

**KEDENTRANSSERVICE JOINT STOCK COMPANY
AND ITS SUBSIDIARY**

**International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor's Report**

31 December 2019

Contents

Statement of management's responsibility for the preparation and approval of the consolidated financial statements for the year ended 31 December 2019	1
Independent Auditor's Report.....	2
Consolidated Financial Statements	
Consolidated Statement of Financial Position	5
Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows.....	8
Notes to the Consolidated Financial Statements	
1 The Group and its Operations.....	9
2 Political and Economic Situation in the Republic of Kazakhstan.....	9
3 Summary of Significant Accounting Policies.....	10
4 Critical Accounting Estimates and Judgments in Applying Accounting Policies.....	20
5 Adoption of New or Revised Standards and Interpretations	23
6 New Accounting Pronouncements.....	24
7 Segment Information.....	25
8 Property, Plant and Equipment.....	28
9 Investment Property.....	30
10 Right-of-Use Assets.....	31
11 Intangible Assets.....	33
12 Other Non-current Assets	34
13 Investments	34
14 Inventories	35
15 Trade Receivables.....	37
16 Advances Given.....	37
17 Taxes Receivable	38
18 Other Receivables	39
19 Short-Term Financial Investments	40
20 Cash and Cash Equivalents.....	40
21 Non-Current Assets Classified as Held for Sale	40
22 Share Capital.....	42
23 Trade Payables.....	43
24 Contract Liabilities.....	43
25 Taxes Payable	43
26 Other Payables and Accrued Liabilities	44
27 Employee Benefit Obligations.....	44
28 Finance Lease Payables.....	46
29 Operating Income	46
30 Operating Expenses	51
31 Finance Costs.....	56
32 Finance Income	
33 Other Operating Income	
34 Income Tax Expense	
35 Contingencies and Commitments.....	
36 Related Party Transactions.....	
37 Financial Instruments, Objectives and Financial Risk Management Policy.....	
38 Accounting Policies before 1 January 2019.....	

**STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR THE PREPARATION AND APPROVAL OF THE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019**

Management of Joint Stock Company Kedentransservice (hereinafter - the "Company") is responsible for the preparation of the consolidated financial statements of the Company and its subsidiary (together referred to as - "the Group") that present fairly in all material respects the consolidated financial position of the Group as at 31 December 2019, and the consolidated financial results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards.

In preparing the consolidated financial statements, management is responsible for:


- properly selecting and applying appropriate accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the requirements of IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- making an assessment of the Group's ability to continue as a going concern.

The Group's management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, across the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the information about the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan;
- taking all reasonably available measures to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

These consolidated financial statements for the twelve months ended 31 December 2019 was approved by management of Kedentransservice JSC on 7 February 2020.

On behalf of Management of the Group:


A.T. Abdirov
President

7 February 2020





E.K. Kurmanbayeva
Chief Accountant

7 February 2020



Independent Auditor's Report

To the Shareholders and Board of Directors of JSC Kedentransservice

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the JSC Kedentransservice (the "Company") and its subsidiary (together the "Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Independent Auditor's Report (continued)

Page 2

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report (continued)

Page 3

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers LLP

17 February 2020
Almaty, Kazakhstan

Approved by:



Dana Inkarbekova
Managing Director of
PricewaterhouseCoopers LLP (General
State License of the Ministry of Finance
of the Republic of Kazakhstan
№00000005 dated 21 October 1999)



Signed by:



Almaz Sadykov
Partner
(Association of Chartered Certified
Accountants Certificate №00838388 dated
31 July 2007)

Signed by:



Irina Taskayeva
(Qualified Auditor's Certificate of the
Republic of Kazakhstan №000000465
dated 14 November 1998)

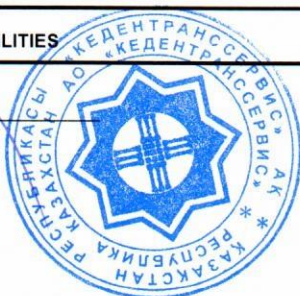


Kedentransservice Joint Stock Company and Its Subsidiary
Consolidated Statement of Financial Position

	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	8	12,530,854	12,988,634
Investment property	9	5,218,305	5,115,167
Right-of-use assets	10	3,628,462	-
Intangible assets	11	173,356	179,747
Other non-current assets	12	7,647	71,132
Investments		2,330	2,330
Total non-current assets		21,560,954	18,357,010
Current assets			
Inventories	14	1,343,617	1,242,895
Trade receivables	15	2,216,836	1,332,548
Receivables from related parties	36	952,677	773,961
Advances given	16	288,193	88,135
Advances given to related parties	36	1,542,124	2,281,868
Prepaid income tax	34	485,040	408,721
Taxes receivable	17	374,467	302,454
Other receivables	18	252,482	115,070
Short-term financial investments	19	11,194	16,408
Cash and cash equivalents	20	9,530,244	7,120,075
Non-current assets held for sale	21	16,996,874 397,044	13,682,135 470,050
Total current assets		17,393,918	14,152,185
TOTAL ASSETS		38,954,872	32,509,195
EQUITY			
Share capital	22	1,255,242	1,255,242
Retained earnings		30,026,545	26,262,959
Revaluation reserve for investment property		135,208	107,557
Actuarial profits		13,595	13,002
TOTAL EQUITY		31,430,590	27,638,760
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	34	581,977	619,055
Finance lease liabilities	28	-	112,593
Lease liabilities	10	2,699,632	-
Non-current liabilities on employee benefits	27	140,438	132,582
Total non-current liabilities		3,422,047	864,230
Current liabilities			
Trade payables	23	1,000,736	888,923
Accounts payable to related parties	36	243,931	360,608
Contract liabilities	24	453,147	1,051,708
Contract liabilities to related parties	36	474,590	250,937
Taxes payable	25	45,590	50,674
Current liabilities on employee benefits	27	17,247	11,944
Other payables and accrued liabilities	26	1,424,876	1,278,818
Current portion of finance lease liabilities	28	-	112,593
Current portion of lease liabilities	10	442,118	-
Total current liabilities		4,102,235	4,006,205
TOTAL LIABILITIES		7,524,282	4,870,435
TOTAL EQUITY AND LIABILITIES		38,954,872	32,509,195

A.T. Abdirov
President

7 February 2020

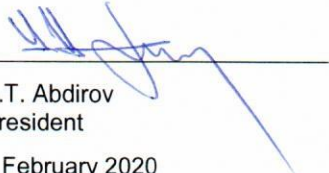


E.K. Kurmanbayeva
Chief Accountant

7 February 2020

Kedentransservice Joint Stock Company and Its Subsidiary
Consolidated Statement of Profit or Loss and Other Comprehensive Income

<i>In thousands of Kazakhstani Tenge</i>	Note	2019	2018
Operating income	29	69,779,505	58,548,608
Other operating income	33	434,683	184,192
Operating expenses	30	(59,655,624)	(53,761,706)
Foreign exchange (loss)/gain		(194,355)	504,522
Finance costs	31	(513,671)	(32,760)
Finance income	32	36,037	63,508
Profit before income tax		9,886,575	5,506,364
Income tax expense	34	(1,977,176)	(1,603,774)
Profit for the year		7,909,399	3,902,590
Other comprehensive income for the year			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Gains less losses from revaluation at fair value		34,564	50,869
Remeasurements of post-employment benefit obligations		741	3,005
Income tax recorded directly in other comprehensive income		(7,061)	(10,775)
Other comprehensive income for the year		28,244	43,099
Total comprehensive income for the year		7,937,643	3,945,689


A.T. Abdirov
President

7 February 2020


E.K. Kuzmanbayeva
Chief Accountant

7 February 2020

Kedentransservice Joint Stock Company and Its Subsidiary
Consolidated Statement of Changes in Equity

<i>In thousands of Kazakhstani Tenge</i>	Note	Share capital	Retained earnings	Revaluation reserve for investment property	Actuarial gains	Total equity
Balance at 31 December 2017		1,255,242	27,051,548	66,862	10,598	28,384,250
Impact of adopting IFRS 9		-	(438,783)	-	-	(438,783)
Balance at 1 January 2018		1,255,242	26,612,765	66,862	10,598	27,945,467
Profit for the year		-	3,902,590	-	-	3,902,590
Other comprehensive income for the year		-	-	40,695	2,404	43,099
Total comprehensive income for the year		-	3,902,590	40,695	2,404	3,945,689
Dividends declared		-	(4,252,396)	-	-	(4,252,396)
Balance at 31 December 2018		1,255,242	26,262,959	107,557	13,002	27,638,760
Profit for the year		-	7,909,399	-	-	7,909,399
Other comprehensive income for the year		-	-	27,651	593	28,244
Total comprehensive income for the year		-	7,909,399	27,651	593	7,937,643
Dividends declared	22	-	(4,145,813)	-	-	(4,145,813)
Balance at 31 December 2019		1,255,242	30,026,545	135,208	13,595	31,430,590

A.T. Abdirov
President

7 February 2020



E.K. Kurmanbayeva
Chief Accountant

7 February 2020

Kedentransservice Joint Stock Company and Its Subsidiary
Consolidated Statement of Cash Flows

<i>In thousands of Kazakhstani Tenge</i>	Note	2019	2018
Cash flows from operating activities:			
Profit before income tax		9,886,575	5,506,364
Adjustments for:			
Finance costs	31	513,671	32,760
Finance income	32	(36,037)	(63,508)
Depreciation and amortization	30	1,386,228	986,043
Accrual of provision for doubtful debts	30	47,714	73,504
Provision for other non-current assets	12	-	1,229,010
Impairment of financial assets		-	1,418,314
Impairment of cash and cash equivalents	30	(1,996)	-
Provision for unused vacations and bonus payments	30	132,232	152,908
Effect of revaluation of items of investment property	9,33	(68,025)	220
Reversal of provision for slow moving inventory	30	(4,944)	(369)
Employee benefit obligations	27	13,900	27,369
Gain on disposal of property, plant and equipment	32	(13,115)	(3,269)
Income upon the results of PPE inventory	33	-	(33,026)
Accrual/(reversal) of provision for impairment of property, plant and equipment	30	5,479	(1,767)
Reversal of provision for legal claims	30	(54,715)	(394)
Reversal of written off payables	33	2,072	116
Write-down of non-current assets held for sale to fair value less costs of disposal	21	73,006	-
Foreign exchange differences		194,355	(504,522)
Operating cash flows before working capital changes		12,076,400	8,819,753
(Increase)/ decrease in trade receivables and receivables from related parties		(1,125,125)	780,071
Decrease/(increase) in advances given		572,720	(1,484,317)
(Increase)/ decrease in taxes receivable		(72,013)	143,869
(Increase)/ decrease in other receivables		(139,620)	18,100
Increase in inventories		(95,778)	(120,993)
Decrease in trade payables and payables to related parties		(9,789)	(413,558)
Increase/(decrease) in other payables and accrued liabilities		68,541	(156,075)
(Decrease)/ increase in contractual commitments		(374,908)	335,118
Decrease in taxes payable		(5,084)	(15,680)
Cash flows from operating activities		10,895,344	7,906,288
Income taxes paid		(2,090,573)	(1,843,093)
Interest paid	10	(513,671)	(32,902)
Interest received	32	36,037	63,508
Net cash flows from operating activities		8,327,137	6,093,801
Cash flows from investing activities:			
Purchases of property, plant and equipment and advances paid for property, plant and equipment	8, 12	(1,565,920)	(1,610,920)
Proceeds from the sale of property, plant and equipment		347,275	22,038
Purchases of intangible assets	11	(92,346)	(40)
Investing in short-term financial investments	19	-	(16,408)
Proceeds from / (placement of) short-term financial investments	19	5,214	(44,078)
Net cash used in investing activities		(1,305,777)	(1,649,408)
Cash flows from financing activities:			
Dividends paid	22	(4,145,813)	(4,252,396)
Repayment of finance lease obligations		-	(112,593)
Repayment of lease obligations	10	(379,611)	-
Net cash used in financing activities		(4,525,424)	(4,364,989)
Net increase in cash and cash equivalents		2,495,936	79,404
Cash and cash equivalents at the beginning of the year	20	7,120,075	6,296,932
Effect of exchange rate changes on balance of cash and cash equivalents in foreign currency		(85,767)	743,739
Cash and cash equivalents at the end of the year	20	9,530,244	7,120,075

A.T. Abdirov
President

7 February 2020



E.K. Kurmanbayeva
Chief Accountant

7 February 2020

1 The Group and its Operations

Kedentransservice Joint Stock Company (the "Company") was incorporated on 11 December 1997 according to resolution of the Government of the Republic of Kazakhstan #1750 in the form of a state republican enterprise. According to resolution of the Government of the Republic of Kazakhstan # 864 dated 26 June 1999 the state republican enterprise was transformed into a closed joint stock company Kedentransservice. On 15 July 2004, the Company was re-registered into a joint stock company.

