MUNAITAS

North-West Pipeline Company MunaiTas JSC

Financial statements for the year ended 31 December 2017

NORTH-WEST PIPELINE COMPANY MUNAITAS JSC

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NORTH-WEST PIPELINE COMPANY MUNAITAS JSC

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Management is responsible for preparation of the financial statements in all material repsect the financial position of North-West Pipeline Company MunaiTas JSC (the "Company") as of 31 December 2017, and its financial performance, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

- properly selecting and applying 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 specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions impacting Company's financial position and financial performance;
- making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

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

These financial statements of the Company for the year ended 31 December 2017 was approved by management on 31 January 2018.

Signed on behalf of the management:

Halimov M.K.
General Director

31 January 2018
Almaty, Republic of Kazakhstan

Koshkarova A.A.
Chief Accountant

31 Januray 2018
Almaty, Republic of Kazakhstan

Independent Auditor's Report

To the Shareholders and Board of Directors of JSC "North-West Pipeline Company MunaiTas"

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of JSC "North-West Pipeline Company MunaiTas" (the "Company") as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year ended;
- the statement of cash flows for the year then ended; and
- the notes to the 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 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 Company 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.

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report (continued)

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

31 January 2018

Almaty, Kazakhstan

Approved by:

Dana Inkarbekova

Managing Director of PricewaterhouseCoopers LLP

(General State License of the Ministry of Finance of the Republic of Kazakhstan №0000005 dated 21 October 1999)

Signed by:

Baurzhan Burkhanbekov

Auditor in charge

(Qualified Auditor's Certificate of the Republic of Kazakhstan №00000586 dated 30 October 2006)

NORTH-WEST PIPELINE COMPANY MUNAITAS JSC

STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2017
(in thousands of Kazakhstani Tenge)

	Notes	31 December 2017	31 December 2016
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	25,213,811	26,126,977
Intangible assets		24,369	28,067
Other non-current assets		315,182	246,815
Total non-current assets		**25,553,362**	**26,401,859**
CURRENT ASSETS			
Inventories		94,960	42,468
Trade receivables		167	9,948
Corporate income tax prepaid		605,655	239,804
Other current assets		67,573	35,152
Cash and cash equivalents	7	15,079,073	11,061,689
Total current assets		**15,847,428**	**11,389,061**
TOTAL ASSETS		**41,400,790**	**37,790,920**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	48,600	48,600
Retained earnings		24,808,791	20,866,342
Revaluation reserve	9	9,270,792	9,924,780
Total equity		**34,128,183**	**30,839,722**
NON-CURRENT LIABILITIES			
Provision for asset retirement obligation	10	1,175,043	1,001,634
Deferred tax liability	17	4,196,805	4,564,293
Total non-current liabilities		**5,371,848**	**5,565,927**
CURRENT LIABILITIES			
Trade payables	11	776,768	197,022
Advances received	12	835,743	855,920
Value added tax payable		52,456	142,366
Other current liabilities		235,792	189,963
Total current liabilities		**1,900,759**	**1,385,271**
TOTAL EQUITY AND LIABILITIES		**41,400,790**	**37,790,920**

Signed on behalf of the management:

Halimov M.K.
General Director

31 January 2018
Almaty, Republic of Kazakhstan

Koshkarova A.A.
Chief Accountant

31 January 2018
Almaty, Republic of Kazakhstan

The notes set out on pages 9-35 form an integral part of these financial statements.

NORTH-WEST PIPELINE COMPANY MUNAITAS JSC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

(in thousands of Kazakhstani Tenge)

	Notes	2017	2016
REVENUE	13	8,476,691	10,896,411
COST OF SERVICES	14	(4,409,853)	(4,879,312)
GROSS PROFIT		**4,066,838**	**6,017,099**
General and administrative expenses	15	(883,033)	(869,194)
Income from revaluation of property, plant and equipment		-	193,576
Expense from revaluation of property, plant and equipment		-	(54,413)
Expenses on impairment of assets		-	(292,792)
Other income, net		12,011	9,303
OPERATING PROFIT		**3,195,816**	**5,003,579**
Finance costs		(86,641)	(84,849)
Finance income	16	1,094,235	899,679
Foreign exchange loss, net		(293)	(23,143)
PROFIT BEFORE TAX		**4,203,117**	**5,795,266**
Income tax expense	17	(845,242)	(1,213,960)
PROFIT FOR THE YEAR		**3,357,875**	**4,581,306**
OTHER COMPREHENSIVE (EXPENSE)/INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Net profit on revaluation of property, plant and equipment		-	2,180,027
(Loss)/gain from change in estimates for asset retirement obligations	10	(86,768)	175,233
Income tax benefit/(expense)	17	17,354	(471,053)
OTHER COMPREHENSIVE (LOSS)/INCOME AFTER INCOME TAX		(69,414)	1,884,207
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,288,461**	**6,465,513**

Signed on behalf of the management:

Halimov M.K.
General Director

31 January 2018
Almaty, Republic of Kazakhstan

Koshkarova A.A.
Chief Accountant

31 January 2018
Almaty, Republic of Kazakhstan

The notes set out on pages 9-35 form an integral part of these financial statements.

NORTH-WEST PIPELINE COMPANY MUNAITAS JSC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017
(in thousands of Kazakhstani Tenge)

	Share capital	Revaluation reserve	Retained earnings	Total equity
Balance at 1 January 2016	**48,600**	**8,556,588**	**18,685,021**	**27,290,209**
Profit for the year	-	-	4,581,306	4,581,306
Other comprehensive income for the year	-	1,884,207	-	1,884,207
Revaluation reserve utilised less tax	-	(516,015)	516,015	-
Dividends to shareholders	-	-	(2,916,000)	(2,916,000)
Balance at 31 December 2016	**48,600**	**9,924,780**	**20,866,342**	**30,839,722**
Profit for the year	-	-	3,357,875	3,357,875
Other comprehensive expense for the year	-	(69,414)	-	(69,414)
Revaluation reserve utilised less tax	-	(584,574)	584,574	-
Balance at 31 December 2017	**48,600**	**9,270,792**	**24,808,791**	**34,128,183**

Signed on behalf of the management:

Halimov M.K.
General Director

31 January 2018
Almaty, Republic of Kazakhstan

Koshkarova A.A.
Chief Accountant

31 January 2018
Almaty, Republic of Kazakhstan

The notes set out on pages 9-35 form an integral part of these financial statements.

