

KazTransOil JSC
Interim condensed consolidated financial statements
For the nine months ended 30 September 2020



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Report on review of interim condensed consolidated financial information

Interim condensed consolidated financial statements

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«Эрнст энд Янг» ЖШС
Әл-Фараби д-лы 7777
«Есентай Тауар» ғимараты
Алматы қ., 050060
Қазақстан Республикасы
Тел.: +7 727 258 5960
Факс: +7 727 258 5961
www.ey.com

ТОО «Эрнст энд Янг»
пр. Аль-Фараби, 7777
здание «Есентай Тауар»
г. Алматы, 050060
Республика Казахстан
Тел.: +7 727 258 5960
Факс: +7 727 258 5961

Ernst & Young LLP
Al-Farabi ave. 7777
Esentai Tower
Almaty, 050060
Republic of Kazakhstan
Tel.: +7 727 258 5960
Fax: +7 727 258 5961

Report on review of interim condensed consolidated financial statements

To the management and shareholders of KazTransOil JSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of KazTransOil JSC and its subsidiaries, which comprise the interim consolidated statement of financial position as at 30 September 2020 and the related interim consolidated statements of comprehensive income for the three- and nine-month periods then ended, interim consolidated statement of changes in equity and cash flows for the nine-month period then ended, and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information of KazTransOil JSC and its subsidiaries is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young LLP



Adil Syzdykov
Auditor

Auditor Qualification Certificate
No. МФ - 0000172 dated 23 December 2013

050660, Republic of Kazakhstan, Almaty
Al-Farabi ave., 77/7, Esentai Tower

13 November 2020



Rustamzhan Sattarov
General Director
Ernst and Young LLP

State audit license for audit activities on the
territory of the Republic of Kazakhstan: series
МФЮ-2 No. 0000003 issued by the Ministry of
Finance of the Republic of Kazakhstan
on 15 July 2005.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of Tenge</i>	Notes	As at 30 September 2020 (unaudited)	As at 31 December 2019 (audited)
Assets			
Non-current assets			
Property, plant and equipment	3	653,350,280	734,421,997
Right-of-use assets		3,040,984	3,902,044
Intangible assets		7,194,186	7,728,097
Investments in joint ventures	4	58,791,652	55,015,339
Advances to suppliers for property, plant and equipment	5	6,580,274	898,475
VAT recoverable		1,965,675	1,958,523
Accounts receivable	6	1,207,462	1,128,626
Bank deposits	9	1,729,127	2,139,767
Investments in bonds		900,116	919,511
Other non-current assets		104,570	11,866
		734,864,326	808,124,245
Current assets			
Inventories		7,523,441	6,278,501
Trade and other accounts receivable	6	6,383,262	5,858,238
Advances to suppliers		767,018	1,258,565
Prepayment for income tax		782,296	1,823,885
VAT recoverable and other prepaid taxes	7	6,069,679	7,121,095
Other current assets	8	4,375,598	6,859,636
Bank deposits	9	21,567,146	45,960,400
Cash and cash equivalents	10	52,974,285	28,649,091
		100,442,725	103,809,411
Non-current assets held for sale		624,523	879,814
		101,067,248	104,689,225
Total assets		835,931,574	912,813,470

The accounting policy and explanatory notes on pages 8 through 34 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