The Company and its subsidiary (jointly the "Group") perform the following types of operating activities:

- transport and forwarding services;
- handling of rail car services;
- terminal servicing;
- rent;
- other.

The Company has 14 branches located in Nur-Sultan, Karaganda, Kostanay, Pavlodar, Ust-Kamenogorsk, Shymkent, Atyrau, Kyzyl-Orda, Taraz, Uralsk, Aktobe, Almaty, Dostyk station, Aktogai, 3 representative offices in a XUAR (China), in the Republic of Uzbekistan and in the Republic of Belarus.

The Company is the parent of the subsidiary operating in the Republic of Kazakhstan:

Entity's name	Principal activity	Company's share interest	
		31 December 2019	31 December 2018
Transport holding of Kazakhstan LLP	Activity in the area of the railway industry	100%	100%

The Company is owned by 50% by NC Kazakhstan Temir Zholy JSC (100% shares of which belong ultimately to the Government of the Republic of Kazakhstan) and by 50% by TransContainer PLC. In 2018 50% shares plus two voting shares of TransContainer PLC were owned by OTLK JSC, subsidiary of RZhD OJSC, 100% of shares of which in turn belong to the Government of the Russian Federation. On 13 December 2019 OTLK JSC sold its interest of 50% shares plus two voting shares in TransContainer PLC to Delo-Centre LLC, being a subsidiary of Delo HC JSC. As a result, Delo-Centre LLC became a parent company of TransContainer PLC. As at 31 December 2019 NC Kazakhstan Temir Zholy JSC and TransContainer PLC own 50% shares each in Logistic System Management B.V. Private Limited LIA. ("LSM"). LSM holds 100% shares of the Company.

On 26 November 2019, TransContainer PLC and NC Kazakhstan Temir Zholy JSC entered into the agreement for purchase of 50% shares of TransContainer PLC in LSM. The transaction is expected to be completed in the first half of 2020.

The Company's head office is at: 18, St. Dostyk, Nur-Sultan city, Republic of Kazakhstan.

As of 31 December 2019 and 31 December 2018, the number of employees was 1,841 and 1,874, respectively.

Presentation currency. These consolidated financial statements are presented in Kazakhstani Tenge ("KZT"), unless otherwise stated.

2 Political and Economic Situation in the Republic of Kazakhstan

In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Its economy is particularly sensitive to prices on oil and gas and other commodities, which constitute major part of the country's export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of the securities markets.

Ongoing political tension in the region, volatility of exchange rate have caused and may continue to cause negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity and creation of difficulties in attracting of international financing.

On 20 August 2015 the National Bank and the Government of the Republic of Kazakhstan made a resolution about discontinuation of supporting the exchange rate of Tenge and implementation of new monetary policy, which is based on inflation targeting regime, cancellation of exchange rate trading band and start a free-floating exchange rate.

2. Political and Economic Situation in the Republic of Kazakhstan (Continued)

However, the National Bank's exchange rate policy allows it to intervene to prevent dramatic fluctuations of the Tenge exchange rate and to ensure financial stability.

As at the date of this report the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 377.19 per USD 1, compared to Tenge 381.18 per USD 1 as at 31 December 2019 (31 December 2018: Tenge 384.20 per USD 1). Therefore, uncertainty exists in relation to exchange rate of Tenge and future action of National Bank and the Government of the Republic of Kazakhstan and the impact of these factors on the economy of the Republic of Kazakhstan.

In September 2019 Standard & Poor's, international rating agency affirmed the long-term foreign and local currency sovereign credit ratings of Kazakhstan - "BBB-" and short-term foreign and local currency sovereign credit ratings - "A-3", and the Kazakhstan national scale - "kzAAA". The outlook is stable (long-term ratings). The stable outlook is supported by the government's strong balance sheet, built on past budgetary surpluses accumulated in the National Fund of the Republic of Kazakhstan and also by liquid external assets exceeding relatively low government debt over the next two years.

Increase in oil production and firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2019. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Additionally, transport sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the Group's control.

Management is unable to predict the extent and duration of changes in the Kazakhstani economy, nor quantify their impact, if any, on the Group's financial position in future. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

For the purpose of measurement of expected credit losses ("ECL") the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 37 provides more information of how the Group incorporated forward-looking information in the ECL models.

3 Summary of Significant Accounting Policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of investment properties categorised at fair value through profit or loss ("FVTPL"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 16, *Leases*, effective from 1 January 2019, these policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Notes 5 and 38. The principal accounting policies applied to leases until 31 December 2018 are presented in Note 38.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities directly or indirectly controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

3 Summary of Significant Accounting Policies (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group's entities. When a subsidiary is purchased, its assets and liabilities are evaluated at fair value at the date of acquisition. Financial and operating results of acquired or sold subsidiaries for the year are included into the consolidated statement of comprehensive income and profit and losses from the time of actual acquisition or to the date of actual disposal.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-current assets classified as held for sale

Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the consolidated statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets or disposal groups classified as held for sale in the current period's consolidated statement of financial position are not reclassified or re-presented in the comparative consolidated statement of financial position to reflect the classification at the end of the current period.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs of disposal. Held for sale property, plant and equipment, and investment properties are not depreciated or amortised. Reclassified investment properties held at fair value are not subject to write down to the lower of their carrying amount and fair value less costs of disposal.

Financial instruments – key measurement terms

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

3 Summary of Significant Accounting Policies (Continued)

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories

The Group classifies financial assets as measured at AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

Financial assets – classification and subsequent measurement – cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI").

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

3 Summary of Significant Accounting Policies (Continued)

Financial assets impairment – credit loss allowance for ECL

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 37 for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in Note 37. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 37 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial liabilities – measurement categories.

Financial liabilities are classified as subsequently measured at AC.

Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

3 Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Trade and other payables. Trade and other payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Property, plant and equipment

Property, plant and equipment acquired before 1 April 2003 are stated at fair value less accumulated depreciation. Valuation of fair value of property, plant and equipment was performed by an independent appraiser as of 1 April 2003. The results were reflected in the value of property, plant and equipment as at 1 January 2002, and recognized as the beginning value at the date of IFRS first-adoption less accumulated depreciation and impairment losses. Property, plant and equipment acquired after 1 April 2003 are stated at cost less accumulated depreciation. Cost of purchased property, plant and equipment represents consideration paid on the acquisition of the related assets, as well as other direct costs incurred during delivery of the assets and necessary preparations for their intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

Depreciation. Land is not depreciated. Depreciation is charged using straight-line method during expected useful lives of the assets as shown below:

	Useful lives in years
Buildings	20-82 years
Constructions	5-50 years
Containers	10-20 years
Railway platforms	28-38 years
Locomotives	10-25 years
Cranes and loaders	5-23 years
Vehicles	3-15 years
Other	2-25 years

Construction in progress includes costs directly related to the construction of property, plant and equipment, including appropriate allocation of directly attributable variable overheads incurred in the construction. Depreciation of these assets, is charged on the same basis as for other assets, and commences from the date of putting into use. Carrying value of construction in progress is reviewed regularly to ensure its fair presentation and identify necessity to recognize impairment losses.

3 Summary of Significant Accounting Policies (Continued)

Value added tax

Value added tax related to sales is payable to tax authorities at earlier of two dates: (a) the date of collection of the receivables from customers or (b) the date of delivery of goods or services to customers. VAT paid on the purchase of goods and services, usually recoverable against VAT output on sales, upon receipt of the invoice from supplier. The tax authorities permit calculation of VAT on a net basis. VAT payable and VAT paid are disclosed in the consolidated statement of financial position on a gross basis as assets and liabilities. Where provision for impairment of receivables is created, impairment loss is recognized for the gross amount including VAT.

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognized as share premium in equity.

Dividends

Dividends are recognized as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note.

Income tax

Income tax is recognized in the consolidated financial statements in accordance with the laws enacted or substantively enacted at the end of the reporting period. Expense/(benefit) for income tax comprises current and deferred tax and is recognized in profit or loss for the year, unless they are to be reflected in other comprehensive income or directly in equity in connection with the fact that relate to items recognized also in other comprehensive income or directly in equity in the same or in a different period.

Current tax is the amount that is expected to be paid to the tax authorities (refunded by the tax authorities) in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are calculated based on estimates if consolidated financial statements are authorized prior to filing relevant tax returns. Taxes other than income tax are recognized within operating expenses.

Deferred income tax is accrued based on balance sheet liability method in respect of carried forward tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. In accordance with the exception of the initial recognition, deferred taxes are not recognized for temporary differences arising on the initial recognition of an asset or liability in a transaction other than a business combination, if any, affects neither accounting nor taxable profit. The carrying amount of deferred tax is calculated using tax rates enacted or substantively enacted by the end of the reporting period and is expected to apply to the period when the temporary differences will reverse or tax loss carry-forwards will be used. Deferred tax assets can be offset against deferred tax liabilities only within each company of the Group. Deferred tax assets for all deductible temporary differences and tax losses carried-forward are recognized only to the extent that it is probable that future taxable profits will be received against which it will be possible to offset deductible temporary difference.

The Group controls the reversal of temporary differences relating to taxes on dividends of subsidiaries or profits from their sale. The Group does not recognize deferred tax liabilities on such temporary differences except when management expects reversal of temporary differences in the foreseeable future.

Carrying value of deferred tax assets is revised at the end of each reporting period and reduced if it not highly probable that the Group will obtain taxable profit that would be sufficient for full or partial use of such assets.

Deferred tax balances are measured at tax rates (and provisions of tax legislation) enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when asset will be realised or liability will be settled. Assessment of deferred tax liabilities and assets reflect tax effect of the Group's intention (as of the reporting date) in relation to means of recovery/(redemption) of carrying value of assets/(liabilities).

Current and deferred taxes are recognised in profit or loss, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

3 Summary of Significant Accounting Policies (Continued)

Right-of-use assets

The Group leases various land plots, offices, railway platforms and vehicles. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- costs to restore the asset to the conditions required by lease agreements.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful lives in years
Land	5-48
Buildings	7
Vehicles	7
Railway platforms	2

Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option,
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and
- makes adjustments specific to the lease, e.g. term, country, currency and collateral.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

3 Summary of Significant Accounting Policies (Continued)

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Revenue recognition

Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognised net of discounts and value added taxes.

The Group provides services under fixed-price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Where the contracts include multiple performance obligations, the transaction price is allocated to each separate performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Customers are invoiced on a monthly basis and consideration is payable when invoiced.

If the contract includes variable consideration, revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such consideration.

The Group performs the following types of activities:

Transport and forwarding services represent services containing transportation of cargo, terminal processing, expedition and logistic services. Revenue from transport and forwarding services includes revenues from delivery of different services. Revenue from transport and forwarding services is recognised on a gross basis in the period when services are rendered.

Handling of railcars - revenue from the rent of containers and rail cars is recognised in the period when services are provided according to tariffs (prices) set in the contract for the provision of services. Payment is made by the Customer in accordance with the terms of the contract for handling of railcars.

Cargo overload and fastening on Dostyk station is providing of reloading services among railcars designed for different width of rails. Revenue from overload and fastening services is recognised in the period when services are rendered.

Terminal activities are services of terminal processing of cargo in railcars and containers including loading-reloading and other activities. Revenue from terminal activities is recognised in the period when services are rendered.

Rent is presented by providing of infrastructure of loading yards and locomotives. Revenue from rent is recognised in the period when services are rendered.

Warehousing and storage of cargo are providing cargo, containers and railcars storage services in the territory of cargo terminals and temporary storage warehouses. Revenue from warehousing and storage of cargo is recognised in the period when services are rendered.