NORTH-WEST PIPELINE COMPANY MUNAITAS JSC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017
(in thousands of Kazakhstani Tenge)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the period before tax		4,203,117	5,795,266
Adjustments for:			
Depreciation and amortisation	14, 15	1,875,654	2,038,916
Income from revaluation of property, plant and equipment		-	(193,576)
Expense from revaluation of property, plant and equipment		-	54,413
Impairment loss		-	292,792
Provision for inventories		-	22,446
Finance income		(1,094,235)	(899,679)
Finance costs		86,641	84,849
Loss from disposal of property, plant and equipment		448	
Foreign exchange loss, net		293	23,143
Cash flows from operating activities before changes in working capital		5,071,918	7,218,570
Change in trade receivables		9,781	19,007
Change in inventories		(7,601)	(22,505)
Change in other current assets		(25,693)	68,243
Change in VAT payable		(89,910)	(12,609)
Change in trade payables		389,660	57,277
Change in advances received		(20,177)	94,996
Change in other current liabilities		45,829	61,773
Cash flows from operating activities		5,373,807	7,484,752
Income tax paid		(1,398,008)	(1,772,214)
Interest income received on short term deposits		924,286	-
Net cash generated from operating activities		**4,900,085**	**5,712,538**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment and intangible assets		(882,408)	(983,681)
Placement of short-term bank deposits		-	(6,196,542)
Withdrawal of short-term bank deposits		-	13,750,668
Income from deposits		-	767,150
Other		-	(105,986)
Net cash (used in)/generated from investing activities		**(882,408)**	**7,231,609**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Paid dividends		-	(2,916,000)
Net cash used in financing activities		**-**	**(2,916,000)**
Effect of change in foreign exchange on cash and cash equivalents		(293)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,017,384**	**10,028,147**
CASH AND CASH EQUIVALENTS, at the beginning of the year	7	11,061,689	1,033,542
CASH AND CASH EQUIVALENTS, at the end of the year	7	**15,079,073**	**11,061,689**

Signed on behalf of the management:

Halimov M.K.
General Director

31 January 2018
Almaty, Republic of Kazakhstan

Koshkarova A.A.
Chief Accountant

31 January 2018
Almaty, Republic of Kazakhstan

The notes set out on pages 9-35 form an integral part of these financial statements.

1. NATURE OF ACTIVITY

North-West Pipeline Company Munaitas JSC (the "Company") was incorporated on 11 December 2001 in accordance with the legislation of the Republic of Kazakhstan. The Company is a joint venture of KazTransOil JSC (the "KazTransOil"), a subsidiary of National Company KazMunaiGas JSC (the "KazMunaiGas") and CNPC Exploration and Development Company Ltd. (the "CNPC E&D"), a subsidiary of CNPC, owning 51% and 49% shares in the share capital, respectively. KazTransOil and CNPC E&D jointly control the Company on an equal basis in accordance with the constituent documents. NWF Samruk-Kazyna JSC, which is owned by the Government of the Republic of Kazakhstan, ultimately controls KazTransOil and the ultimate controlling party of CNPC E&D is CNPC, a state company of China.

The Company was founded to construct and operate the oil pipeline Kenkiyak (Aktobe oblast) – Atyrau (Atyrau oblast) located in the West Kazakhstan. On 18 June 2004 the Company put the pipeline into operation. The Company is considered as a monopolist and, accordingly, is subject to be governed by the Committee of the Republic of Kazakhstan on regulation of natural monopolies (the "Committee"). The Committee approves tariff rates, which are based on return of capital for assets used. During the year ended 31 of December 2017, Company transported 3,663 thousand tons of oil (year ended 31 of December 2016 – 4,620 thousand tons).

The Company's registered address is 109B, Abay av., 10th floor, Almaty, Republic of Kazakhstan.

At the Extraordinary Meeting of the Shareholders (Minutes of meeting #3-2017 dated 30 December 2017) a decision was made for voluntarily reorganization of the Company by converting it into a limited partnership "MunaiTas".

2. FINANCIAL STATEMENTS PRESENTATION

Basis for financial statement preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company's financial statements are prepared under the historical cost convention, as modified by the valuation of financial instruments and revaluation of property, plant and equipment. The principal accounting policies applied in the preparation of these financial statements are set out below in Note 4. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to new and revised standards adopted by the Company in Note 3).

Use of estimates and assumptions

Preparation of the financial statements in accordance with IFRS assumes that the management makes the estimates and assumptions that affect the assets and liabilities recognised in the financial statements and income and expenses and disclosure of contingent assets and liabilities during the subsequent financial period. 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 uses professional judgements and estimates in the process of applying the accounting policies. Due to uncertainty specific to such estimates, actual results reflected in future accounting periods might be based on amounts, which differ from these estimates. Important accounting estimates and professional judgements are presented in Note 5.

Functional and presentation currency

The functional and presentation currency of the Company, which reflects the Company's operations economic nature, is Kazakhstani Tenge ("tenge"). All amounts in these financial statements are presented in thousands of Tenge, unless otherwise stated.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The following amendments to standards became effective for the Company from 1 January 2017, but did not have any material impact on the Company:

- Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Annual Improvements to IFRSs 2014-2016 cycle - amendments to IFRS 12 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2018 or later, and which the Company has not early adopted.

- IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018).

  Based on an analysis of the Company's financial assets and financial liabilities as at 31 December 2017 and on the basis of the facts and circumstances that exist at that date, the management of the Company is not expecting a significant impact on its financial statements from the adoption of the new standard on 1 January 2018.

- IFRS 16 "Leases" (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019).

- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018).

- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).

  In accordance with the transition provisions in IFRS 15 the Company has elected simplified transition method with the effect of transition to be recognised as at 1 January 2018 in the financial statements for the year ended 31 December 2018, which will be the first year when the Company will apply IFRS 15. The Company plans to apply the practical expedient available for simplified transition method.

  Based on the analysis of the Company's revenue streams for the year ended 31 December 2017, individual contracts' terms and on the basis of the facts and circumstances that exist at that date, in view of simplified transition method application, the management of the Company is not expecting significant impact on its financial statements from the adoption of the new standard on 1 January 2018.