<i>In thousands of Tenge</i>	Notes	As at 30 September 2020 (unaudited)	As at 31 December 2019 (audited)
Equity and liabilities			
Equity			
Share capital		61,937,567	61,937,567
Treasury shares repurchased from shareholders		(9,549)	(9,549)
Asset revaluation reserve	11	229,845,328	299,585,499
Foreign currency translation reserve		39,294,198	37,737,309
Other capital reserves		(1,893,432)	(1,893,432)
Retained earnings		326,711,209	305,621,572
Total equity		655,885,321	702,978,966
Non-current liabilities			
Employee benefit obligations		16,578,832	15,756,306
Lease liabilities		1,623,601	2,891,445
Deferred tax liabilities	22	64,784,121	80,564,703
Provision for asset retirement and land recultivation obligation	15	31,368,549	27,780,887
Deferred income		8,987,573	8,141,994
		123,342,676	135,135,335
Current liabilities			
Employee benefit obligations		665,172	658,941
Income tax payable		1,107,185	1,187,559
Trade and other accounts payable	12	10,598,023	15,183,124
Advances received	13	19,256,339	18,478,982
Lease liabilities		2,102,225	1,912,220
Other taxes payable	14	5,994,068	5,697,566
Provisions		271,947	306,553
Liability on a contribution to charter capital of a joint venture	4	-	5,000,000
Other current liabilities	16	16,708,618	26,274,224
		56,703,577	74,699,169
Total liabilities		180,046,253	209,834,504
Total equity and liabilities		835,931,574	912,813,470
Book value per ordinary share (in Tenge)	11	1,687	1,808

Signed and approved for issue on 13 November 2020.

General Director (Chairman of the Management Board)



Dossanov D.G.

Chief Accountant



Sarmagambetova M.K.

The accounting policy and explanatory notes on pages 8 through 34 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of Tenge</i>	Notes	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
		2020	2019	2020	2019
Revenue	17	58,316,408	60,450,328	176,997,228	179,745,448
Cost of sales	18	(39,521,236)	(40,659,530)	(113,455,688)	(111,500,328)
Gross profit		18,795,172	19,790,798	63,541,540	68,245,120
General and administrative expenses	19	(4,061,557)	(3,175,746)	(9,872,776)	(11,506,080)
Other operating income	20	218,446	347,906	3,069,162	1,194,545
Other operating expenses	20	(607,331)	(1,660,551)	(2,490,473)	(3,963,553)
Impairment of property, plant and equipment and intangible assets	3	(543)	(10,788,290)	(1,052)	(14,246,872)
Operating profit		14,344,187	4,514,117	54,246,401	39,723,160
Net foreign exchange gain		1,979,893	913,714	5,753,066	712,176
Finance income	21	667,969	555,309	2,187,265	1,880,150
Finance expenses	21	(986,028)	(931,365)	(2,801,381)	(2,778,583)
Share in income of joint ventures	4	657,069	1,799,161	4,288,050	9,692,986
Profit before income tax		16,663,090	6,850,936	63,673,401	49,229,889
Income tax expense	22	(2,893,310)	(3,019,091)	(11,733,136)	(11,580,447)
Net profit for the period		13,769,780	3,831,845	51,940,265	37,649,442
Earnings per share (in Tenge)	11	36	10	135	98
Other comprehensive income/(loss)					
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</i>					
Exchange difference from translation of foreign operations of the Group		933,766	82,818	1,556,889	(1,976,936)
Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net		933,766	82,818	1,556,889	(1,976,936)

The accounting policy and explanatory notes on pages 8 through 34 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

<i>In thousands of Tenge</i>	Notes	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
		2020	2019	2020	2019
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods					
(Impairment)/revaluation of property, plant and equipment of the Group, net	3	8,064,968	81,161,712	(65,454,437)	70,598,774
Income tax effect	22	(1,612,994)	(15,953,957)	13,090,887	(14,121,968)
		6,451,974	65,207,755	(52,363,550)	56,476,806
Charge of provision for asset retirement and land recultivation obligation of the Group	15	(4,408,177)	(497,116)	(2,911,745)	(1,030,482)
Income tax effect	22	881,635	99,422	582,349	206,096
		(3,526,542)	(397,694)	(2,329,396)	(824,386)
Revaluation of property, plant and equipment of the joint venture, net		-	9,108,635	-	9,108,635
Income tax effect		-	(1,821,727)	-	(1,821,727)
	4	-	7,286,908	-	7,286,908
Charge of provision on asset retirement and land recultivation obligation of the joint ventures		(450,747)	(336,519)	(639,672)	(662,878)
Income tax effect		90,149	67,304	127,935	132,576
	4	(360,598)	(269,215)	(511,737)	(530,302)
Actuarial gain from employee benefit obligations of the Group		-	451,018	-	451,018
Income tax effect	22	-	(90,204)	-	(90,204)
		-	360,814	-	360,814
Total other comprehensive (loss)/gain not to be reclassified to profit or loss in subsequent periods, net		2,564,834	72,188,568	(55,204,683)	62,769,840
Total other comprehensive (loss)/gain for the period, net of tax		3,498,600	72,271,386	(53,647,794)	60,792,904
Total comprehensive (loss)/income for the period, net of tax		17,268,380	76,103,231	(1,707,529)	98,442,346

Signed and approved for issue on 13 November 2020.