3 Summary of Significant Accounting Policies (Continued)

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Provisions

Provisions are recognized in the consolidated financial statements when the Group has a present (legal or constructive) obligation as a result of events that occurred in the past, and it is probable that an outflow of funds related to the economic benefits to settle the obligation, and obligation can be estimated reliably. When the Group expects that a provision will be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is likely. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at after-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the unwinding is recognized as interest expense.

Employee benefits

The Group provides employee benefits to employees at the end of employment (lump-sum payments at retirement, financial assistance) and other long-term employee benefits (financial aid for employees' disability, significant anniversaries and funeral aid to the employees) as in accordance with the provisions of the collective agreement.

The entitlement to post-employment benefits is usually conditional on the employee remaining employed until the retirement age and the completion of a minimum service period.

Post-employment benefit of the Group are unfunded defined benefit plans and are valued in accordance with IAS 19, *Employee Benefits*. In this case, actuarial and investment risks related to the unfunded defined benefit plans remain with the Group.

When measuring the obligation in respect of the unfunded defined benefit plans the Group determines the gross amount of payments due to employees for their services rendered in the current and prior periods; actuarial assumptions are developed at this stage. After that, the discounted value of the obligations in respect of the post-employment defined benefit plans is determined and current service cost is calculated using the projected credit unit method.

The Group recognises as part of its profit or loss:

- current service cost;
- past service cost and any profit or loss, which originates from remeasurement of the plan obligations; and
- net amount of the interest related to the defined pension benefit plan obligation.

The Group recognises the actuarial gains or losses from the remeasurement of the net defined pension benefit plan obligation as part of other comprehensive income.

The entitlement to other long-term benefits is conditional on the completion of a minimum service period. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the unfunded defined pension benefit plan.

In respect of the other long-term employee benefits the Group recognises the current and past service cost, net interest expense for the net liability, actuarial gains and losses (remeasurement of the net liability) as part of Group's profit or loss.

In accordance with the legislation of the Republic of Kazakhstan, the Group makes payments of 10% of employee compensation as a contribution to the Single Accumulative Pension Fund, but no more than Tenge 318,750 per month starting from 1 January 2019 to 31 December 2019 (Tenge 212,130 per month starting from 1 January 2018 to 31 December 2018). Mandatory pension contributions are deducted from employee compensation. The Group has no other obligations relating to pension payments.

3 Summary of Significant Accounting Policies (Continued)

Foreign currency translation

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries, and the Group's presentation currency, is the national currency of the Republic of Kazakhstan, Kazakhstani Tenge. Exchange rates at 31 December 2019 were as follows: US Dollar/Tenge - 381.18, Euro/Tenge - 426.85, Russian Rouble/Tenge - 6.17, Chinese Yuan/Tenge - 54.56, and Uzbek sum/Tenge - 0.0401 (31 December 2018: US Dollar/Tenge - 384.20, Euro/Tenge - 439.37, Russian Rouble/Tenge - 5.52, Chinese Yuan/Tenge - 55.88, and Uzbek sum/Tenge - 0.0461).

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of transactions with related parties' balances are disclosed in Note 36.

Valuation of investment property. Investment properties of the Company are stated at fair value based on reports prepared by an independent appraiser having relevant professional qualification, Valuation and Expertise LLP, as at 31 December 2019 and 31 December 2018. Fair value was estimated according to the effective legislation of the Republic of Kazakhstan, and Valuation Standards of the International Valuation Standards Committee.

Due to the specifics of investment properties, their fair value was estimated using different valuation techniques that are more appropriate in each particular case.

Thus, the following methods have been selected to estimate the fair value:

- Non-residential premise (Nur-Sultan) – comparable approach using comparative analysis method within the comparable approach;
- Non-residential premise (Almaty) – income approach through direct income capitalisation;
- Warehouses – income approach through direct income capitalisation and cost approach considering economic impairment.

Fair value measurements are assigned to various levels of the fair value hierarchy depending on inputs used within respective valuation techniques:

- Level 1: quoted prices (unadjusted) for identical assets in active markets;
- Level 2: inputs, besides quoted prices applied for measurements on level 1, which are observable directly (i.e. such as prices) or indirectly (i.e. determined based on prices);
- Level 3: initial data for assets, which are not based on observable market data (unobservable inputs).

The fair value of assets was measured as follows:

The Level 2 fair value of the assets, for which there is an active market, was determined using comparable approach based on comparables adjusted accordingly for differences.

The Level 3 fair value of these assets, for which a limited number of similar sales was observed in local market, was determined using the cost and income approach.

Income approach through direct income capitalisation is used to estimate cost subject to maintaining stable use of appraisal items with equal value of income during unlimited periods of time.

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Cost approach is the method of consolidated generalised indicators of replacement/reproduction cost. According to this method, the replacement/reproduction cost is calculated as a physical parameter (length, area, volume) multiplied by the cost of replacement/reproduction per unit, which is determined based on the data from the "CO-Invest" manual adjusted accordingly for differences.

The level in the fair value hierarchy into which fair value measurements are categorized at 31 December 2019 are as follows:

<i>In thousands of Kazakhstani Tenge</i>	Level 1	Level 2	Level 3	Total
Non-residential premise (Nur-Sultan)	-	3,843,960	-	3,843,960
Non-residential premise (Almaty)	-	-	829,156	829,156
Warehouses	-	-	545,189	545,189
Total	-	3,843,960	1,374,345	5,218,305

The level in the fair value hierarchy into which fair value measurements are categorized at 31 December 2018 are as follows:

<i>In thousands of Kazakhstani Tenge</i>	Level 1	Level 2	Level 3	Total
Non-residential premise (Nur-Sultan)	-	3,751,119	-	3,751,119
Non-residential premise (Almaty)	-	-	836,274	836,274
Warehouses	-	-	527,774	527,774
Total	-	3,751,119	1,364,048	5,115,167

The table below provides material unobservable inputs used as at year-end in the measurement of financial instruments categorised to Level 2 and Level 3 of fair value hierarchy as at 31 December 2019:

<i>In thousands of Kazakhstani Tenge</i>	Fair value	Valuation technique	Material unobservable inputs	Range of inputs (weighted average) for unobservable inputs	Reasonable change	Sensitivity of fair value measurement to unobservable inputs
Non-residential premise (Nur-Sultan)	3,398,029	Comparable approach using comparative analysis method within the comparable approach	Average cost of 1 sq.m. in Tenge	508,582	+/-10%	342,560/ (342,560)
	445,931	Comparable approach	Average cost of 1 sq.m. in Tenge	571,572	+/-10%	45,068/ (45,068)
Non-residential premise (Almaty)	829,156	Comparable approach using comparative analysis method within the comparable approach	Discounting rate	11.79%	+/-5%	(39,823)/ 39,823
			Rent rate	USD 46	+/-10%	109,524/ (109,524)
			USD/Tenge exchange rate	372.82	+/-15%	164,257/ (164,257)
Warehouses	378,526	Cost approach through the method of consolidated generalised indicators of replacement cost adjusted for depreciation	Not applicable	-	-	-
Warehouses	166,663	Income approach through direct income capitalisation	Discounting rate	9.56% - 31.88%	+/-5%	(16,424)/ 16,424
			Rent rate in Tenge per 1 sq.m.	150 - 650	+/-10%	78,861/ (78,861)

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

The table below provides material unobservable inputs as at 31 December 2018:

In thousands of Kazakhstani Tenge	Fair value	Valuation technique	Material unobservable inputs	Range of inputs (weighted average) for unobservable inputs	Reasonable change	Sensitivity of fair value measurement to unobservable inputs
Non-residential premise (Nur-Sultan)	3,306,950	Comparable approach using comparative analysis method within the comparable approach	Average cost of 1 sq.m. in Tenge	508,582	+/-10%	342,560/ (342,560)
	444,169		Average cost of 1 sq.m. in Tenge	571,572	+/-10%	45,068/ (45,068)
Non-residential premise (Almaty)	836,274	Comparable approach using comparative analysis method within the comparable approach	Discounting rate	11.79%	+/-5%	(39,823)/ 39,823
			Rent rate	USD 46	+/-10%	109,524/ (109,524)
			USD/Tenge exchange rate	372.82	+/-15%	164,257/ (164,257)
Warehouses	366,435	Cost approach through the method of consolidated generalised indicators of replacement cost adjusted for depreciation	Not applicable	-	-	-
Warehouses	161,339	Income approach through direct income capitalisation	Discounting rate	9.56% - 31.88%	+/-5%	(16,424)/ 16,424
			Rent rate in Tenge per 1 sq.m.	150 - 650	+/-10%	78,861/ (78,861)

Useful lives of property, plant and equipment. The Group considers the useful lives of property, plant and equipment at each reporting date. Useful lives estimation depends on factors such as: economic use, repair and maintenance program, technological improvements and other business conditions. Management's estimation of the useful lives of property, plant and equipment reflects the relevant information available at the reporting date.

Impairment of property, plant and equipment. The Group impairs its property, plant and equipment at each reporting date. Indications of possible impairment of the current value of property, plant and equipment and intangible assets are identified as a result of regular verifications taking place before the reporting date, as well as during spring and autumn check-ups held by the Group's technical services. If any such indication exists, the recoverable amount of the asset is determined in order to identify impairment loss amount (if any). If it is impossible to estimate the recoverable amount for an individual asset, the Group estimates the recoverable amount of the cash-generating unit the asset belongs to.

If the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of an asset (or cash-generating unit) is reduced to its recoverable amount. Impairment loss is recognized immediately as an expense.

In the reporting period, the Group accrued provision for impairment of property, plant and equipment of Tenge 8,772 thousand (2018: Tenge 16,719 thousand). In accordance with IAS 36 *Impairment of Assets*, if an asset item is recognized at an amount exceeding its recoverable amount, such asset is considered impaired and the Group must recognise an impairment loss. Recoverable amount is determined as the higher of an asset's fair value less costs to sell and its value in use.

Revenue from transport-expedition and railcar operation services. The Group provides transport-expedition, logistic services and handling of railcars. Clients do not interact with other transportation organizations. The Group charges total cost of the services to the clients, including railway service, terminal handling, motor transportation, etc. as well as total third-party expenses, including railway rate.

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

The Group's agent services have a specific nature, especially, the fact that data on railway rates are available to clients. In addition, transportation organizations are exposed to risks related to supplies.

However, the Group is exposed to credit risk as it monitors bills and payments, and is independent in terms of its pricing policy.

Management believes that the Group acts as a principal in these agreements and the Group accounts for cash proceeds from customers as revenue, and third-party expenses, including railway rate, are included in cost of transport-expedition and handling of railcars services.

If the railway rate and outsourced services directly related to this type of services were excluded from revenue and expenses at the same time, revenue and expenses would be Tenge 35,981,564 thousand lower for the year ended 31 December 2019 (including: railway rate - Tenge 20,877,711 thousand, and outsourced services - Tenge 15,103,853 thousand). For the year ended 31 December 2018, the effect amounted to Tenge 29,908,782 thousand (including: railway rate - Tenge 17,548,602 thousand, and outsourced services - Tenge 12,360,180 thousand).

Lease liabilities. To estimate the lease liabilities, the Group applies the following judgements:

Lease term. The lease term is the non-cancellable contract period unless the Group has the extension option. The Group takes into consideration extension options if the lease is reasonably certain to be extended, and termination options if the lease is reasonably certain not to be terminated. In consideration of such options, the Group takes into account the remaining useful lives of the leased asset, strategic development plan of the Group given additional factors that have impact in the Group management's intentions in terms of lease extension or termination.

Discount rates. At calculation of the present value of lease payments, the Group uses the incremental borrowing rate, the discount rate is determines for each asset based on the incremental borrowing rate for the Group at the commencement date. The incremental borrowing rate for the Group is a rate specified in the Statistical Bulletin of the National Bank.

Values of the underlying asset. The underlying asset is of low value if the value does not exceed Tenge 1,900 thousand. The value is measured as if the underlying asset were new, regardless of its age at the commencement date. Lease payments are expensed on a straight-line basis over the lease term.

5 Adoption of New or Revised Standards and Interpretations

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The Group decided to apply the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective method, without restatement of comparatives and using certain simplifications allowed by the standard. All right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued expenses).

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application,
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17, Leases, and IFRIC 4, Determining whether an Arrangement contains a Lease.