  Thus, management is not expecting implementation of any corrections regarding amounts, which will be shown in statement of financial position as of 1 January 2018, on the date of first adoption of IFRS 15 by Company in financial statements for the year ended 31 December 2018.

The following standards and interpretations are not expected to have any material impact on the Company's 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).
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Transfers to or from investment property – Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).

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

4. SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment

Property, plant and equipment, except for construction in progress, after recognition as asset are carried at revaluation cost less accumulated depreciation and provision for impairment, where required.

Property, plant and equipment are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that, which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for property, plant and equipment included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset or as the asset is used by the Company; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

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 Company 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 to sell 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 to the extent it exceeds the previous revaluation surplus in equity. 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 to sell.

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 within other operating income or costs.

Depreciation

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their revalued amounts to their residual values over their estimated useful lives:

	Useful lives (in years)
Buildings and constructions	5-50
Oil pipeline	15-30
Machinery and equipment	3-30
Other	2-12

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets

The Company's intangible assets have definite useful lives and primarily include capitalised computer software and licences.

Intangible assets are recorded at purchase cost and amortised using the straight-line method over their estimated economic useful lives from two to seven years. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory on release to production or other disposal is determined on the first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Financial instruments

Depending on their classification, financial instruments are carried at fair value or amortised cost as described below.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

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 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 write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to 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 related items in the statement of financial position.

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 net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest re-pricing 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities

(i) Classification of financial assets

Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

The Company's financial assets are represented by "loans and receivables" category and include restricted cash, trade and other financial receivables and cash and cash equivalents (Note 7).

(ii) Classification of financial liabilities

Financial liabilities have the following measurement categories: (a) held for trading which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost.

The Company's financial liabilities are represented by "other financial liabilities" category and include trade payables.

(iii) Initial recognition of financial instruments

Trading investments, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus 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.

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 Company 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 instruments included to "receivables" and "other financial liabilities" categories are subsequently carried at amortised cost using the effective interest rate method.

(iv) Derecognition of financial assets

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control over such financial assets.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting

Financial assets and liabilities are offset and the net amount reported in the 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.

Trade receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Company determines that, no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Company considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

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 amortised cost using the effective interest method.

Value added tax

Value added tax ("VAT") related to sales is payable to tax authorities when goods are shipped or services are rendered. Input VAT is reclaimable against output VAT upon receipt of a tax invoice from a supplier. The tax legislation permits the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases, which have not been settled at the statement of financial position date is recognised in the statement of financial position on a net basis.

Trade payables

Trade payables are accrued when the counterparty has performed its obligations under the contract. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Advances received are stated at actual amounts received from third parties.

Provisions for liabilities and charges

Provisions for liabilities and charges are recognised when the Company has a present obligation (legal or constructive) as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be insignificant.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Income tax

Income taxes have been provided for in the financial statements in accordance with Kazakhstani legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in the statement of comprehensive income unless it relates to transactions that are recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than income tax are recorded within operating expenses.

Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions

The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions of Company were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than income tax are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Foreign currency transactions

The Company's monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into tenge at the official exchange rate of the JSC "Kazakhstan Stock Exchange"(KASE) at the reporting date. Foreign currency transactions are accounted for using the exchange rate of the JSC "Kazakhstan Stock Exchange" (KASE) at the dates of transactions. Foreign exchange gains and losses arising as of the settlement date on these transactions, as well as resulting from the restatement of monetary assets and liabilities denominated in foreign currency are recorded within profit and loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As of 31 December 2017 the official exchange rate used for revaluating foreign currency balances was 332.33 tenge for USD 1 (31 December 2016: 333.29 tenge for USD 1). Exchange restrictions and currency controls exist relating to converting tenge into other currencies. Currently, tenge is not freely convertible in most countries outside of the Republic of Kazakhstan.

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 recorded as share premium in equity.

Dividends

Dividends are recorded as a liability and deducted from equity at the end of reporting period only if they are declared before or on the end of reporting period. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably. Revenue from oil transportation services is recognized, when oil is supplied through the oil pipeline. Revenue is shown net of VAT and is measured at fair value of the consideration received or receivable. Revenue is determined based on tariffs for the services of oil delivery through oil pipelines in the internal market approved by the Committee, and based on export tariffs approved by Company's shareholders.

Employee benefits

Wages, salaries, contributions to pension funds, paid annual leave and sick leave, bonuses, and other benefits are accrued in the year in which the associated services are rendered by the employees of the Company.

In accordance with the legal requirements of the Republic of Kazakhstan, the Company withholds pension contributions from employees' salaries and transfers them into state pension fund. As pension contributions transferred, the Company does not have further pension obligations. Upon retirement of employees, all pension payments are administered by such pension fund directly.

Oil for filling pipeline

In order to realize permanent process of oil extracting and according to technical agreement on intake, transportation and oil custody to related contract on providing service for transportation of oil, main oil pipeline "Kenkiyak-Atyrau" is fulfilled by oil of service consumers of Company. The Company bears full responsibility for the safety of this oil and will return it to owners, if pipeline is decommissioned or at the end of validity periods of transportation contracts. The Company does not record an asset or liability on this filled oil as of reporting date.

Positive or negative unbalance

According to the Preliminary national standard of the Republic of Kazakhstan "Main oil pipelines. The Instruction for the calculation of oil »PST RK 43-2015, the Company on a monthly basis conducts an inventory of oil by mass in the oil pipeline. The weight of oil in the linear part of the oil pipeline is determined by the product of the oil volume in the pipeline at the values of the average density, using the temperature and pressure factors (hereinafter referred to as "inventory data").

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The calculation is made for individual sites of technological oil pipeline; results obtained are summed and rounded up to a whole number.

In addition, the Company on monthly basis estimates transportation volumes for the current month with consignors (the "estimates"). This estimate contains information in metric tons on oil balance as of month beginning, oil receipt and delivery volume, oil losses and balance as of month end.

Any difference between estimates for a month and inventory data forms positive or negative oil unbalance.

The Company does not recognise positive unbalance in financial statements. Negative unbalance accounted for in accordance with IFRS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Related parties

Related parties include the Company's shareholders, key management personnel and entities wherein the shareholders or key management personnel of the Company have an interest that ensures significant influence on such entities.

5. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Company makes estimates and assumptions that affect the amounts recognised in the 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 financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Useful life of property, plant and equipment

Assessment of useful lives of property, plant and equipment is subject to judgement based on the management's experience of using similar assets. Future economic benefits from assets are mainly gained through their usage. Nevertheless, other factors such as technical and commercial obsolescence and wear and tear often lead to decrease of economic benefits to be derived from the assets. Management assesses the remaining useful life of the assets based on their current technical conditions and expected period during which these assets will bring such benefits to the Company. The following key factors should be considered: (a) expected use of assets; (b) estimated wear and tear, which depends on operational factors and operational programs; (c) technical and commercial obsolescence as a result of changes in market conditions.

Revaluation of property, plant and equipment

The Company's property, plant and equipment are carried at fair value based on reports provided by an independent appraisal company having appropriate professional qualification and recent experience in the valuation of similar property within similar territory, the "Kazakhstan Business Service Company", as at 31 July 2016. Fair value was determined in accordance with effective legislation of the Republic of Kazakhstan, Valuation Standards of International Valuation Standards Committee.

5. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Due to specifics of property, plant and equipment, their fair value is assessed based on different valuation approaches, which are most suitable in each case.

Thus, following methods were selected to estimate fair value:

- Land plots – residual replacement cost method;
- Buildings and constructions – depreciated replacement cost method;
- Special property (property, for which there is no or limited active market) – depreciated replacement cost method;
- Assets having secondary market (vehicles, office equipment, furniture) – sales comparison approach.

The obtained fair value of all revalued property, plant and equipment has been agreed with potential profitability of the Company, taking into account its production potential.

The fair value levels are categorised as follows:

- Quoted (unadjusted) prices for identical assets in active markets (Level 1);
- Inputs different from quoted prices included to Level 1 from observable markets for assets either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Unobservable market data (i.e. unobservable inputs) (Level 3).

The fair value of assets has been estimated as follows:

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

The 3 level fair value of these assets, for which a large number of similar sales was observed in local market, was determined using costs approach based on residual replacement cost or reproduction cost. The amortized replacement or reproduction cost was estimated using the following methods:

(i) The method of consolidated summarized indexes of replacement/reproduction cost. In accordance with this method, replacement/reproduction cost is estimated as physical parameter (length, area, volume), multiplied by replacement/reproduction cost per unit, which is determined based on the data of "KO-Invest" manual, accordingly adjusted for differences.

(ii) Direct recalculation method. In accordance with this method, replacement/reproduction cost is estimated based on producer's price plus transportation costs, expenses for design, installation and all other relevant costs.

(iii) Initial cost indexation. This method has been applied in those cases, when there was authentic information for using the method of consolidated summarized indexes of replacement/reproduction cost and direct recalculation method. Initial cost was adjusted upon the level of current prices using inflation rates effective during period from asset acquisition date to the assessment date published by Statistics Agency of the Republic of Kazakhstan.

For the calculation of the fair value of assets estimated using cost approach, an appraiser assessed their recoverability through the discounted cash flows method. For these purposes, all Company's assets were united into one cash generating unit, for which future cash flows analysis has been performed in order to determine the value in use of these assets. When value in use is estimated, future cash flows are discounted at discounting rate before tax, which recorded the market assessment of the time cost of money and risks inherent to the Company at revaluation date.

5. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Comparing results of cost method and the value of discounted cash flow estimated within income approach, management concluded that the Company's property, plant and equipment are not subject to additional external valuation, and cost method will be used for valuation.

Impairment of property, plant and equipment

At the end of each reporting period the Company assesses whether there are any indicators of impairment of property, plant and equipment. The carrying value of property, plant and equipment is tested for impairment in case any indicators identified that the carrying value of the assets may not be recoverable. When conducting an impairment test, the recoverable amount is determined as the higher of an asset's fair value less costs to sell and its value in use (i.e. the net present value of the discounted forecasted cash flows for the corresponding cash generative unit) and fair value net of the cost to sell (the amount that can be redeemed as a result of selling the asset or a cash generating unit in an arms length transactions entered voluntarily by knowledgeable non-related parties, less the cost of disposal). Where there is no binding sale and purchase agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the Company could receive for the cash generating unit in an arm's length transaction.

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or assets groups. For the purpose of the analysis of impairment indicators and in case impairment test is required, management concluded that pipeline is separate cash generating unit.

The estimates used for impairment reviews are based on approved budgets, forecasted volumes of oil transported and forecasted tariffs, modified as appropriate to meet the requirements of IAS 36 "Impairment of Assets". Future cash flows are based on:

- forecasted volumes of the oil transported;
- forecasted tariff on export and domestic market, and
- future costs of production, capital expenditures and operating expenses.

As a result of decrease in volumes during 2017 and decrease in forecasted volumes in the future management performed an impairment assessment as of 31 December 2017.

The recoverable amount of property, plant and equipment has been determined based on the value in use. The value in use was estimated based on the total amount of discounted future cash flows. The forecasted cash flows used for the purpose of calculation are based on the Company's strategic planning models and operating budgets amended accordingly in order to comply with IAS 36 requirements and approved by management.

The main assumptions that have impact significantly the forecasted future cash flows are as follows:

- The forecast period - up to 2037, based on operation term of pipeline.
- Forecasted volumes of oil transportation comply with forecast, received from main customers of the Company (CNPC Aktobemunaigas JSC – adverse direction, Mangistaumunaigas JSC – reverse direction) for the period from 2019 till 2023 with extrapolation of transportation volumes until 2037.

5. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

- Forecast of tariff on export and the domestic market. Based on management's expectations, it has been suggested the tariff on exports will continue to grow during the next 5 years by 10 percent until 2022 and after 2020, the tariff will be corrected on future inflation rates of Kazakhstan. The tariff for the domestic market will be at the level approved by the Committee for Regulation of Natural Monopolies for the period from 2018 to 2022, and after 2022 the tariff will be adjusted for future inflation rates of Kazakhstan.

- Discount rate. Cash flows were discounted applying after-tax interest rate of 15,03 % per annum, which was based on the weighted average cost of capital of the Company.

As a result of such estimation, management concluded that the recoverable amount of this generating unit's assets exceeds their carrying amount as at 31 December 2017.