General Director (Chairman of the Management Board)



Dossanov D.G.

Chief Accountant



Sarmagambetova M.K.

The accounting policy and explanatory notes on pages 8 through 34 form
an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In thousands of Tenge</i>	Notes	For the nine months ended 30 September (unaudited)	
		2020	2019
Cash flows from operating activities			
Profit before income tax		63,673,401	49,229,889
Non-cash adjustment to reconcile profit before income tax to net cash flows			
Depreciation and amortization	18, 19	41,110,995	40,704,577
Foreign exchange gain		(5,753,066)	(712,176)
Share in income of joint ventures	4	(4,288,050)	(9,692,986)
Finance expenses	21	2,801,381	2,778,583
Finance income	21	(2,187,265)	(1,880,150)
Write-off of VAT recoverable	19, 20	1,968,868	66,190
Revision of estimates and reversal of provision on asset retirement and land recultivation obligation	20	(1,181,546)	2,701,509
Employee benefits expenses, current service costs	18, 19	490,360	282,931
Impairment of non-current assets held for sale	20	232,631	960,745
Loss on disposal of property, plant and equipment and intangible assets, net	20	71,933	68,272
Charge of allowance for expected credit losses on trade receivables, net	19	63,620	78,010
Impairment of the property, plant and equipment	3	1,052	14,246,872
Others		(23,227)	159,069
Operating cash flows before working capital changes		96,981,087	98,991,335
(Increase)/decrease in operating assets			
Other current assets		2,502,221	1,759,514
Inventories		(1,920,242)	(2,838,009)
VAT recoverable and other prepaid taxes		(900,124)	1,066,469
Trade and other accounts receivable		(517,538)	(6,257)
Advances to suppliers		504,892	(486,434)
Increase/(decrease) in operating liabilities			
Other current and non-current liabilities and employee benefit obligations		(10,470,013)	(9,078,963)
Trade and other accounts payable		(2,055,550)	(782,970)
Advances received		769,210	(225,735)
Other taxes payable		365,096	188,892
Cash generated from operating activities		85,259,039	88,587,842
Income taxes paid		(12,604,427)	(14,049,431)
Interest received		1,610,803	1,731,219
Net cash flows from operating activities		74,265,415	76,269,630

*The accounting policy and explanatory notes on pages 8 through 34 form
an integral part of these interim condensed consolidated financial statements.*

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In thousands of Tenge</i>		For the nine months ended 30 September (unaudited)	
	Notes	2020	2019
Cash flows from investing activities			
Withdrawal of bank deposits		47,953,747	39,610,656
Purchase of property, plant and equipment and intangible assets		(28,497,306)	(22,478,178)
Placement of bank deposits		(20,550,300)	(47,595,660)
Repayment of contribution liability to charter capital of a joint venture of the Company	4	(5,000,000)	-
Proceeds from bonds redemption		211,933	53,947
Proceeds from disposal of property, plant and equipment		79,361	96,906
Proceeds from sale of non-current assets held for sale		56,348	318,009
Net cash flows used in investing activities		(5,746,217)	(29,994,320)
Cash flows from financing activities			
Dividends paid	11	(45,386,116)	(40,001,322)
Payment of lease liabilities		(1,755,398)	(1,597,350)
Net cash flows used in financing activities		(47,141,514)	(41,598,672)
Net change in cash and cash equivalents		21,377,684	4,676,638
Effects of changes in exchange rates on cash and cash equivalents		2,935,756	250,264
Change in allowance for expected credit losses		11,754	(1,549)
Cash and cash equivalents at the beginning of the period		28,649,091	33,278,843
Cash and cash equivalents at the end of the period		52,974,285	38,204,196

Signed and approved for issue on 13 November 2020.