The weighted average incremental borrowing rate applied by the Group to the leased liabilities on 1 January 2019 was 15.4%.

5 Adoption of New or Revised Standards and Interpretations (Continued)

A reconciliation of the operating lease commitments to the recognised lease liability is as follows.

<i>In thousands of Kazakhstani Tenge</i>	31 December 2018 / 1 January 2019
- Finance lease liabilities recognised as at 31 December 2018	225,186
- Future lease payments that are a result of a different treatment of extension and termination options	15,748,773
- Effect of discounting to present value	(2,283,807)
- Less short-term leases not recognised as a liability	(10,140,644)
- Less low-value leases not recognised as a liability	(14,212)
Total lease liabilities recognised as at 1 January 2019	3,535,296
Of which are:	
Short-term lease liabilities	383,062
Long-term lease liabilities	3,152,234

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

<i>In thousands of Kazakhstani Tenge</i>	Note	Impact of adopting IFRS 16
Decrease in property, plant and equipment		822,346
Increase in right-of-use assets		4,132,457
Increase in lease liabilities		3,535,296

The following amended standards became effective from 1 January 2019, but did not have any material impact on the Group:

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2020 or later, and which the Group has not early adopted.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

6 New Accounting Pronouncements (Continued)

The following standards and interpretation are not expected to have any material impact on the Group's consolidated financial statements when adopted:

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28* (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- *IFRS 17 "Insurance Contracts"* (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- *Definition of a business – Amendments to IFRS 3* (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- *Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7* (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

7 Segment Information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker and for which discrete financial information is available. The chief operating decision maker is the person or group of persons who allocates resources and assesses the performance for the entity. The function of chief operating decision maker responsible for operational decision are performed by the Group.

(a) Description of products and services from which each reportable segment derives its revenue

The Group has 4 operating segments. These are based on the information contained in reports, which are regularly reviewed by shareholders in order to allocate funds as well as to measure their performance:

- terminal services;
- transport and forwarding services;
- handling of railcars; and
- rent.

(b) Factors that management used to identify the reportable segments

The Group monitors multiple profitability measures these being:

- profit before tax, and
- profit after tax.

However, profit after tax is the measure used for the purpose of resource allocation and assessment of segment performance.

Other operations of the Group mainly include the sale of inventory and other support services provided along with transportation services, neither of which is sufficiently material to be presented separately.

7 Segment Information (Continued)

(c) Geographical information

Analysis of revenue by geographical location of customers:

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Kazakhstan	38,157,002	30,912,484
Russia	21,384,892	20,224,573
China	7,991,485	5,025,903
Uzbekistan	1,817,608	1,377,888
Korea	71,828	82,635
Belarus	15,473	17,403
Germany	12,187	151,974
Latvia	7,087	17,519
Kyrgyzstan	5,019	20,601
Other countries	316,924	717,628
Total revenue	69,779,505	58,548,608

(d) Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the year ended 31 December 2019 is set out below:

<i>In thousands of Kazakhstani Tenge</i>	Terminal Services	Transport and forwarding services	Handling of railcars	Rent	Unallocated results	Total
Operating income	13,980,928	32,583,459	22,590,211	618,889	6,018	69,779,505
Operating expenses	(8,620,511)	(29,235,519)	(18,347,379)	(145,688)	(3,306,527)	(59,655,624)
Finance costs	-	-	(513,671)	-	-	(513,671)
Finance income	-	-	-	-	36,037	36,037
Other operating income	-	-	-	434,683	-	434,683
Foreign exchange gain	-	-	-	-	(194,355)	(194,355)
Profit before income tax	5,360,417	3,347,940	3,729,161	907,884	(3,458,827)	9,886,575
Income tax expense	-	-	-	-	(1,977,176)	(1,977,176)
Profit for the year	5,360,417	3,347,940	3,729,161	907,884	(5,436,003)	7,909,399
Other comprehensive income for the year	-	-	-	-	28,244	28,244
Total comprehensive income for the year	5,360,417	3,347,940	3,729,161	907,884	(5,407,759)	7,937,643
Other key information about segments						
Depreciation of property, plant and equipment and amortization of intangible assets	(639,291)	-	(53,900)	(29,860)	(173,117)	(896,168)
Capital expenditure	473,217	-	-	-	-	473,217
Impairment of property, plant and equipment	(5,479)	-	-	-	-	(5,479)

7 Segment Information (Continued)

Segment information for the reportable segments for the year ended 31 December 2018 is set out below:

<i>In thousands of Kazakhstani Tenge</i>	Terminal Services	Transport and forwarding services	Handling of railcars	Rent	Unallocated results	Total
Operating income	12,657,013	26,149,061	19,190,878	542,399	9,257	58,548,608
Operating expenses	(10,357,946)	(24,204,162)	(15,751,683)	(135,494)	(3,312,421)	(53,761,706)
Finance costs	-	-	(32,760)	-	-	(32,760)
Finance income	-	-	-	-	63,508	63,508
Other operating income	-	-	-	184,192	-	184,192
Foreign exchange gain	-	-	-	-	504,522	504,522
Profit before income tax	2,299,067	1,944,899	3,406,435	591,097	(2,735,134)	5,506,364
Income tax expense	-	-	-	-	(1,603,774)	(1,603,774)
Profit for the year	2,299,067	1,944,899	3,406,435	591,097	(4,338,908)	3,902,590
Other comprehensive income for the year	-	-	-	-	43,099	43,099
Total comprehensive income for the year	2,299,067	1,944,899	3,406,435	591,097	(4,295,809)	3,945,689
Other key information about segments						
Depreciation of property, plant and equipment and amortization of intangible assets	(627,319)	-	(84,166)	(35,847)	(238,711)	(986,043)
Capital expenditure	559,430	-	-	-	-	559,429
Net recovery of the impairment of property, plant and equipment	1,767	-	-	-	-	1,767

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2019

8 Property, Plant and Equipment

<i>In thousands of Kazakhstani Tenge</i>	Land	Buildings	Constructions	Containers	Railway platforms	Locomotives	Cranes and loaders	Vehicles	Other	Construction in progress	Total
Cost											
At 1 January 2019	325,515	2,102,995	5,788,474	10,020	2,693,327	765,606	4,473,682	737,504	1,772,608	1,566,437	20,236,168
Adjustment for changes in the accounting policy (Note 3)	-	-	-	-	(968,527)	-	-	-	-	-	(968,527)
Adjusted cost at 1 January 2019	325,515	2,102,995	5,788,474	10,020	1,724,800	765,606	4,473,682	737,504	1,772,608	1,566,437	19,267,641
Additions	-	-	2,250	-	-	-	798,300	4,608	101,261	595,766	1,502,185
Disposals	-	(2,806)	(13,129)	-	-	(716,934)	(240,104)	(43,402)	(79,258)	-	(1,095,633)
Transfer from/to investment property	(6,548)	1,056	-	-	-	-	-	-	-	-	(5,492)
Internal transfers	-	13,351	367,435	-	-	-	68,228	-	24,203	(473,217)	-
At 31 December 2019	318,967	2,114,596	6,145,030	10,020	1,724,800	48,672	5,100,106	698,710	1,818,814	1,688,986	19,668,701
Accumulated depreciation and impairment											
At 1 January 2019	-	(699,007)	(1,723,436)	(8,469)	(361,779)	(404,166)	(2,401,941)	(380,232)	(1,253,108)	(15,396)	(7,247,534)
Adjustment for changes in the accounting policy (Note 3)	-	-	-	-	146,181	-	-	-	-	-	146,181
Adjusted depreciation and impairment at 1 January 2019	-	(699,007)	(1,723,436)	(8,469)	(215,598)	(404,166)	(2,401,941)	(380,232)	(1,253,108)	(15,396)	(7,101,353)
Depreciation charge for the year	-	(64,505)	(159,638)	(190)	(53,900)	(29,860)	(286,631)	(66,876)	(135,901)	-	(797,501)
Impairment provision	-	-	(8,772)	-	-	-	-	-	-	-	(8,772)
Disposals	-	2,806	13,129	-	-	385,354	239,490	41,761	79,004	-	761,544
Transfer from/to investment property	-	4,942	-	-	-	-	-	-	-	-	4,942
Recovery of impairment	-	-	-	-	-	-	3,293	-	-	-	3,293
At 31 December 2019	-	(755,764)	(1,878,717)	(8,659)	(269,498)	(48,672)	(2,445,789)	(405,347)	(1,310,005)	(15,396)	(7,137,847)
Carrying amount											
At 31 December 2019	318,967	1,358,832	4,266,313	1,361	1,455,302	-	2,654,317	293,363	508,809	1,673,590	12,530,854
Effect from revision of useful lives of property, plant and equipment at 1 January 2020	-	(540)	(8,352)	-	-	-	(9,780)	(481)	(3,450)	-	(22,603)

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2019

8 Property, Plant and Equipment (Continued)

<i>In thousands of Kazakhstani Tenge</i>	Land	Buildings	Constructions	Containers	Railway platforms	Locomotives	Cranes and loaders	Vehicles	Other	Construction in progress	Total
Cost											
At 1 January 2018	325,515	2,111,379	5,325,793	10,020	2,693,327	765,606	4,284,885	683,102	1,660,977	1,529,374	19,389,978
Additions	-	18,380	24,422	-	-	-	123,305	61,050	113,988	596,492	937,637
Disposals	-	-	(13,831)	-	-	-	(4,035)	(6,648)	(4,131)	-	(28,645)
Transfer from/to investment property	-	(44,980)	(17,822)	-	-	-	-	-	-	-	(62,802)
Internal transfers	-	18,216	469,912	-	-	-	69,527	-	1,774	(559,429)	-
At 31 December 2018	325,515	2,102,995	5,788,474	10,020	2,693,327	765,606	4,473,682	737,504	1,772,608	1,566,437	20,236,168
Accumulated depreciation and impairment											
At 1 January 2018	-	(645,797)	(1,594,872)	(8,271)	(277,613)	(368,319)	(2,102,107)	(321,838)	(1,107,073)	(15,396)	(6,441,286)
Depreciation charge for the year	-	(70,771)	(146,789)	(198)	(84,166)	(35,847)	(290,785)	(65,030)	(153,219)	-	(846,805)
Impairment provision	-	-	(3,433)	-	-	-	(13,261)	-	(25)	-	(16,719)
Disposals	-	-	-	-	-	-	4,035	6,636	4,015	-	14,686
Transfer from/to investment property	-	17,561	6,543	-	-	-	-	-	-	-	24,104
Recovery of impairment	-	-	15,115	-	-	-	177	-	3,194	-	18,486
At 31 December 2018	-	(699,007)	(1,723,436)	(8,469)	(361,779)	(404,166)	(2,401,941)	(380,232)	(1,253,108)	(15,396)	(7,247,534)
Carrying amount											
At 31 December 2018	325,515	1,403,988	4,065,038	1,551	2,331,548	361,440	2,071,741	357,272	519,500	1,551,041	12,988,634
Effect from revision of useful lives of property, plant and equipment at 1 January 2019	-	(55)	(1,956)	-	-	-	(9,476)	(61)	-	-	(11,548)

8 Property, Plant and Equipment (Continued)

The Group reviewed useful lives of property, plant and equipment as at 1 January 2020 and recorded this change as movements in accounting estimates in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors. Effect from review of the useful lives of property, plant and equipment amounted to Tenge 22,603 thousand (1 January 2019: Tenge 11,548 thousand).

Major items of construction in progress as of 31 December 2019 include construction of dormitory and project for reconstruction of transshipping point No7 at Dostyk station for the amount of Tenge 521,805 thousand and Tenge 156,309 thousand, respectively, project for reconstruction of freight yard for Nur-Sultan city of Tenge 282,444 thousand, detailed design of the freight yard development for Atyrau city and Almaty city of Tenge 148,196 thousand and Tenge 323,939 thousand, respectively (2018: construction of dormitory and project for reconstruction of transshipping point No7 at Dostyk station of Tenge 204,967 thousand and Tenge 156,309 thousand, respectively, project for drainage system of the freight yard and project for reconstruction of freight yard for Nur-Sultan city of Tenge 194,820 thousand and Tenge 282,444 thousand, respectively, detailed design of the freight yard development for Atyrau city and Almaty city of Tenge 148,196 thousand and Tenge 323,939 thousand, respectively).