Below is presented the sensitivity analysis demonstrating the amounts of possible impairment at different levels of the most significant assumptions (with other variables remaining constant) with their deviations from the values used for the purpose of cash flows forecast:

In thousands of Kazakhstani Tenge	**Impairment loss**
Change in tariff (-5%)	(8,605,,866)
Change in volumes of oil transported (-5%)	(8,385,388)
Change in the discount rate (+5%)	(2,491,536)

Provisions

The Company's operating activities are subject to compliance with various environmental laws and regulations. The Company estimates the provision for decommissioning of the pipeline based on management's understanding of various legislative requirements and internal engineering assessments. A provision is recorded using the net present value of liquidation costs for assets to be decommissioned at reporting date. Actual costs incurred in future periods may substantially differ from the amounts of provision recorded. In addition, future changes in environmental laws and regulations, estimated pipeline removal terms and discount rates may affect the carrying value of this provision.

Contingent liabilities

By their nature, contingent liabilities will be settled when one or several events in the future will or will not take place. The assessment of contingent liabilities involves a degree of judgement in regards of the results of future events.

Related party transactions

In the normal course of business, the Company enters into transactions with its related parties. The judgement is applied to determine whether the cost of transactions is market or non-market in the case when there is no active market for such transactions. The judgement is based on prices under similar transactions with non-related parties.

6. PROPERTY, PLANT AND EQUIPMENT

Below presented are movements in the carrying value of property, plant and equipment at revalued amount:

In thousands of Kazakhstani Tenge	**Buildings and constructions**	**Pipeline**	**Machinery and equipment**	**Other**	**Construction in progress**	**Total**
At 1 January 2016	3,034,981	23,792,665	2,820,350	492,025	22,500	30,162,521
Additions	-	-	170,008	14,962	794,253	979,223
Disposals	-	-	-	(1,663)	-	(1,663)
Revaluation of historical cost	226,272	302,029	1,202,735	448,991	-	2,180,027
Write-down of accumulated depreciation on revaluation through historical cost	(305,997)	(4,747,285)	(1,063,829)	(95,879)	-	(6,212,990)
Reversal of impairment loss, net	13,567	-	136,267	(10,671)	-	139,163
At 31 December 2016	2,968,823	19,347,409	3,265,531	847,765	816,753	27,246,281
Additions	3,568	538,000	72,131	13,065	332,472	959,236
Disposals	-	-	(197)	(1,181)	-	(1,378)
At 31 December 2017	2,972,391	19,885,409	3,337,465	859,649	1,149,225	28,204,139
Accumulated depreciation and impairment losses						
At 1 January 2016	(247,482)	(3,824,207)	(854,556)	(79,372)	-	(5,005,617)
Charged for the year	(146,405)	(1,271,907)	(579,507)	(37,729)	-	(2,035,548)
Depreciation on disposals	-	-	-	1,663	-	1,663
Write-down of accumulated depreciation on revaluation	305,997	4,747,285	1,063,829	95,879	-	6,212,990
Impairment loss	-	-	-	-	(292,792)	(292,792)
At 31 December 2016	(87,890)	(348,829)	(370,234)	(19,559)	(292,792)	(1,119,304)
Charged for the year	(210,935)	(837,190)	(776,346)	(47,483)	-	(1,871,954)
Depreciation on disposals	-	-	93	837	-	930
At 31 December 2017	(298,825)	(1,186,019)	(1,146,487)	(66,205)	(292,792)	(2,990,328)
Carrying value						
At 31 December 2016	**2,880,933**	**18,998,580**	**2,895,297**	**828,206**	**523,961**	**26,126,977**
At 31 December 2017	**2,673,566**	**18,699,390**	**2,190,978**	**793,444**	**856,433**	**25,213,811**

Depreciation charge is allocated to the following items:

In thousands of Kazakhstani Tenge	**2017**	**2016**
Cost of services	1,847,955	2,013,079
General and administrative expenses	23,999	22,469
Total	**1,871,954**	**2,035,548**

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Below presented are movements in the carrying value of property, plant and equipment at historic cost:

	Buildings and constructions	Pipeline	Machinery and equipment	Other	Construction in progress	Total
Cost						
At 31 December 2016	2,487,483	22,858,369	5,454,432	341,248	816,753	31,958,285
At 31 December 2017	2,491,051	23,483,136	5,526,300	346,698	1,149,225	32,996,410
Accumulated depreciation						
At 31 December 2016	(1,134,759)	(12,372,708)	(3,943,701)	(239,691)	(292,792)	(17,983,651)
At 31 December 2017	(1,212,423)	(12,812,484)	(4,262,679)	(248,804)	(292,792)	(18,829,182)
Residual value						
At 31 December 2016	1,352,724	10,485,661	1,510,731	101,557	523,961	13,974,634
At 31 December 2017	1,278,628	10,670,652	1,263,621	97,894	856,433	14,167,228

As at 31 December 2017 and 31 December 2016, the Company had no restrictions to use property, plant and equipment.

7. CASH AND CASH EQUIVALENTS

In thousands of Kazakhstani Tenge	31 December 2017	31 December 2016
Cash on bank deposits with maturity less than three months, in tenge	14,900,000	10,400,000
Cash at bank accounts, in tenge	177,472	660,416
Special bank deposit, in tenge	1,109	1,109
Cash on hand, in tenge	492	164
Total	**15,079,073**	**11,061,689**

Cash on bank deposits have maturities of less than here months as at opening date.

As at 31 December 2017 and 31 December 2016, cash and cash equivalents were denominated in tenge.

Cash at special bank account represents an amount that, according to the legislation of the Republic of Kazakhstan, shall be deposited in a special bank account in order to receive permission for expatriate personnel to work for the Company in Kazakhstan. That deposit will be available when the Company ceases to involve expatriate personnel in Kazakhstan.

8. SHARE CAPITAL

At 31 December 2017 the total registered quantity of ordinary shares was 243 thousand shares with the par value of Tenge 200 per share (2016: 243 thousand shares). All issued ordinary shares were fully paid. Each ordinary share equals one vote.