General Director (Chairman of the Management Board)



Dossanov D.G.

Chief Accountant



Sarmagambetova M.K.

The accounting policy and explanatory notes on pages 8 through 34 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In thousands of Tenge</i>	Share capital	Treasury shares repurchased from shareholders	Asset revaluation reserve	Foreign currency translation reserve	Other capital reserves	Retained earnings	Total
As at 31 December 2019 (audited)	61,937,567	(9,549)	299,585,499	37,737,309	(1,893,432)	305,621,572	702,978,966
Net profit for the period	-	-	-	-	-	51,940,265	51,940,265
Other comprehensive (loss)/income	-	-	(55,204,683)	1,556,889	-	-	(53,647,794)
Total comprehensive (loss)/income for the period	-	-	(55,204,683)	1,556,889	-	51,940,265	(1,707,529)
Amortization of revaluation reserve for revalued property, plant and equipment	-	-	(14,535,488)	-	-	14,535,488	-
Dividends (Note 11)	-	-	-	-	-	(45,386,116)	(45,386,116)
As at 30 September 2020 (unaudited)	61,937,567	(9,549)	229,845,328	39,294,198	(1,893,432)	326,711,209	655,885,321
As at 31 December 2018 (audited)	61,937,567	(9,549)	243,588,977	39,572,764	(72,146)	280,398,586	625,416,199
Changes in accounting policy	-	-	-	-	-	(822,530)	(822,530)
As at 1 January 2019 (restated)	61,937,567	(9,549)	243,588,977	39,572,764	(72,146)	279,576,056	624,593,669
Net profit for the period	-	-	-	-	-	37,649,442	37,649,442
Other comprehensive income/(loss)	-	-	62,409,026	(1,976,936)	360,814	-	60,792,904
Total comprehensive income/(loss) for the period	-	-	62,409,026	(1,976,936)	360,814	37,649,442	98,442,346
Amortization of revaluation reserve for revalued property, plant and equipment	-	-	(13,122,105)	-	-	13,122,105	-
Dividends (Note 11)	-	-	-	-	-	(40,001,322)	(40,001,322)
As at 30 September 2019 (unaudited)	61,937,567	(9,549)	292,875,898	37,595,828	288,668	290,346,281	683,034,693

Signed and approved for issue on 13 November 2020.

General Director (Chairman of the Management Board)

Chief Accountant



Dossanov D.G.

Sarmagambetova M.K.

The accounting policy and explanatory notes on pages 8 through 34 form an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the nine months ended 30 September 2020****1. GENERAL INFORMATION**

On 2 May 2001, the Government of the Republic of Kazakhstan issued a resolution to create a new closed joint stock company National Company “Transportation of Oil and Gas” (hereinafter – “TNG”) owned by the Government. Based on that resolution, the Committee for State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan transferred the “KazTransOil” CJSC NOTC shares to TNG, and, as a result, “KazTransOil” CJSC NOTC was re-registered and renamed as “KazTransOil” CJSC.

Under Decree of the President of the Republic of Kazakhstan dated on 20 February 2002, on the basis of closed joint-stock companies, National Oil and Gas Company “KazakhOil” and National Company “Transport of Oil and Gas”, reorganized by merger, the National Company “KazMunayGas” Closed Joint-Stock Company was created and became the sole shareholder of “KazTransOil” CJSC.

On 31 May 2004, in accordance with the requirements of Kazakhstani legislation, “KazTransOil” CJSC was re-registered as “KazTransOil” JSC (hereinafter – “Company”).

As at 30 September 2020 10% of shares of the Company are owned by minority shareholders who acquired them within the “People’s IPO” program. The major shareholder of the Company, who owns the controlling interest of the Company (90%) is National Company “KazMunayGas” JSC (hereinafter “KMG” or “Parent Company”). 90% of KMG shares are owned by Sovereign Wealth Fund “Samruk-Kazyna” JSC (hereinafter – “Samruk-Kazyna”), controlled by the Government of the Republic of Kazakhstan. 10% of KMG shares are owned by the National Bank of the Republic of Kazakhstan.