As at 31 December 2019 cost of fully depreciated property, plant and equipment was Tenge 1,892,651 thousand (2018: Tenge 2,117,460 thousand).

As at 31 December 2018, the carrying amount of property, plant and equipment purchased under finance leases described in Note 28 was Tenge 822,346 thousand. On 1 January 2019 these property, plant and equipment were transferred to the 'Right-of-use assets' (Note 10). As at 31 December 2019, the Company does not have pledged assets.

9 Investment Property

The investment properties are valued annually on 31 December at fair value, by an independent, professionally qualified valuator who has recent experience in valuing similar properties in the Republic of Kazakhstan.

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
Fair value of investment property at 1 January	5,115,167	443,237
Transfer to owner occupied facilities	(11,792)	(4,811)
Acquisition	-	4,587,393
Transfer from owner occupied facilities	12,341	38,699
Gains/(losses) less losses/gains on revaluation at fair value	68,025	(220)
Revaluation of investment properties	34,564	50,869
Fair value of investment property	5,218,305	5,115,167

In 2013, the Group entered into a number of operating lease contracts for warehouses. Consequently, these assets were considered to be investment property and thus were transferred from fixed assets and classified as investment property. In accordance with the accounting policy of the Group, these assets were revalued and the fair value of these assets as at 31 December 2019 was Tenge 545,189 thousand (2018: Tenge 527,775 thousand). The increase in cost was reflected in the consolidated statement of profit and loss and other comprehensive income within other operating income.

Acquisition for the amount of Tenge 4,587,393 thousand in 2018 represents 2 non-residential premises received by the Group from Bank of Astana JSC in exchange for deposits in Bank of Astana JSC. These items were recognized within investment property at fair value.

In August 2018 the Group and Bank of Astana JSC entered into the Amicable Agreement whereby the deposits payable by Bank of Astana JSC to the Group are settled using immovable property (non-residential premises located at the address: Mangilik Yel Avenue Bldg.30, Nur-Sultan city, and 14th Floor of the non-residential premises located at the address: Zholdasbekov Street 97, Samal micro-district, Almaty city). According to this Amicable Agreement, the cost of transferred immovable property was Tenge 5,954,256 thousand. At the signing date of this Amicable Agreement, the deposits payable by Bank of Astana JSC to the Group was Tenge 5,954,256 thousand, including the deposit amount of Tenge 5,769,348 thousand, the state duty of Tenge 173,080 thousand and the amount receivable for valuation services of Tenge 11,828 thousand. On 14 September 2018 the Group registered its title to this immovable property, however, no acceptance certificates were signed, and no invoices were issued.

9 Investment Property (Continued)

On 18 September 2018, based on the Resolution of the Management Board of the National Bank of the Republic of Kazakhstan, a decision was made to revoke the license of Bank of Astana JSC to carry out banking activities, to file a lawsuit on the compulsory liquidation of Bank of Astana JSC and to introduce temporary administration to Bank of Astana JSC, to which asset management was transferred.

In accordance with the legislation, temporary administration is not empowered to dispose of any assets of the bank under liquidation or carry out the following: sign the asset acceptance certificate, withdraw any funds or issue an invoice on asset transfer to the Group.

In this regard, on 1 October 2018 the Group filed lawsuit against Bank of Astana JSC on recognition of acceptance certificates as valid. The court satisfied claims of the Group, and the acceptance certificates were validated.

On 20 February 2019 the Group approached Bank of Astana JSC with the request to write off the Company's cash placed with the Bank's accounts, and to issue an invoice to the Group on disposal of the transferred immovable property, however, this requirement was not satisfied. For this purpose, on 29 March 2019 the Group made a claim against the Bank as follows: to oblige Bank of Astana JSC to issue an invoice to the Group on disposal of the immovable property transferred under the acceptance certificate, to oblige Bank of Astana JSC to write off cash funds specified in the amicable agreement from the Group's accounts. On 25 April 2019 the court satisfied the claims of the Group. On 12 June 2019, in response to the decision, Bank of Astana JSC filed a counterclaim which was satisfied.

On 31 July 2019 the Group filed a motion to the Supreme Court of the RoK to reverse the decision of the Judicial Chamber of the Almaty City Court dated 12 June 2019. On 14 October 2019 the Supreme Court of the RoK dismissed the motion.

On 9 July 2019 the Group applied to the State Revenue Department (the "Department") regarding the bank's violation in terms of failure to issue the invoice and to charge VAT on sales of immovable property.

On 24 July 2019 the Department informed the Group of the violation by the bank and remediation notice addressed to the bank (the "Department's notice"). Bank of Astana JSC filed to the Specialised Interdistrict Economic Court of Almaty to invalidate and cancel the Department's notice. On 11 November 2019 the Specialised Interdistrict Economic Court of Almaty dismissed the claims of Bank of Astana JSC. Bank of Astana JSC files an appeal. On 5 February 2020 the Judicial Chamber on Civil Cases of Almaty City Court dismissed the appeal of Bank of Astana JSC and upheld the decision of the Specialised Interdistrict Economic Court of Almaty dated 11 November 2019.

Management believes that the risk of not issuing invoice and subsequent claim on invalidation of the amicable agreement is low due to the following facts:

- Management believes that the Company has performed all necessary legal actions on transfer of the ownership to the Group, including the court-approved amicable agreement, and registration of the title to the immovable property.
- The decision of the Judicial Board of the Almaty City Court dated 12 June 2019 for dismissal of the Group's motion to compel the bank's liquidation committee ("liquidation committee") to invoicing was based on the fact that the bank's liquidation committee did not have relevant authority, but not on challenging the validity of claims to issue the invoice.
- The State Revenue Department's notice and the judicial act on dismissal of its invalidation constitute a legal requirement of the state authority to issue an invoice.
- For the purpose of completing transaction, the Group works with the bank's liquidation committee and National Bank of the RoK. The Group intends to demand the bank's liquidation committee to bring the issue to the Creditor's Committee.

Based on the above, no provisions were accrued in these consolidated financial statements.

10 Right-of-Use Assets

The Group leases various land plots, offices, railway platforms and vehicles. Rental contracts are typically made for fixed periods: for land plots – for a period of from 5 to 48 years, for other leased assets – for a period of 1 year or less, but may have extension options as described below.

Until 31 December 2018 leases of property, plant and equipment were classified as either finance leases or operating leases. Refer Note 28. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Group.

10 Right-of-Use Assets (Continued)

In thousands of Kazakhstani Tenge	Note	Land	Buildings	Vehicles	Railway platforms	Total
Carrying amount at 1 January 2019		120,998	3,141,751	45,881	823,827	4,132,457
Additions		1,354	52,572	-	-	53,926
Disposals			(57,163)	(9,217)	(1,481)	(67,861)
Depreciation		(19,666)	(434,890)	(5,238)	(30,266)	(490,060)
Carrying amount at 31 December 2019		102,686	2,702,270	31,426	792,080	3,628,462

The Group recognised lease liabilities as follows:

In thousands of Kazakhstani Tenge	31 December 2019	1 January 2019
Short-term lease liabilities	442,118	383,062
Long-term lease liabilities	2,699,632	3,152,234
Total lease liabilities	3,141,750	3,535,296

Interest expense included in finance costs of 2019 was Tenge 513,671 thousand.

Expenses relating to short-term leases are included in operating expense:

In thousands of Kazakhstani Tenge	2019
Expense relating to short-term leases	10,140,644
Expense relating to leases of low-value assets that are not shown above as short-term leases	-

The amount of Tenge 10,140,644 thousand includes lease of rail cars under the contract with KTZ Express JSC and Kaztemirtrans JSC of Tenge 10,093,839 thousand. These leases are concluded for one-year period. In subsequent years, the Company will enter into a new lease, in which the number of rail cars and rail cars themselves can be changed.

Total lease payments in 2019 was Tenge 893,282 thousand.

11 Intangible Assets

Movement of intangible assets for the year ended 31 December 2019 represents the following:

<i>In thousands of Kazakhstani Tenge</i>	Software	Other	Total
Cost			
1 January 2019	686,291	1,923	688,214
Additions	92,346	-	92,346
Disposals	(580)	-	(580)
At 31 December 2019	778,057	1,923	779,980
Accumulated amortization and impairment			
1 January 2019	(506,544)	(1,923)	(508,467)
Charge for the year	(98,667)	-	(98,667)
Disposals	510	-	510
At 31 December 2019	(604,701)	(1,923)	(606,624)
Carrying amount			
At 31 December 2019	173,356		173,356
At 1 January 2019	179,747	-	179,747

Movement of intangible assets for the year ended 31 December 2018 represents the following:

<i>In thousands of Kazakhstani Tenge</i>	Software	Other	Total
Cost			
1 January 2018	686,437	1,923	688,360
Additions	40	-	40
Disposals	(186)	-	(186)
At 31 December 2018	686,291	1,923	688,214
Accumulated amortization and impairment			
1 January 2018	(367,492)	(1,923)	(369,415)
Charge for the year	(139,238)	-	(139,238)
Disposals	186	-	186
At 31 December 2018	(506,544)	(1,923)	(508,467)
Carrying amount			
At 31 December 2018	179,747	-	179,747
At 1 January 2018	318,945	-	318,945

12 Other Non-current Assets

As at 31 December 2019, other non-current assets consist of the following:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
Advances given for capital repairs and purchase of property, plant and equipment	1,229,010	1,291,305
Loan given to employee	7,647	8,837
Less: provision for advances given	(1,229,010)	(1,229,010)
Total other non-current assets	7,647	71,132

The advances given for capital repairs and purchase of property, plant and equipment, including an advance given for the acquisition of fitting platforms for the amount of Tenge 1,229,010 thousand to OJSC Novozybkov Machine-Building Plant (the "NMBP") pursuant to the Contract dated 21 December 2017. This advance payment was insured in the insurance company, Kommesk-Omir JSC (the "Insurer"). During 2018 NMBP did not perform its contractual obligations. At 31 December 2018 the Group recognized provision for the total advance amount given to NMBP. The Group filed a claim against NMBP for the recovery of advance payment, forfeit and penalty. Upon consideration, the court of Astana city decided in favour of the Group for the amount of Tenge 2,340 million.

On 5 April 2019 the Group filed with the arbitration court of Bryansk Region to acknowledge and enforce the decision of the Astana city court in the Russian Federation. On 30 August 2019 the arbitration court satisfied the Group's claim.

At the same time, the Group several times demanded the Insurer to pay the insurance coverage which were consistently rejected by the Insurer. The Group sued to invalidate the Insurer's rejection to pay insurance coverage and to acknowledge the insurance event to be realised under the insurance policy. Under this claim, the Group passed all instances of courts and all decisions were granted in favour of the Group. Furthermore, since the court acknowledged the insurance event as realised, the Group filed with the Specialised Interdistrict Economic Court of Almaty for recovery of the insurance coverage from the Insurer. The action brought with the Specialised Interdistrict Economic Court of Almaty is expected to be completed in the first half of February 2020.

Meanwhile, in October 2019 the Insurer filed with the arbitration court against NMBP for invalidating the insurance policy. A series of court sessions was conducted under this case. On 4 February 2020, another session of the arbitration court of Bryansk Region was held for the Insurer's claim for invalidating the public liability insurance contract. The court demanded additional clarification of the civil legislation of the RoK. The next session is planned on 25 February 2020.

13 Investments

At 31 December 2019 investments are represented by 10% participation in the share capital of CJSC Transeurasia and amount to Tenge 2,330 thousand (31 December 2018: Tenge 2,330 thousand).

14 Inventories

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
Materials	1,164,352	1,096,030
Spare parts	77,117	62,810
Fuel	57,935	64,437
Goods purchased for resale	1,596	3,748
Other	58,885	37,122
Less: provision for slow-moving and obsolete inventories	(16,268)	(21,252)
Total inventories	1,343,617	1,242,895

14 Inventories (Continued)

Change in the provision for slow-moving and obsolete inventories for the year ended 31 December 2019 and 31 December 2018 is presented as follows:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
At 1 January	(21,252)	(21,694)
Charged for the year	(1,047)	-
Reversed	5,991	369
Written off	40	73
At 31 December	(16,268)	(21,252)

15 Trade Receivables

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Trade receivables	3,438,602	2,456,047
Allowance for doubtful accounts	(1,221,766)	(1,123,499)
Total trade receivables at 31 December	2,216,836	1,332,548

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales for previous 12 months. The credit loss allowance for trade receivables is determined according to provision matrix presented in the table below. The provision matrix is based the number of days that an asset is past due.