Presented below is the shareholding structure of the Company at 31 December 2017 and 2016:

In thousands of Kazakhstani Tenge	**31 December 2017**		**31 December 2016**	
	Ownership percentage	**Amount**	**Ownership percentage**	**Amount**
KazTransOil	51%	24,786	51%	24,786
CNPC E&D	49%	23,814	49%	23,814
Total	**100%**	**48,600**	**100%**	**48,600**

9. REVALUATION RESERVE

In thousands of Kazakhstani Tenge	**2017**	**2016**
Balance at beginning of year	9,924,780	8,556,588
Revaluation of property, plant and equipment	-	2,180,027
Changes in estimates of provision for asset retirement obligations	(86,768)	175,233
Deferred tax liability	17,354	(471,053)
Transferred to retained earnings	(584,574)	(516,015)
At the end of year	**9,270,792**	**9,924,780**

10. PROVISION FOR ASSET RETIREMENT OBLIGATION

In thousands of Kazakhstani Tenge	**2017**	**2016**
At 1 January	1,001,634	1,092,018
Change in estimates	86,768	(175,233)
Provision charge	86,641	84,849
At 31 December	**1,175,043**	**1,001,634**

In accordance with Law of the Republic of Kazakhstan "On Main Pipeline" No. 21-V dated 22 June 2012, the Company is under a legal obligation to dismantle and liquidate the pipeline, as well as to restore the land. As at 31 December 2016 and 31 December 2017, the Company made best estimation of asset retirement obligation and recognised liabilities in the Statement of Financial Position.

During 2016, the Company restated the estimated terms of asset retirement obligations that led to the decrease in carrying amount of liability. The estimated maturity date of obligation on final closure is the end of pipeline operation term – i.e. year 2037.

11. TRADE PAYABLES

In thousands of Kazakhstani Tenge	31 December 2017	31 December 2016
Trade payables to related parties (Note 18)	553,884	145,573
Trade payables to third parties	222,884	51,449
Total	**776,768**	**197,022**

12. ADVANCES RECEIVED

In thousands of Kazakhstani Tenge	31 December 2017	31 December 2016
Advances from related parties (Note 18)	725,209	755,193
Advances from third parties	110,534	100,727
Total	**835,743**	**855,920**

13. REVENUE

In thousands of Kazakhstani Tenge	2017	2016
Sales to related parties (Note 18)	7,095,949	9,275,459
Sales to third parties	1,380,742	1,620,952
Total	**8,476,691**	**10,896,411**

14. COST OF SALES

In thousands of Kazakhstani Tenge	2017	2016
Depreciation and amortisation	1,853,662	2,014,833
Pipeline maintenance	1,345,264	1,164,076
Property tax	356,648	361,623
Security services	291,225	269,722
Payroll and related taxes	234,106	223,340
Maintenance of communication equipment	73,041	74,011
Air patrol of pipeline	57,621	39,060
Insurance of pipeline	50,282	52,816
Materials	10,268	35,858
Minor repairs of facilities	5,288	451,266
Other	132,448	192,707
Total	**4,409,853**	**4,879,312**

15. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of Kazakhstani Tenge	**2017**	**2016**
Payroll and related taxes	576,583	524,672
Office rent	58,808	69,115
Consulting services expenses	53,928	45,929
Vacation reserve	52,272	73,196
Business trip expenses	39,108	27,239
Transport repair expenses	27,160	34,874
Depreciation and amortisation	21,992	24,083
Communication expenses	5,940	6,221
Bank charges	2,261	2,039
Entertainment expense	1,597	1,521
Taxes other than income tax	1,584	1,390
Provision for inventories	-	24,446
Other	41,800	34,469
Total	**883,033**	**869,194**

16. FINANCE INCOME

Finance income includes deposit interests for 2017 and 2016.

17. INCOME TAX

Income tax expense includes following:

In thousands of Kazakhstani Tenge	**2017**	**2016**
Current income tax expense	1,195,376	1,600,573
Deferred income tax benefit	(350,134)	(386,613)
Income tax expense	**845,242**	**1,213,960**

17. INCOME TAX (CONTINUED)

Income tax for the year ended 31 December 2017 was assessed at the annual average effective rate of 20 percent (for the year ended 31 December 2016: 21 percent).

Reconciliation between the expected and the actual taxation charge is provided below:

In thousands of Kazakhstani Tenge	**2017**	**2016**
Profit before tax	4,203,117	5,795,266
Effective tax rate	20%	20%
Expected charge at rate of 20%	840,623	1,159,053
Tax effect of non-deductible expenses	4,619	54,907
Income tax expense for the year	**845,242**	**1,213,960**

In thousands of Kazakhstani Tenge	**1 January 2017**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**31 December 2017**
Tax effect of temporary differences:				
Provision for asset retirement obligation	200,325	17,329	17,354	235,008
Provision for unused vacation	26,918	6,717	-	33,635
Provision for inventory writing-off	4,893	(1,085)	-	3,808
Other	1,279	(2,093)	-	(814)
Gross deferred tax asset	**233,415**	**20,868**	**17,354**	**271,637**
Deferred tax liability from:				
Property, plant and equipment and intangible assets	(4,797,708)	329,266	-	(4,468,442)
Gross deferred tax liability	(4,797,708)	329,266	-	(4,468,442)
Less: offset against deferred tax asset	233,415	20,868	17,354	271,637
Deferred income tax, net	**(4,564,293)**	**350,134**	**17,354**	**(4,196,805)**

17. INCOME TAX (CONTINUED)

In thousands of Kazakhstani Tenge	1 January 2016	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2016
Tax effect of temporary differences:				
Provision for asset retirement obligation	218,404	16,968	(35,047)	200,325
Provision for unused vacation	13,935	12,983	-	26,918
Provision for inventory writing-off	-	4,893	-	4,893
Other	(4,209)	5,488	-	1,279
Gross deferred tax asset	**228,130**	**40,332**	**(35,047)**	**233,415**
Deferred tax liability from:				
Property, plant and equipment and intangible assets	(4,707,983)	346,281	(436,006)	(4,797,708)
Gross deferred tax liability	(4,707,983)	346,281	(436,006)	(4,797,708)
Less: offset against deferred tax asset	228,130	40,332	(35,047)	233,415
Deferred income tax, net	**(4,479,853)**	**386,613**	**(471,053)**	**(4,564,293)**

18. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The related parties include Company's shareholders, affiliates or companies over which the Company or its shareholders have a significant influence, and key management personnel.

The nature of relations with those related parties with whom the Company entered into significant transactions or had significant balances outstanding at 31 December 2017 and 2016 is presented below.