As at 30 September 2020 and 31 December 2019 the Company had interest ownership in the following companies:

	Place of incorporation	Principal activities	Ownership	
			30 September 2020	31 December 2019
“MunaiTas” LLP (hereinafter – “MunaiTas”)	Kazakhstan	Oil transportation	51%	51%
“Kazakhstan-China Pipeline” LLP (hereinafter – “KCP”)	Kazakhstan	Oil transportation	50%	50%
“Batumi Oil Terminal” (hereinafter – “BOT”)*	Georgia	Forwarding, transshipment and storage of oil and oil products and operating of Batumi Sea Port	100%	100%
“Petrotrans Limited” (hereinafter – “PTL”) **	United Arab Emirates	Forwarding of oil and oil products	100%	100%
“Main Waterline” LLP	Kazakhstan	Water transportation	100%	100%

* BOT has the exclusive right to manage 100% of the shares of “Batumi Sea Port” LLC (hereinafter – “BSP”).

** PTL has a branch operating in Republic of Kazakhstan, Nur-Sultan.

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

The Company’s head office is located in Nur-Sultan, Kazakhstan, at 20 Turan Avenue.

The Company has production facilities, which are located in Mangystau, Atyrau, Western-Kazakhstan, Aktubinsk, Karaganda, Pavlodar, Turkestan, North-Kazakhstan regions of the Republic of Kazakhstan and in Shymkent, also the Company has branches, which are located in Almaty (Research and Development Centre) and in Nur-Sultan (Oil Transportation Control Centre) and representative offices in Russian Federation (Moscow, Omsk and Samara).

The Company is the national operator of the Republic of Kazakhstan on the main oil pipeline. The Group operates network of main oil pipelines of 5,378 km and water pipelines of 1,945 km.

The company provides services on oil transportation via main pipelines, a transport expedition of Kazakhstani oil via pipeline networks of other states, services for the operation and maintenance of oil pipelines of other companies, including joint ventures of the Group. Group’s joint ventures MunaiTas and KCP own Kenkiyak – Atyrau, Kenkiyak – Kumkol, and Atasu – Alashankou pipelines mainly used for transportation of Kazakhstani crude oil, and also for transit of Russian oil to China.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)

The Company is a natural monopolist and, respectively, is subject to regulation of the Committee on Regulation of Natural Monopolies, Protection of Competition and Consumer rights of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter – “CRNM”). CRNM is responsible for approving the methodology for calculating the tariff and tariff rates for oil transportation in domestic market of the Republic of Kazakhstan.

According to the Law of the Republic of Kazakhstan *On Natural Monopolies* transit of crude oil through the pipelines on the territory of the Republic of Kazakhstan and export from the Republic of Kazakhstan are excluded from the regulation of natural monopolies.

Starting from 1 January 2020, the temporary tariff for pumping oil to the domestic market is 4,109.50 Tenge per ton for 1,000 kilometers without VAT (from 1 January to 31 August 2019 – 4,721.72 Tenge per ton for 1,000 kilometers without VAT; from 1 September – 4,716.62 Tenge per ton for 1,000 kilometers without VAT).

Starting from 1 April 2018 to 29 February 2020 tariff for pumping oil on export from the Republic of Kazakhstan equals to 6,398.92 Tenge per ton for 1,000 kilometers without VAT. Starting from 1 March 2020, the tariff for this service was increased to 7,358.76 Tenge per ton for 1,000 kilometers without VAT.

Tariff for pumping oil for transit through Kazakhstani part of main oil pipeline “Tuymazy – Omsk – Novosibirsk-2” starting from 1 April 2018 is 4,292.40 Tenge per ton for 1,000 kilometers.

Starting from 1 January 2019 tariff for transportation of Russian oil through the territory of Kazakhstan to the People’s Republic of China on the route border of Russian Federation-border of Republic of Kazakhstan (Priirtyshsk) – Atasu (Republic of Kazakhstan) – Alashankou (People’s Republic of China) is 4.23 US Dollars per ton (in Priirtyshsk – Atasu sector).

