for 2020:

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Revenues from sales to external customers	8,981	216,843	931,073	2,955,444	334,092	109,604	–	4,556,037
Revenues from sales to other segments	868,731	91,497	14,447	327,229	36,945	83,314	(1,422,163)	–
Total revenue	877,712	308,340	945,520	3,282,673	371,037	192,918	(1,422,163)	4,556,037
Cost of purchased oil, gas, petroleum products and other materials	(29,528)	(13,301)	(378,862)	(2,739,382)	(185,884)	(32,844)	1,102,735	(2,277,066)
Production expenses	(297,934)	(124,041)	(84,644)	(202,820)	(126,431)	(139,308)	234,392	(740,786)
Taxes other than income tax	(194,328)	(12,891)	(15,237)	(15,188)	(24,994)	(7,107)	186	(269,559)
Transportation and selling expenses	(118,054)	(8,019)	(321,042)	(62,381)	(7,752)	–	59,062	(458,186)
General and administrative expenses	(30,219)	(16,775)	(24,507)	(46,690)	(51,053)	(25,096)	24,132	(170,208)
Share in profit of joint ventures and associates, net	182,572	93,525	231,337	(1,373)	–	5,134	–	511,195
EBITDA	390,221	226,838	352,565	214,839	(25,077)	(6,303)	(1,656)	1,151,427
EBITDA, %	34%	20%	30%	19%	(2%)	(1%)	0%	
Depreciation, depletion and amortization	(118,157)	(39,253)	(42,856)	(146,764)	(3,200)	(10,053)	–	(360,283)
Finance income	106,079	3,943	21,766	18,285	99,245	11,760	(151,325)	109,753

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Finance costs	(16,934)	(5,180)	(36,911)	(87,043)	(269,715)	(11,694)	129,926	(297,551)
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	(61,908)	(10,534)	199	(164,736)	(2,279)	(4,436)	–	(243,694)
Exploration expense	(19,807)	–	–	–	–	–	–	(19,807)
Impairment of investments in joint ventures and associates	(30,654)	–	–	–	–	–	–	(30,654)
Income tax expenses	(60,988)	(18,462)	(21,027)	4,028	(8,306)	(1,548)	–	(106,303)
Net profit for the year	171,149	161,288	268,040	(227,818)	(189,273)	(19,546)	8,057	171,897
Other segment information								
Investments in joint ventures and associates	5,371,371	515,025	525,626	34,122	–	24,877	–	6,471,021
Capital expenditures	167,609	48,900	125,608	84,649	11,811	15,586	–	454,163
Allowances for obsolete inventories, ECL on trade receivables, loans and receivables from related parties, other current financial assets and impairment of other current non-financial assets	(4,495)	(6,457)	(7,240)	(46,112)	(25,141)	(9,254)	–	(98,699)
Assets of the segment	7,861,383	1,189,807	2,405,880	2,654,458	1,302,283	263,518	(1,024,042)	14,653,287
Liabilities of the segment	814,551	198,810	921,668	1,704,835	3,269,893	105,549	(998,698)	6,016,608

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

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Revenues from sales to external customers	7,592	236,485	1,102,110	5,035,188	352,056	125,425	–	6,858,856
Revenues from sales to other segments	1,302,744	100,253	965	540,947	78,121	87,505	(2,110,535)	–
Total revenue	1,310,336	336,738	1,103,075	5,576,135	430,177	212,930	(2,110,535)	6,858,856
Cost of purchased oil, gas, petroleum products and other materials	(33,719)	(13,666)	(490,142)	(4,972,915)	(212,655)	(33,252)	1,842,605	(3,913,744)
Production expenses	(295,687)	(149,033)	(71,978)	(203,864)	(110,379)	(145,595)	254,843	(721,693)
Taxes other than income tax	(379,725)	(13,287)	(17,388)	(13,584)	(22,417)	(7,894)	–	(454,295)
Transportation and selling expenses	(123,725)	(1,145)	(272,174)	(69,264)	(7,137)	(3)	53,046	(420,402)
General and administrative expenses	(15,439)	(15,877)	(35,900)	(45,247)	(35,244)	(71,175)	4,915	(213,967)
Share in profit of joint ventures and associates, net	500,737	75,474	242,336	(3,248)	–	12,680	–	827,979
EBITDA	962,778	219,204	457,829	268,013	42,345	(32,309)	44,874	1,962,734
EBITDA, %	49%	11%	23%	14%	2%	(2%)	2%	
Depreciation, depletion and amortization	(94,432)	(39,257)	(41,567)	(143,875)	(4,177)	(14,116)	–	(337,424)
Finance income	202,592	7,298	29,589	43,975	130,878	10,729	(184,181)	240,880
Finance costs	(21,460)	(7,095)	(43,443)	(127,391)	(264,841)	(8,333)	155,130	(317,433)
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	(6,550)	(24,783)	816	(93,161)	(11)	(27,062)	–	(150,751)
Exploration expense	(57,068)	–	–	–	–	–	–	(57,068)

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Income tax expenses	(138,762)	(20,825)	(39,917)	(12,241)	(12,923)	(1,512)	–	(226,180)
Net profit for the year	842,496	136,906	362,344	(36,553)	(119,657)	(68,083)	41,004	1,158,457
Other segment information								
Investments in joint ventures and associates	4,788,314	384,173	350,732	40,304	–	26,861	–	5,590,384
Capital expenditures	256,725	44,926	91,744	79,492	14,323	18,098	–	505,308
Allowances for obsolete inventories, ECL on trade receivables, loans and receivables from related parties, other current financial assets and impairment of other current non-financial assets	(3,146)	(5,173)	(9,991)	(46,020)	(22,297)	(9,903)	–	(96,530)
Assets of the segment	7,504,518	1,080,046	2,195,386	2,854,018	1,480,009	454,084	(1,486,146)	14,081,915
Liabilities of the segment	748,226	204,540	956,917	1,771,290	3,453,634	117,899	(1,367,247)	5,885,259

33. SUBSEQUENT EVENTS

Proceeds from new borrowings and settlement of existing borrowings:

The Atyrau refinery:

- ◆ on January 5 and 11, 2021, received long-term loans from Halyk Bank, in order to refinance its existing loan from DBK of 53,627 million tenge.
- ◆ on January 14, 2021, made an early redemption of the loan received from Eximbank for 79 million US dollars (equivalent to 33,133 million tenge), including interest.
- ◆ on January 15, 2021, paid the principal and coupon payments of the bond received from Samruk-Kazyna in total of 7,387 million tenge.
- ◆ on January 21, 2021, made an early redemption of the loan received from DBK for 10,889 million tenge, including interest.
- ◆ on January 21, 2021, made a full early redemption of the loan from DBK for total of 142 million US dollars (equivalent to 59,451 million tenge), including interest.

In February, 2021, KMGI received a short-term loan from Cargill, a financial institute based in the United States, for 50 million US dollars (equivalent to 21,187 million tenge).

Litigation:

On February 19, 2021, a Decision was issued of the arbitration proceedings on the claim of KTG against the partners of the North Caspian project on gas price calculus from the Kashagan field. The decision was issued in favour of KTG. In accordance with the Decision, the court ordered the parties to make their calculations within 30 days on the basis of the principles established by the Decision and calculate the amounts payable to KTG, including legal costs. The final amounts are not yet estimated, thus, as at the reporting date the Group did not recognise the effects of this case in its consolidated financial statements.