Trade accounts payable to related parties were as follows:

In thousands of Kazakhstani Tenge	Nature of relations	2017	2016
KazTransOil JSC	Company under control of Samruk-Kazyna	528,957	108,647
KMG Security LLP	Company under control of Samruk-Kazyna	19,255	19,873
SemserOrt Sondyrushy LLP	Company under control of Samruk-Kazyna	5,672	5,301
EuroAsia Air JSC	Company under control of Samruk-Kazyna	-	11,752
Total		**553,884**	**145,573**

18. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Outstanding balances on advances received from related parties were as follows:

In thousands of Kazakhstani Tenge	Nature of relations	2017	2016
CNPC Aktobemunaigas JSC	Company under control of CNPC	246,492	296,618
Mangistaumunaigas JSC	Company under control of Samruk-Kazyna	269,420	260,112
Embamunaigas JSC	Company under control of Samruk-Kazyna	94,673	23,850
Kazakhturkmunai LLP	Company under control of Samruk-Kazyna	83,132	93,854
Kazakhoil Aktobe LLP	Jointly controlled company of Samruk-Kazyna	31,492	80,676
Urihtau Operating LLP	Company under control of Samruk-Kazyna	-	83
Total		**725,209**	**755,193**

Trade transactions with related parties for the year ended 31 December were as follows:

In thousands of Kazakhstani Tenge	Nature of relations	2017	2016
CNPC Aktobemunaigas JSC	Company under control of CNPC	3,036,147	4,497,353
Mangistaumunaigas JSC	Company under control of Samruk-Kazyna	2,222,918	2,384,242
Kazakhoil Aktobe LLP	Jointly controlled company of Samruk-Kazyna	668,270	1,127,109
Kazakhturkmunai LLP	Company under control of Samruk-Kazyna	613,687	409,047
Embamunaigas JSC	Company under control of Samruk-Kazyna	419,882	732,718
Ozenmunaigas JSC	Company under control of Samruk-Kazyna	135,045	124,990
Total		**7,095,949**	**9,275,459**

Purchase transactions with related parties for the year ended 31 December were as follows:

In thousands of Kazakhstani Tenge	Nature of relations	2017	2016
Pipeline maintenance:			
KazTransOil JSC	Company under control of Samruk-Kazyna	1,345,264	1,164,076
Security services:			
KMG Security LLP	Company under control of Samruk-Kazyna	230,449	212,922
SemserOrt Sondyrushy LLP	Company under control of Samruk-Kazyna	60,776	56,800
EuroAsia Air JSC	Company under control of Samruk-Kazyna	57,621	39,060
Other services:			
TOO «KazMunaiGas Onimderi»	Company under control of Samruk-Kazyna	14,462	14,716
TOO «Samruk-Kazyna Kontrakt»	Company under control of Samruk-Kazyna	9,717	6,929
KazTransOil JSC	Company under control of Samruk-Kazyna	5,876	5,878
Total		**1,724,165**	**1,500,381**

18. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Terms and conditions of related party transactions

The outstanding balances at the end of year do not have collateral, and settlements are performed in cash. No warranties have been provided or received with regards to trade receivables from related parties. The management is unable to predict the extent of changes or to assess the impact of such changes on these financial statements.

Key management personnel compensation

Key management personnel consists of Company's management, which comprised 4 persons as of 31 December 2017 (2016: 3 persons). The total compensation to the key management personnel which is included in general and administrative expenses in the statement of profit or loss and other comprehensive income was Tenge 74,045 thousand for 2017 (2016: Tenge 71,851 thousand). Compensation payable to the key management personnel for fulfilment of their executive management functions consists of contractual salary, bonuses, vacation payments and financial aid.

19. CONTINGENCIES AND COMMITMENTS

Political and economic situation in Kazakhstan

In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Its economy is particularly sensitive to fluctuations on oil and gas prices. 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 securities market.

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 implement of new monetary policy, which is based on inflation targeting regime, cancellation of exchange rate trading band and start a free floating exchange rate. As the result, during the period of August 2015 – December 2017 the exchange rate of Tenge has varied from 187 to 332.33 tenge per 1 US Dollar. Therefore, uncertainty exists in relation to exchange rate of Tenge and future actions 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 mid-January 2016, Standard & Poor's materially lowered its oil price forecasts for the period 2016-2019. Since Kazakhstan's economy depends heavily on the oil sector S&P now expects GDP growth to stagnate or to grow insignificantly in 2016, according to the press release.

In February 2017, Standard & Poor's Ratings Services remained long-term foreign and local currency sovereign credit ratings on the Republic of Kazakhstan in line with prior year at 'BBB-'. The short-term foreign and local currency ratings remained at the level of 'A-3' the Kazakhstan national scale rating as 'kzAA'. The outlook on the long-term ratings is stable. The stable outlook reflects the opinion of Standard & Poor's Ratings Services about the fixed financial expenses of the authorities regarding the plans for recapitalization of the banking sector and about economic activity that will remain relatively stable through 2020.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. This operating environment has a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company'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.

19. CONTINGENCIES AND COMMITMENTS (CONTINUED)

The energy 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 Company's control.

Tax legislation

The tax environment in the Republic of Kazakhstan is subject to change and inconsistent application and interpretations. Non-compliance with Kazakhstani law and regulations as interpreted by the Kazakhstani authorities may lead to the assessment of additional taxes, penalties and interest.

Kazakhstani tax legislation and practice is in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may be retroactive. In certain situations, to determine a tax base, the tax legislation refers to IFRS provisions. In such cases, interpretation of IFRS provisions by the Kazakhstani tax authorities may differ from accounting policies, judgments and estimates used by management for preparation of these financial statements, and this may result in additional tax liabilities for the Company. Tax periods remain open to retroactive review by the Kazakhstan tax authorities for five years.

The Company management believes that its interpretation of the relevant legislation is appropriate and the Company's tax positions will be sustained. In the opinion of the Company management, no material losses will be incurred in respect of existing and potential tax claims in excess of provision that have been made in these financial statements.

Legal proceedings

During the Company's normal business, it can be subject to the litigations and claims. Management believes that final liability, if any results from such litigations and claims, will not have a material adverse effect on the Company's financial position or principal activities.

Environmental and site restoration obligations

The Company believes it is currently in compliance with all existing Republic of Kazakhstan environmental laws and regulations. However, Kazakhstan environmental laws and regulations may change in the future. The Company is unable to predict the timing or extent to which these environmental laws and regulations may change. Such change, if it occurs, may require the Company to modernize technology to meet more stringent standards.