In general, tariff rates are based on the cost of capital return on operating assets. In accordance with the legislation of the Republic of Kazakhstan on regulation of natural monopolies, tariff rates cannot be lower than the expenditures required to provide services, and should provide for entity’s profitability at the level ensuring effective functioning of a natural monopoly.

These interim condensed separate financial statements for the nine months ended 30 September 2020 were approved for issue by internal audit committee of the Company’s Board of Directors and signed by the General Director (Chairman of the Management Board) and the Chief Accountant on 13 November 2020.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND CHANGES IN ACCOUNTING POLICIES

Basis of preparation

These interim condensed consolidated financial statements for the nine months ended 30 September 2020 have been prepared in accordance with International Financial Reporting Standards (hereafter – “IFRS”) IAS 34 *Interim Financial Reporting*.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for property, plant and equipment which are stated at revalued amounts and other items described in the accounting policies and the notes to these interim condensed consolidated financial statements.

These interim condensed consolidated financial statements do not include all information and disclosures required for annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

These interim condensed consolidated financial statements are presented in Tenge and all amounts are rounded to the nearest thousands, except for the book value of ordinary shares, earnings per share and when otherwise indicated.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND CHANGES IN ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards and interpretations effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Some amendments are applied for the first time in 2020. The nature and the impact of each new standard and amendment are described below:

Revised version of Conceptual Framework for Financial Reporting

In March 2018, the IASB issued a revised version of *Conceptual Framework for Financial Reporting*. In particular, the revised version introduces new definitions of assets and liabilities, as well as amended definitions of income and expenses. The new version is effective for annual periods starting on or after 1 January 2020. The revised version of Conceptual Framework had no impact on the interim condensed consolidated financial statements.

Amendments to IFRS 3 Definition of a Business Combinations

In October 2018, the IASB issued amendments to IFRS 3 *Business Combinations*. The amendments enhance definition of a business set out by the standard. The amendments are effective for acquisitions to occur on or after 1 January 2020. Since the amendments apply prospectively to transactions or other events after the date of first application, these amendments had no impact on the interim condensed consolidated financial statements.

Amendments to IAS 1 and IAS 8 Definition of Material

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Amendments to IAS 1 and IAS 8 introduce the new definition of materiality. The amendments to IAS 1 and IAS 8 are effective on or after 1 January 2020. The amendments to the definition of materiality had no significant impact on its interim condensed consolidated financial statements.

Amendments to IFRS 7 Financial instruments: Disclosures and IFRS 9 Financial Instruments Named Interest Rate Benchmark Reform

In September 2019, the IASB issued amendments to IFRS 7 *Financial instruments: Disclosures* and IFRS 9 *Financial Instruments* named *Interest Rate Benchmark Reform*. The amendments provide relief from certain requirements of hedge accounting, as their fulfillment can lead to discontinuation of hedge accounting due to uncertainty caused by the reform. The amendments are effective on or after 1 January 2020. The amendments had no material effect on the interim condensed consolidated financial statements.

Seasonality of operations

The Group's operating costs are subject to seasonal fluctuations, with higher expenses for materials and repair, maintenance and other services usually expected in the second half of the year. These fluctuations are mainly due to the pipeline repairs that are performed mainly during the second half of the year. Purchase of inventory is mainly implemented in the first half of the year.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND CHANGES IN ACCOUNTING POLICIES (continued)

Foreign currency translation

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

Weighted average currency exchange rates for the nine months ended 30 September 2020 and 2019 are as follows:

<i>Tenge</i>	For the nine months ended 30 September	
	2020	2019
US Dollars	409.23	381.52
Russian Rubles	5.78	5.87
Euro	460.04	428.67
Georgian Lari	135.03	138.38

As at 30 September 2020 and 31 December 2019 the currency exchange rates of KASE are as follows:

<i>Tenge</i>	30 September 2020	31 December 2019
US Dollars	431.82	382.59
Russian Rubles	5.52	6.16
Euro	505.57	429
Georgian Lari	135.58	134.48

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 30 September 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
At revalued amount as at 31 December 2019 (audited)	23,949,576	233,143,081	19,294,537	87,817,200	165,639,253	166,121,927	10,110,133	49,263,659	755,339,366
Foreign currency translation	2,293,246	–	186,150	(31,265)	174,813	–	3,123	65,280	2,691,347
Additions	–	23,129	1,682,131	–	1,176,579	–	82,986	18,174,383	21,139,208
Additions of asset retirement and land recultivation obligation (Note 15)	–	322,744	–	–	–	–	–	–	322,744
Disposals	(57,701)	(152,840)	(17,813)	(26,396)	(94,445)	(1,063)	(125,569)	(248,785)	(724,612)
Revaluation/(impairment) (through revaluation reserve)	–	65,834	–	–	–	(65,514,563)	–	–	(65,448,729)
Transfers from construction in progress	–	13,743,260	273,175	4,895,348	5,480,543	–	258,105	(24,650,431)	–
Transfers to non-current assets held for sale	–	–	(12,805)	(5,867)	–	–	–	–	(18,672)
Transfers to intangible assets	–	–	–	–	–	–	–	(77,561)	(77,561)
Transfers and reclassifications	–	–	(84,269)	52,494	11,752	–	20,023	–	–
At revalued amount as at 30 September 2020 (unaudited)	26,185,121	247,145,208	21,321,106	92,701,514	172,388,495	100,606,301	10,348,801	42,526,545	713,223,091
Accumulated depreciation and impairment as at 31 December 2019 (audited)	–	(5,385,993)	(1,176,504)	(2,616,469)	(10,120,061)	–	(1,618,342)	–	(20,917,369)
Foreign currency translation	–	–	(14,116)	(3,666)	(21,266)	–	(1,846)	–	(40,894)
Depreciation charge	–	(10,623,001)	(2,163,918)	(5,001,312)	(19,195,636)	–	(2,444,373)	–	(39,428,240)
Disposals	–	59,711	7,322	5,084	77,436	–	124,253	240,257	514,063
Impairment (through expenses)	–	(1,052)	–	–	–	–	–	–	(1,052)
Impairment (through revaluation reserve)	–	(4,081)	–	(1,627)	–	–	–	–	(5,708)
Transfers to non-current assets held for sale	–	–	3,923	2,466	–	–	–	–	6,389
Transfers and reclassifications	–	–	1,356	(363)	(964)	–	(29)	–	–
Accumulated depreciation and impairment as at 30 September 2020 (unaudited)	–	(15,954,416)	(3,341,937)	(7,615,887)	(29,260,491)	–	(3,940,337)	240,257	(59,872,811)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. PROPERTY, PLANT AND EQUIPMENT (continued)**

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
As at 30 September 2020 (unaudited)									
At revalued amount	26,185,121	247,145,208	21,321,106	92,701,514	172,388,495	100,606,301	10,348,801	42,526,545	713,223,091
Accumulated depreciation and impairment	–	(15,954,416)	(3,341,937)	(7,615,887)	(29,260,491)	–	(3,940,337)	240,257	(59,872,811)
Net book value	26,185,121	231,190,792	17,979,169	85,085,627	143,128,004	100,606,301	6,408,464	42,766,802	653,350,280
As at 31 December 2019 (audited)									
At revalued amount	23,949,576	233,143,081	19,294,537	87,817,200	165,639,253	166,121,927	10,110,133	49,263,659	755,339,366
Accumulated depreciation and impairment	–	(5,385,993)	(1,176,504)	(2,616,469)	(10,120,061)	–	(1,618,342)	–	(20,917,369)
Net book value	23,949,576	227,757,088	18,118,033	85,200,731	155,519,192	166,121,927	8,491,791	49,263,659	734,421,997

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 30 September 2020 construction in progress mainly includes the following production facilities:

- Overhaul with replacement of the separate sections of the Uzen – Atyrau – Samara main oil pipeline;
- Replacement, reconstruction and construction of the objects of main oil pipeline (pumping stations, communication lines, power supply, automation system and other).