Trade receivables are written off in full or partially when the Group has practically applied all debt recovery measures and concluded that there are no reasonable grounds to expect a return of the debt. This is usually the case when the receivables are overdue for more than 360 days.

<i>In thousands of Kazakhstani Tenge</i>	Loss rate	Gross carrying amount	Lifetime ECL
Trade receivables			
- current	0.29%	462,509	(1,321)
- less than 30 days overdue	0.29%	1,252,576	(3,578)
- 30 to 60 days overdue	1.16%	107,869	(1,255)
- 60 to 90 days overdue	2.20%	106,160	(2,333)
- over 90 days overdue	4.45%-100%	1,509,488	(1,213,279)
Total trade receivables (gross carrying amount)		3,438,602	-
Credit loss allowance		-	(1,221,766)
Total trade receivables (carrying amount)		2,216,836	-

16 Advances Given

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
For provision of services	288,549	121,271
For purchase of goods	24,146	23,210
Less: provision for advances given	(24,502)	(56,346)
Total advances given	288,193	88,135

Change in the provision for advances given as at 31 December 2019 and 31 December 2018 is as follows:

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
At 1 January	(56,346)	(28,122)
Charged for the year	(8,217)	(40,877)
Reversed	40,061	152
Written-off at the previously created provision	-	12,501
At 31 December	(24,502)	(56,346)

17 Taxes Receivable

As at 31 December 2019 and 31 December 2018, taxes receivable included the following:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
Value added tax	355,935	265,142
Property tax	6,118	12,895
Land tax	3,097	3,104
Vehicles tax	1,682	1,416
Social tax	1,182	10,217
Personal income tax	263	262
Other	6,190	9,418
Total taxes receivable	374,467	302,454

18 Other Receivables

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
Other receivables	43,188	43,365
Less: allowance for doubtful accounts	(43,188)	(43,365)
Total financial assets within other receivables	-	-
Claims receivable	199,417	32,929
Deferred expense	57,497	58,965
Receivables from employees	53,469	55,362
Loans to employees	1,299	1,299
Other	6,069	29,399
Less: allowance for doubtful accounts	(65,269)	(62,884)
Total other receivables	252,482	115,070

15 Other Receivables (Continued)

Change in the allowance for doubtful accounts as at 31 December 2019 and 31 December 2018 is presented as follows:

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
At 1 January	(106,249)	(87,204)
Write-off at the previously created provision	-	22,733
Reversed	177	3,016
Charged for the year	(2,385)	(44,794)
At 31 December	(108,457)	(106,249)

19 Short-Term Financial Investments

At 31 December 2019 short-term financial investments of the Group were represented by the following deposits held with the Kazakhstani banks with an original maturity of more than three months but less than one year:

<i>In thousands of Kazakhstani Tenge</i>	Currency	Interest rate, %	Maturity	31 December 2019
Sberbank of Russia JSC SB	Tenge	7.5	19.09.2019 - 19.09.2020 r.	11,194
Total short-term financial investments				11,194

At 31 December 2018 short-term financial investments of the Group were represented by the following deposits held with the Kazakhstani banks with an original maturity of more than three months but less than one year:

<i>In thousands of Kazakhstani Tenge</i>	Currency	Interest rate, %	Maturity	31 December 2018
Sberbank of Russia JSC SB	Tenge	7.0	06.09.2018 - 05.03.2019	16,408
Total short-term financial investments				16,408

20 Cash and Cash Equivalents

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
Cash on bank accounts, US dollars	8,305,402	6,220,490
Cash on bank accounts, Tenge	714,420	902,789
Cash on bank accounts, Russian Roubles	507,871	2,474
Cash in transit	4,955	1,141
Cash on bank accounts, Chinese Yuan	1,942	171
Cash on hand	1,422	1,037
Cash on bank accounts, Belarus Roubles	258	19
Cash on bank accounts, Uzbek Sum	73	49
Credit loss allowance	(6,099)	(8,095)
Total cash and cash equivalents	9,530,244	7,120,075

20 Cash and Cash Equivalents (Continued)

At 31 December 2019 and 31 December 2018 the credit quality of cash and cash equivalents balances is summarised as follows:

In thousands of Kazakhstani Tenge	rating	2019		2018	
		Bank balances on demand	Term deposits	Bank balances on demand	Term deposits
Halyk Bank Kazakhstan JSC	BB+ Fitch Ratings	2,520,606	-	653,793	1,057,909
Alfa-Bank JSC SB	BB- Fitch Ratings	2,170,909	-	-	-
Altyn Bank JSC	BBB- Fitch Ratings	974,343	1,336,072	652,442	1,056,228
ForteBank JSC	B+ Standard&Poor's	949,027	1,346,518	-	-
Sberbank JSC SB	BBB- Fitch Ratings	234,912	-	2,013,383	-
Bank of China	A+ Fitch Ratings	1,942	-	171	-
Cash in hand	N/a	1,422	-	1,037	-
BTA Bank CJSC Brest Directorate BSC	B- Fitch ratings	307	-	2,463	-
TIF Milliy Banking Markazi	B Standard&Poor's	155	-	229	-
VTB Bank (Kazakhstan) JSC SB	B+ Standard&Poor's	130	-	1,690,501	-
Tsesnabank JSC	B- Standard&Poor's	-	-	15	-
Credit loss allowance		(668)	(5,431)	(815)	(7,280)
Total cash and cash equivalents		6,853,085	2,677,159	5,013,218	2,106,857

Interest rates on term deposits with Fortebank JSC and Altyn Bank were 0.3% and 0.4% per annum, respectively.

21 Non-Current Assets Classified as Held for Sale

In August 2018 the Group and Qazaq Banki JSC entered into the Settlement Agreement ("Agreement"), whereby the deposits payable from Qazaq Banki JSC to the Group are settled using immovable property (3 residential apartments, 3 parking spaces and 2 non-residential commercial premises) in Almaty city. On 7 August 2018 the Group registered its title to these facilities. According to this Agreement, the cost of transferred immovable property was Tenge 497,976 thousand. At the signing date of this Agreement, the deposits payable by Qazaq Banki JSC to the Company was Tenge 524,416 thousand. As at 31 December 2019 and 31 December 2018, the Company determined the market value of these assets which was Tenge 397,044 thousand and Tenge 470,050 thousand, respectively.

At 31 December 2019 and 31 December 2018 management classified assets received from Qazaq Banki JSC as non-current assets held for sale. Management of the Group approved the sales plan for these assets. In 2019, one residential apartment in Almaty city was sold.

22 Share Capital

As at 31 December 2019 and 31 December 2018, the authorized, issued and fully paid share capital of the Group included 1,255,242 shares with par value of Tenge 1,000 per each.

As at 31 December 2019 shares were allocated as follows:

Shareholder	Share, %	Number of shares	Thousand Tenge
Logistic System Management B.V. Private Limited LIA	100.00%	1,255,242	1,255,242
Total share capital	100.00%	1,255,242	1,255,242

22 Share Capital (Continued)

In 2019, dividends for 2017 were declared for the total amount of Tenge 4,145,813 thousand (2018: dividends for 2016 were declared for the total amount of Tenge 4,252,396 thousand).

23 Trade Payables

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
For services	491,790	587,564
For goods	431,327	97,710
For property, plant and equipment and intangible assets	77,619	203,649
Total trade payables	1,000,736	888,923

As at 31 December 2019 and 31 December 2018, trade payables were denominated in the following currencies:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
Tenge	725,183	544,883
US Dollars	268,667	339,787
Russian Roubles	6,098	3,503
Belarus Roubles	688	632
Uzbek Sums	100	118
Total trade payables	1,000,736	888,923

24 Contract Liabilities

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
Contract liabilities	453,147	1,051,708
Total contract liabilities	453,147	1,051,708

25 Taxes Payable

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
Personal income tax	22,203	28,863
Social tax	20,301	20,008
Others	3,086	1,803
Total taxes payable	45,590	50,674

26 Other Payables and Accrued Liabilities

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
Provision for bonuses	625,862	586,311
Provision for unused vacations	267,746	175,065
Payables to employees	258,750	231,455
Short-term warranty liabilities	198,566	149,752
Liabilities on other obligatory and voluntary payments	69,942	75,551
Provisions for legal claims	-	54,715
Other payables	4,010	5,969
Total other payables and accrued liabilities	1,424,876	1,278,818

27 Employee Benefit Obligations

On 19 October 2015 the Group signed the new Collective Employment Agreement with the Trade Union of the Company's employees. The new agreement stipulates payments on anniversaries, retirement payment and death payment for employee's relatives and retirees of the Company. The employee benefit obligations as a result of the new Collective Employment Agreement were estimated by the certified actuary engaged by the Company's management in the amount of Tenge 157,685 thousand as at 31 December 2019 (2018: Tenge 144,526 thousand).

Amounts recognised in the consolidated statement of financial position as at 31 December 2019 and 31 December 2018, respectively, in relation to defined benefit plans are as follows:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
Defined pension benefits obligations	68,048	58,009
Other long-term employee benefits	89,637	86,517
Total employee benefits	157,685	144,526

Changes in the present value of employee benefit obligations:

<i>In thousands of Kazakhstani Tenge</i>	Post-employment benefits	Other long-term employee benefits	Total
Present value of defined benefit obligations at 1 January 2018	50,195	69,721	119,916
Unwinding of discount	4,123	4,979	9,102
Benefits paid	(1,795)	(20,356)	(22,151)
Current service cost	8,491	9,776	18,267
Remeasurements	(3,005)	22,397	19,392
Present value of defined benefit obligations at 31 December 2018	58,009	86,517	144,526
Unwinding of discount	4,705	6,156	10,861
Benefits paid	(2,081)	(23,987)	(26,068)
Current service cost	8,156	9,137	17,293
Remeasurements	(741)	11,814	11,073
Present value of defined benefit obligations at 31 December 2019	68,048	89,637	157,685

The remeasurements of the post-employment benefits include the following:

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Experience based adjustments	6,958	(6,959)
Loss from revision of demographic actuarial assumptions	957	3,086
Loss from revision of financial actuarial assumptions	(8,656)	868
Total	(741)	(3,005)

The amount of actuarial gains on post-employment benefits for 2019 with tax effect is Tenge 593 thousand (2018: Tenge 2,404 thousand).

Critical actuarial assumptions at the reporting date are as follows:

<i>In percentage</i>	31 December 2019	31 December 2018
Discount rate at 31 December	8.29	8.26
Future salary increases	6.00	6.80
Average labour turnover rate of production personnel	5.76	7.06
Average labour turnover rate of administrative personnel	7.85	8.97

27 Employee Benefit Obligations (Continued)

The mortality rates used in calculating employee benefits at 31 December 2019 and 31 December 2018 were based on the official data of the Agency of Statistics of the Republic of Kazakhstan.