Insurance

The Company has insurance of civil liability of owners of vehicles. The Company also provides insurance against accidents and sudden diseases, third parties obligations (life, health and property) and has environmental insurance due to its main activities. The Company has an insurance contract on a property complex of oil pipeline "Kenkiyak-Atyrau".

19. CONTINGENCIES AND COMMITMENTS (CONTINUED)

Oil for pipeline filling

The Company obtained oil for the pipeline filling required for its operation from the customers free of charge under the oil transportation contracts. The Company is fully liable for such oil safety and shall return it to the owners in case of the pipeline decommissioning or upon expiration of the oil transportation contracts. The Company did not record any assets or liabilities in respect to this oil filled at the reporting date. As of 31 December 2017, oil for the pipeline filling was 106 thousand tons (2016: 104 thousand tons).

Sales agreements

For the next year, the Company signed agreements for the following guaranteed minimum crude oil volume transported through the pipeline:

	Oil per year (th. tons)
2018	2,114

If the Company is not able to transport such minimum oil volume, it may be imposed to penalties in the amount of non-rendered services.

Contractual commitments

As of 31 December 2017 the Company had contractual capital commitments totalling Tenge 241,522 thousands. (2016:70,768 thousands tenge).

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

In the normal course of business, the Company is subject to currency, credit and operational risks. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company does not use any derivative financial instruments to hedge risk exposures.

Main categories of financial instruments

In thousands of Kazakhstani Tenge	31 December 2017	31 December 2016
Loans and receivables		
Trade receivables	167	9,948
Cash and cash equivalents	15,079,073	11,061,689
Total financial assets	**15,079,240**	**11,071,637**
Other financial liabilities		
Trade payables	776,768	197,022
Total financial liabilities	**776,768**	**197,022**

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Currency risk

As at 31 December 2017, the Company had no foreign currency denominated financial assets or liabilities.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial liabilities as they mature. The Company controls the risk of insufficient cash using the current liquidity planning instrument. This instrument is used for maturity analysis, as well as to forecast cash flows from operating activities.

For these purposes, the Company has developed a range of internal regulations, aimed at establishing control procedures for appropriate placing of temporary excess cash, invoice processing and payments, as well as preparation of operational budgets.

The table below provides analysis of the Company's financial liabilities by relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The fair value of Company's financial liabilities at 31 December 2017 and 31 December 2016 falls within Level 3 hierarchy. The data provided based on the undiscounted cash flows of financial statements of the Company based on the earliest date on which the Company can be required to pay.

In thousands of Kazakhstani Tenge	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1-2 years**	**2-3 years**	**Over 3 years**
31 December 2017						
Financial payables	(776,768)	(776,768)	(776,768)	-	-	-
Total financial liabilities	**(776,768)**	**(776,768)**	**(776,768)**	**-**	**-**	**-**

In thousands of Kazakhstani Tenge	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1-2 years**	**2-3 years**	**Over 3 years**
31 December 2016						
Financial payables	(197,022)	(197,022)	(197,022)	-	-	-
Total financial liabilities	**(197,022)**	**(197,022)**	**(197,022)**	**-**	**-**	**-**

Credit risk

Financial assets which are potentially subject to credit risk mainly consist of cash, bank deposits and trade receivables. The total carrying value of cash, bank deposits and trade receivables is Tenge 15,079,240 thousand and represents the maximum amount exposed to credit risk (2016: Tenge 11,071,637 thousand).

Cash is placed with financial institutions of Republic of Kazakhstan which are considered to have minimal risk of default at the moment of placement.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Analysis of financial assets by credit quality based on S&P rating as of 31 December 2017 and 31 December 2016 is as follows:

In thousands of Kazakhstani Tenge		**31 December 2017**	**31 December 2016**
Cash and cash equivalents			
BB/negative/B, NP	Halyk Bank of Kazakhstan JSC	15,071,806	11,054,175
A/stable/A1	Bank of China in Kazakhstan SB JSC*	6,370	83
Unrated**	KazInvestBank JSC	405	405
B-/negative/C, kzB+	Kazkommertsbank JSC	-	6,862
Total cash and cash equivalents		***15,078,581***	***11,061,525***
Short-term financial investments			
BB/negative/B, NP	Halyk Bank of Kazakhstan JSC	-	-
Unrated**	KazInvestBank JSC	-	-
Total short-term financial investments		-	-
Trade receivables	Unrated	167	9,948
Total financial assets		**15,078,748**	**11,071,473**

* Rating is given for the international bank. Rating for the Kazakhstani branch of the bank is unavailable.
** In accordance with the Resolution of the Management Board of the National Bank of RK dated 26 December 2016, it was resolved to cancel the license of Kazinvestbank JSC for banking and other transactions in securities market. The Company did not create provision for the impairment of cash.

Interest rate risk

As at 31 December 2017 and 31 December 2016 the Company did not have outstanding borrowings or other interest bearing obligations. Accordingly, at 31 December 2017 and 31 December 2016 the Company was not exposed to interest rate risk.

Operational risk

Operational risk is the risk that the Company may incur financial loss caused by business interruption or potential damage of the Company's property as a result of natural disasters or technological emergencies.

As of 31 December 2017 and 31 December 2016 management believes that the Company has adequate insurance policy for civil liability and loss of assets.

Interest rate risk

As at 31 December 2017 and 31 December 2016 the Company did not have outstanding borrowings or other interest bearing obligations. Accordingly, at 31 December 2017 and 31 December 2016 the Company was not exposed to interest rate risk.

Operational risk

Operational risk is the risk that the Company may incur financial loss caused by business interruption or potential damage of the Company's property as a result of natural disasters or technological emergencies.

As of 31 December 2017 and 31 December 2016 management believes that the Company has adequate insurance policy for civil liability and loss of assets.

21. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other partners and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The amount of capital that the Company managed as of 31 December 2017 was Tenge 34,128,113 thousand (2016: Tenge 30,839,722 thousand).

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price of a financial instrument.

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 observable market data (that is, unobservable inputs).

All financial instruments of the Company are carried at amortised cost. Their fair values were determined using level 3 measurements of the fair value hierarchy, based on the available market data or relevant valuation techniques.

However, judgement is required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions, and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

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 the credit risk of the counterparty. Due to the short-term nature of trade receivables, their carrying amount approximates their fair value.

Financial liabilities carried at amortised cost

The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Due to the short-term nature of trade payables, their carrying amount approximates their fair value.

23. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Company management on 31 January 2018.