The sensitivity analysis for the defined benefit plan obligations to changes in key assumptions is as follows:

<i>In thousands of Kazakhstani Tenge</i>	Increase/(decrease) in defined pension plan obligations 2019	Increase/(decrease) in defined pension plan obligations 2018
<i>Discount rate</i>		
Increase by 3 percent	(3,579)	(3,207)
Decrease by 3 percent	3,740	3,349
<i>Future salary growth rates</i>		
Increase by 1.0 percent/2.0 percent of the average staff turnover rate	1,024	941
Decrease by 1.0 percent/1.6 percent of the average staff turnover rate	(898)	(819)
<i>Average staff turnover rate</i>		
Increase by 1.2 percent	(1,872)	(1,741)
Decrease by 1.2 percent	(1,938)	(1,802)
<i>Monthly calculation index</i>		
Increase by 4.0 percent	6,092	5,324
Decrease by 4.0 percent	(5,129)	(4,494)

28 Finance Lease Payables

<i>In thousands of Kazakhstani Tenge</i>	Minimum lease payments 2018	Present value of minimum lease payments 31 December 2018
During 1 year	132,547	112,593
From 2 to 6 years	119,626	112,593
Total lease payables	252,173	225,186
Less future financial payments	(26,987)	-
Present value of minimum lease liabilities	225,186	225,186
Less amount payable during 1 year	-	112,593
Amount payable after 1 year	-	112,593

29 Operating Income

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Transportation and forwarding services	32,583,459	26,149,061
Services for handling of railcars	22,590,211	19,190,878
Reloading and fastening of freights related to international carriage	10,926,514	10,268,151
Terminal services	2,587,829	2,059,895
Rent	618,889	542,399
Warehousing and storage	454,694	319,494
Other operating income	17,909	18,730
Total operating income	69,779,505	58,548,608

30 Operating Expenses

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Third party services related to principal activities	35,981,564	29,908,782
Rent	10,140,487	8,041,610
Payroll expenses	5,711,552	5,203,067
Works and services for freight transportation and handling	2,348,145	3,261,742
Depreciation and amortisation	1,386,228	986,043
Materials	1,308,631	1,098,353
Maintenance and repair	758,130	484,981
Taxes other than income tax	633,340	734,265
Consulting and information services	116,922	91,364
Provision for doubtful debts	47,714	73,504
Accrual/(reversal) of provision for impairment of property, plant and equipment	5,479	(1,767)
Reversal of credit loss allowance – cash	(1,996)	-
Impairment of financial assets	-	1,418,314
Impairment of other non-current assets	-	1,229,010
Reversal of provision for legal claims	(54,715)	(394)
Other	1,274,143	1,232,832
Total operating expenses	59,655,624	53,761,706

In 2018, due to reducing liquidity, Bank of Astana JSC and Qazaq Banki JSC were unable to transfer funds upon the Group's request. In 2018 the Group recognised impairment for Qazaq Banki JSC (Note 20) and Bank of Astana JSC (Note 9) totalling Tenge 1,410,219 thousand.

31 Finance Costs

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Interest expense on lease liabilities	513,671	-
Interest expense on finance lease liabilities	-	32,760
Total finance costs	513,671	32,760

32 Finance Income

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Interest income on deposits	36,037	63,508
Total finance income	36,037	63,508

33 Other Operating Income

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Income from fines and claims	230,523	65,221
Income from trust management of property	115,087	20,287
Gains/(losses) less gains /losses from revaluation of investment property	68,025	(220)
Income from accommodation	9,324	8,728
Reimbursement of expenses	2,518	19,113
Income from the results of stock take of property, plant and equipment	-	33,026
Gain on disposal of assets	-	27,503
Reversal of written-off payables	(2,072)	(116)
Other income	11,278	10,650
Total other operating income	434,683	184,192

34 Income Tax Expense

In 2019 and 2018, the income tax rate in the Republic of Kazakhstan where the Group operates was 20%.

The Group's income tax expense for 2019 and 2018 comprise:

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Current income tax expense	2,021,315	1,680,094
Deferred income tax benefit recognized in profit or loss	(44,139)	(76,320)
Total income tax expense	1,977,176	1,603,774

34 Income Tax Expense (Continued)

Movement of items, which give rise to the deferred income tax, was as follows:

<i>In thousands of Kazakhstani Tenge</i>	2017	Charged/ (credited) to profit or loss	Charged to other comprehen sive income	2018	Charged/ (credited) to profit or loss	Charged to other comprehen sive income	2019
Tax effect of deductible temporary differences							
Allowance for doubtful accounts	167,889	81,301	-	249,190	16,010	-	265,200
Employee benefit obligations	145,677	36,104	(601)	181,180	29,226	(148)	210,258
Provision for slow-moving and obsolete inventories	4,339	(89)	-	4,250	(996)	-	3,254
Taxes payable	13,267	(8,904)	-	4,363	315	-	4,678
Other	23,577	(12,634)	-	10,943	41,053	-	51,996
Total deferred tax asset	354,749	95,778	(601)	449,926	85,608	(148)	535,386
Tax effect of taxable temporary differences							
Property, plant and equipment	1,039,349	19,458	10,174	1,068,981	41,469	6,913	1,117,363
Gross deferred tax liability	1,039,349	19,458	10,174	1,068,981	41,469	6,913	1,117,363
Less offsetting with deferred tax assets	(354,749)	(95,778)	601	(449,926)	(85,608)	148	(535,386)
Total deferred tax liability	684,600	(76,320)	10,775	619,055	(44,139)	7,061	581,977

Below is the reconciliation of corporate income tax at 20% with the actual corporate income tax expense recognized in the consolidated statement of profit and loss and other comprehensive income of the Group:

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Profit before income tax	9,886,575	5,506,364
Tax at statutory rate of 20%	1,977,315	1,101,273
Adjustments for:		
Non-deductible expenses in determining taxable profit	29,317	7,763
Impairment of non-current financial assets	-	273,373
Impairment of advances given	-	251,427
Other	(29,456)	(30,062)
Total income tax expense	1,977,176	1,603,774

35 Contingencies and Commitments

Operating environment

The Group's principal activity is within the Republic of Kazakhstan. Laws and regulations affecting businesses operating in the Republic of Kazakhstan are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

Taxation and legal environment

Tax conditions in the Republic of Kazakhstan are subject to changes and inconsistent application and interpretation. Discrepancies in interpretation of Kazakhstan laws and regulations by the Group and Kazakhstani authorities may lead to accrual of additional taxes, penalties and interest.

Kazakhstani tax legislation and practice are in a state of continuous development and therefore are subject to varying interpretations and frequent changes, which may be retroactive. In some cases, for the purpose of determining the tax base, the tax legislation refers to IFRS provisions, at that the interpretation of relevant IFRS provisions by Kazakhstan tax authorities may differ from the accounting policies, judgements and assessments applied by management in preparation of these consolidated financial statements, which could lead to additional tax liabilities of the Group. Tax periods remain open to retroactive review by the tax authorities for five years.

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax position is justified. In the opinion of the Group's management, the Group will not incur significant losses on current and potential tax claims exceeding provisions formed in these consolidated financial statements.

Legal issues

The Group has been and continues to be the subject of legal proceedings and decisions from time to time which have not had, individually or in the aggregate, any significant impact on the Group.

Currently, one of the significant legal proceedings is pending on OJSC Novozybkov Machine-Building Plant and Kommesk Omir JSC (Note 12) and Astana Bank JSC (Note 9).

In 2019 the Group performed reversal of provisions for current liabilities in the amount of Tenge 54,715 thousand (2018: 394 thousand) due to the expiry of the limitation period. As at 31 December 2019 no provisions for legal claims were accrued (2018: Tenge 54,715 thousand). Management believes that the resolution of any other business matters will not have a material impact on the Group's financial position or performance.

At 31 December 2019, the Group has investment liabilities of Tenge 71,285 thousand (31 December 2018: Tenge 495,566 thousand). More than 50% of this amount is the agreement with SYAT KERUEN LLP for purchase of furniture and household appliances for the new dormitory for the branch needs at Dostyk station.

36 Related Party Transactions

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

As at 31 December 2019 and 31 December 2018, amounts due to related parties and amounts due from related parties, presented as part of trade accounts payable and trade accounts receivable, as well as transactions with related parties were as follows:

Cash and cash equivalents, short-term financial investments as of 31 December 2019 and 31 December 2018 are as follows:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
Cash at Sberbank JSC SB	234,912	2,013,383
Cash at VTB Bank (Kazakhstan) JSC SB	130	1,690,501
Short-term financial investments at Sberbank JSC SB	11,194	16,408

36 Related Party Transactions (Continued)

Receivables from related parties as at 31 December 2019 and 31 December 2018 included the following:

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Trade receivables from related parties	991,691	833,576
Credit loss allowance	(39,014)	(59,615)
Total trade receivables at 31 December	952,677	773,961

The credit loss allowance for trade receivables from related parties is determined according to provision matrix presented in the table below. The provision matrix is based on the number of days that an asset is past due:

<i>In % of gross value</i>	Loss rate	Gross carrying amount	Lifetime ECL
Trade receivables from related parties			
- less than 30 days overdue	0.29%	779,435	(2,227)
- 30 to 60 days overdue	1.16%	171,513	(1,995)
- 60 to 90 days overdue	2.20%	5,046	(111)
- over 90 days overdue	4.45%-100%	35,697	(34,681)
Total trade receivables from related parties (gross carrying amount)		991,691	
Credit loss allowance		-	(39,014)
Total trade receivables from related parties (carrying amount)		952,677	-

At 31 December 2018 the provision matrix is as follows:

<i>In % of gross value</i>	Loss rate	Gross carrying amount	Lifetime ECL
Trade receivables from related parties			
- less than 30 days overdue	0.15%	330,886	(510)
- 30 to 60 days overdue	0.01%	260,594	(27)
- 60 to 90 days overdue	0.79%	53,676	(425)
- over 90 days overdue	0.79%-100%	188,420	(58,653)
Total trade receivables from related parties (gross carrying amount)		833,576	-
Credit loss allowance		-	(59,615)
Total trade receivables from related parties (carrying amount)		773,961	-

36 Related Party Transactions (Continued)

The following table explains the changes in the credit loss allowance for trade receivables from related parties under simplified ECL model between the beginning and the end of the annual period. At 31 December 2019 the movements in credit loss allowance are as follows:

<i>In thousands of Kazakhstani Tenge</i>	Credit loss allowance	Total
Trade receivables		
Balance at 1 January 2019	(59,615)	(59,615)
New originated or purchased	(7,565)	(7,565)
Reversal	28,166	28,166
Total credit loss allowance charge in profit or loss for the year	20,601	20,601
Write-offs	-	-
Balance at 31 December 2019	(39,014)	(39,014)

At 31 December 2018 the movements in credit loss allowance for trade receivables from related parties are as follows:

<i>In thousands of Kazakhstani Tenge</i>	Credit loss allowance	Total
Trade receivables		
Balance at 1 January 2018	(81,214)	(81,214)
New originated or purchased	(52,408)	(52,408)
Reversal	59,041	59,041
Total credit loss allowance charge in profit or loss for the year	6,633	6,633
Write-offs	14,966	14,966
Balance at 31 December 2018	(59,615)	(59,615)

As at 31 December 2019 and 31 December 2018 trade receivables from related parties were denominated in the following currencies:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
Kazakhstani Tenge	952,677	771,291
Russian Rouble	-	2,664
US Dollars	-	6
Total trade receivables from related parties	952,677	773,961

Advances given to related parties at 31 December 2019 and 31 December 2018 were as follows:

<i>In Kazakhstani Tenge</i>	31 December 2019	31 December 2018
Advances given	1,542,124	2,281,868
Total advances given to related parties	1,542,124	2,281,868

36 Related Party Transactions (Continued)

Trade payables to related parties at 31 December 2019 and 31 December 2018 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2018	31 December 2017
Trade payables	243,931	360,608
Total trade payables to related parties	243,931	360,608

Contract liabilities to related parties as at 31 December 2019 and 31 December 2018 included the following:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
Contract liabilities	474,590	250,937
Total contract liabilities to related parties	474,590	250,937

As at 31 December 2019 and 31 December 2018 trade payables to related parties were denominated in the following currencies:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
Kazakhstani Tenge	232,521	349,977
US Dollars	9,024	-
Russian Rouble	2,386	10,631
Total trade payables to related parties	243,931	360,608

Company name	Trade receivables from related parties		Trade payables to related parties	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Related parties with significant balances				
PJSC TransContainer	221,303	441,802	482,695	117,021
RZhD Logistics OJSC	-	-	-	-
NC Kazakhstan Temir Zholy Freight Transportation JSC	1,269,231	1,839,853	-	224
KTZ Express	932,671	818,371	185,055	469,637
Kaztemirtrans JSC	70,041	12,360	16,647	-
National Company Kazakhstan Temir Zholy JSC	1,555	1,994	3,669	2,685
Passenger Transportation JSC	-	-	-	-
Military Railway Security JSC	-	-	14,767	12,685
Kaztransservice JSC	-	-	-	-
Other	39,014	1,064	15,688	9,293
Total related parties with significant balances	2,533,815	3,115,444	718,521	611,545
Allowance for doubtful accounts	(39,014)	(59,615)	-	-
Total trade receivables from and payables to related parties	2,494,801	3,055,829	718,521	611,545

36 Related Party Transactions (Continued)

The income and expense items with related parties for 2019 and 2018 were as follows:

Company name	Types of revenue	Revenue	
		2019	2018
PJSC TransContainer	transport and forwarding services	20,112,551	19,494,544
	handling of railcars	276	553
	other	2,422	2,503
	handling of railcars	4,035,103	7,484,046
KTZ Express	transport and forwarding services	3,592,563	237,729
	terminal services	2,039,894	2,167,660
	rent	4,298	6,848
	other	72	13
NC Kazakhstan Temir Zholy Freight Transportation JSC	terminal services	105,377	61,757
	rent	796	1,044
	terminal services	36,661	-
	transport and forwarding services	7,195	-
Kaztemirtrans JSC	handling of railcars	128	390
OTLK Project Office JSC	terminal services	38,052	-
National Company Kazakhstan Temir Zholy JSC	rent	1,504	2,350
Military Railway Security JSC	transport and forwarding services	-	331
Other	rent	84,423	72,954
Total revenue – related parties		30,061,315	29,532,722

Company name	Types of expense	Expense	
		2019	2018
PJSC TransContainer	transport and forwarding services	651,644	702,493
	handling of railcars	381,751	461,936
	handling of railcars	380,500	472,434
	transport and forwarding services	3,823,055	3,664,790
KTZ Express	terminal services	19,727	321,852
	rent	-	9,267
	terminal services	1,090,652	831,892
	transport and forwarding services	21,141,110	17,855,018
NC Kazakhstan Temir Zholy Freight Transportation JSC	handling of railcars	3,860,037	3,578,349
	terminal services	49,500	-
	transport and forwarding services	135,337	-
	handling of railcars	9,762,354	6,860,559
Kaztemirtrans JSC	rent	-	4,422
National Company Kazakhstan Temir Zholy JSC	transport and forwarding services	29,969	32,590
Military Railway Security JSC	terminal services	138,113	168,035
	terminal services	140,576	98,181
	handling of railcars	191	196
Other	rent	12,389	-
Total expense – related parties		41,616,905	35,062,014

Sales to related parties, purchases from related parties are made at market prices. Outstanding balances at year-end are unsecured, interest free and payments are made in cash or by offsetting. There were no guarantees given or received on any receivables and payables to related parties.

36 Related Party Transactions (Continued)

Compensation of key management personnel of the Group

Key management personnel consist of the President, Vice-Presidents, President Advisors, Executive Directors, Chief Engineer, Chief Accountant and members of the Group's Board of Directors, in total 25 persons at 31 December 2019 (31 December 2018: 28 persons). Compensation of key management personnel for 2019 and 2018 is presented as follows:

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Salaries and bonuses	499,531	511,164
Social tax	43,719	46,658
Pension contributions	23,756	20,630
Social contributions	1,867	1,732
Total compensation of key management personnel	568,873	580,184

37 Financial Instruments, Objectives and Financial Risk Management Policy

The risk management function within the Group is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

Credit risk

The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets. Credit risk is associated mainly with the Group trade and other receivables, trade receivables from related parties, cash and cash equivalents, short-term financial investments.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position.

Expected credit loss (ECL) measurement. ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the commitment amounts to an on-balance sheet exposure within a defined period. PD is an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's *lifetime period*. The *lifetime period* is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit.

Management models *Lifetime ECL*, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL*, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

37 Financial Instruments, Objectives and Financial Risk Management Policy (Continued)

The ECLs that are estimated by management for the purposes of these consolidated financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. Thus, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

For purposes of measuring PD, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- international rating agencies have classified the borrower in the default rating class;
- the borrower meets the unlikelihood-to-pay criteria listed below:
 - the borrower is deceased;
 - the borrower is insolvent;
 - the borrower is in breach of financial covenant(s);
 - it is becoming likely that the borrower will enter bankruptcy; and
 - the loans were purchased or originated at a deep discount that reflects the incurred credit losses.

For purposes of disclosure, the Group fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Group.

The Group considers a financial instrument to have experienced a significant increase in credit risk (SICR) in the event of 365 days overdue.

The level of ECL that is recognised in these consolidated financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Group monitors whether that indicator continues to exist or has changed.

ECL for POCI financial assets is always measured on a lifetime basis. The Group therefore only recognises the cumulative changes in lifetime expected credit losses.

The Group has three approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio; and (iii) assessment based on external ratings. The Group performs an assessment on an individual basis for the following types of financial assets: financial assets with unique credit risk characteristics, individually significant financial assets and impaired financial assets. The Group performs an assessment on a portfolio basis for the following types of financial assets: trade receivables and trade receivables from related parties. This approach stratifies the loan pool into homogeneous segments based on borrower-specific information, such as delinquency status, the historical data on losses, location and other predictive information.

37 Financial Instruments, Objectives and Financial Risk Management Policy (Continued)

Receivables are classified either within stage 2 or stage 3:

- Stage 2 includes receivables, for which a simplified approach was applied to measure expected credit losses during the loan period, except for certain trade receivables classified in Stage 3,
- Stage 3 includes receivables overdue by more than 90 days or individually determined to be impaired.

The Group performs assessments based on external ratings for cash and cash equivalents and short-term financial investments.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future quarter during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The key principles of calculating the credit risk parameters. The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation. For revolving products, the EAD is predicted by taking the current drawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument. The Group uses different statistical approaches depending on the segment and product type to calculate lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrixes, developing lifetime PD curves based on the historical default data, hazard rate approach or other.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of the claim, and the availability of collateral or other credit support. The 12-month and lifetime LGDs are determined based on the factors that impact the expected recoveries after a default event. The approach to LGD measurement can be divided into three possible approaches:

- measurement of LGD based on the specific characteristics of the collateral;
- calculation of LGD on a portfolio basis based on recovery statistics; or
- individually defined LGD depending on different factors and scenarios.

The Group calculates LGD based on specific characteristics of the collateral, such as projected collateral values, historical discounts on sales and other factors for loans secured by real estate, cash and liquid securities. LGD is calculated on a collective basis based on the latest available recovery statistics for the remainder of the corporate loan portfolio and for retail secured and unsecured products.

Principles of assessment based on external ratings

Certain exposures have external credit risk ratings and these are used to estimate credit risk parameters PD and LGD from the default and recovery statistics published by the respective rating agencies. This approach is applied to government and blue-chip corporate bonds exposures.

Capital deficit risk management

The Group manages its capital deficit risk to ensure that the Group will continue to work as a going concern with maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group comprises share capital, retained earnings, as presented in the consolidated statement of changes in equity.

37 Financial Instruments, Objectives and Financial Risk Management Policy (Continued)

Currency risk

Short-term and long-term payables of the Group denominated in US Dollars are accounted for in Tenge. Devaluation of Tenge against the US Dollar may cause an increase in the Group's expenses due to growth of the exchange rate.

In respect of foreign currency risk, management sets limits on the level of risk for each currency and in total. The table below shows the Group's foreign exchange rate risk at the end of the reporting period.

Sensitivity analysis in relation to foreign currency

Sensitivity risk in relation to the foreign currency was that consolidated financial results of the Group depend on changes in exchange rates to which the Group is exposed. The Group operates mainly in the territory of the Republic of Kazakhstan.

The following table reflects the Group's sensitivity to a 10% increase and decrease in the value of the Tenge against USD and Russian Rouble. This proportion of sensitivity used in the preparation of internal reporting on foreign currency risk internally for key management and represents management's assessment of reasonably possible changes in exchange rates. The sensitivity analysis includes only outstanding cash positions in foreign currency and adjusts their translation at the end of the period, taking into account a 10% change in Tenge/USD exchange rate and 5% change in Tenge/ Russian Rouble exchange rate (2018: 15%). The table below shows the change of financial assets by strengthening of Tenge by 10% against USD and by 5% against Russian Rouble (2018: 15%). A positive number indicates an increase in pre-tax profit for the reporting period and negative - a decrease in pre-tax profit. When Tenge is weakening against the relevant currency the same and opposite impact on the pre-tax profit will be demonstrated.

	US Dollar effect	
	2019	2018
Financial assets	892,171	997,337
Financial liabilities	(27,769)	(50,968)

	Russian Rouble effect	
	2019	2018
Financial assets	52,691	1,526
Financial liabilities	(848)	(707)

It mainly relates to cash denominated in US Dollars at the reporting date.

Carrying value of financial assets and financial liabilities in foreign currency at 31 December was as follows:

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Financial assets		
US Dollars	8,921,708	6,648,916
Russian Roubles	526,910	30,526
Financial liabilities		
US Dollars	(277,691)	(339,787)
Russian Roubles	(8,484)	(14,133)

Credit risk

Credit risk arising from the counterparties' default on the terms of contracts with the Group's financial instruments are usually limited to the amounts, if any, for which the value of the counterparty's obligations exceed the obligations of the Group to these counterparties. The Group's policy provides operations with financial instruments with a number of creditworthy counterparties. The maximum exposure to credit risk is equal to the carrying amount of each financial asset. The Group considers that its maximum risk is equal to the total of its trade receivables (Note 15), other receivables (Note 18) and receivables from related parties (Note 36) net of allowance for doubtful accounts, recorded at the reporting date.

37 Financial Instruments, Objectives and Financial Risk Management Policy (Continued)

Concentration of credit risk may arise if there are several outstanding amounts from one debtor or group of debtors with similar conditions of activity in respect of which there is a reason to expect that changes in economic conditions or other circumstances may equally affect their ability to fulfil their obligations.

The Group has a policy providing continuous monitoring to ensure that transactions would be concluded with customers having an adequate credit history and would not exceed the credit limits. Due to the fact that the obligations of counterparties are mainly represented by liabilities from related parties, the Group believes that these obligations will be repaid on demand.

The Group does not act as a guarantor for liabilities of third parties.

Market risk

Market risk is the possibility of fluctuations in the value of a financial instrument as a result of changes in market prices. Due to the fact that the Group holds a dominant position on the market, the risk of possible fluctuations in the value of a financial instrument as a result of changes in market prices is unlikely.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the shareholders of the Group, who created the necessary liquidity risk management framework for the management of the Group for managing liquidity requirements of short, medium and long-term financing. The Group manages liquidity risk by maintaining adequate reserves, banking loans and available credit lines, by continuously monitoring of forecasted and actual cash flows and comparing the maturity profiles of financial assets and liabilities.

Liquidity risk tables

The following tables reflect the contractual terms of the Group for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes cash flows both on interest and principal payments.

	Weighted average effective rate	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
31 December 2019							
Trade and other payables	-	880,363	65,700	54,673	-	-	1,000,736
Trade payables to related parties	-	49,952	193,815	-	164	-	243,931
Lease liabilities	15.3%	71,552	167,005	644,016	3,737,788	346,973	4,967,334
Total financial liabilities		1,001,867	426,520	698,688	3,737,952	346,973	6,212,001

	Weighted average effective rate	Less than 1 month	1-3 months	3-12 months	1-5 years	Total
31 December 2018						
Trade and other payables	-	735,587	92,297	26,211	34,828	888,923
Trade payables to related parties	-	88,019	201,104	71,321	164	360,608
Finance lease liabilities	11.5%	11,582	34,002	86,964	119,625	252,173
Total financial liabilities		835,188	327,403	184,496	154,617	1,501,704

37 Financial Instruments, Objectives and Financial Risk Management Policy (Continued)

Fair value of financial instruments

Fair value measurements are analysed and classified by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy.

If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of financial assets of the Company carried at amortised cost approximate fair values due to their short-term maturities.

Financial liabilities carried at amortised cost

Fair value of financial liabilities is determined using appraisal methods. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities redeemable on demand or redeemable on prior notice ("liabilities redeemable on demand") is calculated as the amount payable on demand discounted starting from the first date of potential demand to repay the liability. Carrying amounts of financial liabilities of the Group carried at amortised cost approximate fair values due to their short-term maturities.

38 Accounting Policies before 1 January 2019

Accounting policies applicable to the comparative period ended 31 December 2018 that were amended by IFRS 16.

Finance lease

Lease contracts according to which all risks and rewards are transferred are classified as finance lease contracts. All other contracts are classified as operational lease contracts.

Assets leased under finance leases are initially recognized at the lower of fair value of the leased property at the commencement date and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant interest rate on the balance of the liability. Finance costs are recognized in profit or loss, unless they are directly attributable to qualifying assets. In the latter case, they are capitalized in accordance with the Group's general policy on borrowing costs.

Rent payments due to future events are expensed as incurred.

Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.