As at 30 September 2020:

- The initial cost and corresponding accumulated depreciation of fully depreciated property, plant and equipment still in use was 2,377,690 thousand Tenge (as at 31 December 2019: 1,030,764 thousand Tenge);
- Construction in progress included materials and spare parts in the amount of 3,361,961 thousand Tenge (as at 31 December 2019: 3,669,128 thousand Tenge), which were acquired for construction works.

Depreciation of property, plant, and equipment for nine months ended 30 September 2020, included in the cost of construction in progress amounted to 17,898 thousand Tenge (for nine months ended 30 September 2019: 20,195 thousand Tenge).

Due to significant changes in the oil price on domestic market, the fair value of the Company's technological oil for the nine months period ended 30 September 2020 was reduced for the amount of 65,514,563 thousand Tenge through other comprehensive income (for the nine months period ended 30 September 2019 was reduced for the amount of 14,925,741 thousand Tenge through other comprehensive income). Oil price as at 30 September 2020 was 38,623 Tenge per ton (as at 31 December 2019: 63,774 Tenge per ton), the volume of oil in pipelines, included in property, plant, and equipment, amounted to 2,605 thousand tons (as at 31 December 2019: 2,605 thousand tons).

As a result of the fair value estimates of the Group's property, plant and equipment, as well as the analysis for impairment, during 9 months ended 30 September 2019, the carrying amount of the Group's property, plant and equipment, with the exception of technological oil, increased by 69,815,660 thousand Tenge. At the same time, the net revaluation through the revaluation reserve amounted to 85,524,515 thousand Tenge, and the devaluation was recognized through profit and loss in the amount of 15,708,855 thousand Tenge. The devaluation of property, plant and equipment is mainly related to the impairment of the property, plant and equipment of BOT. In addition, based on the results of an independent fair value estimates of BSP land plots based on their market value, the Group reversed a previously recognized impairment of the BSP land use right in the amount of 1,461,983 thousand Tenge.

4. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures as at 30 September 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	30 September 2020 (unaudited)	31 December 2019 (audited)
Investments in KCP	32,458,592	29,567,404
Investments in MunaiTas	26,333,060	25,447,935
Total	58,791,652	55,015,339

Changes in investments in joint ventures for the reporting period are presented as follows:

<i>In thousands of Tenge</i>	Total
As at 31 December 2019 (audited)	55,015,339
Share in income of joint ventures	4,288,050
Share in other comprehensive loss of joint ventures	(511,737)
As at 30 September 2020 (unaudited)	58,791,652

In June 2020 the Company repaid the liability on a contribution to charter capital of MunaiTas amounting 5,000,000 thousand Tenge, which was recognized at the end of 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. INVESTMENTS IN JOINT VENTURES (continued)

The Company's share in comprehensive income/loss of joint ventures for the three and nine months periods ended 30 September 2020 and 2019 is as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2020	2019	2020	2019
Share in income of joint ventures				
KCP	108,530	1,641,243	3,372,843	8,759,615
MunaiTas	548,539	157,918	915,207	933,371
Total share in income of joint ventures	657,069	1,799,161	4,288,050	9,692,986
Share in other comprehensive (loss)/income of joint ventures				
KCP	(360,598)	7,017,693	(481,655)	6,756,606
MunaiTas	–	–	(30,082)	–
Total share in other comprehensive (loss)/income of joint ventures	(360,598)	7,017,693	(511,737)	6,756,606
Total share in comprehensive income of joint ventures	296,471	8,816,854	3,776,313	16,449,592

5. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

Advances to suppliers for property, plant and equipment as at 30 September 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	30 September 2020 (unaudited)	31 December 2019 (audited)
Advances to third parties for property, plant and equipment and construction services	7,410,808	1,640,395
Less: impairment	(830,534)	(741,920)
Total	6,580,274	898,475

The increase in advances given is mainly due to prepayment for the capital repair project with the replacement of sections of the Uzen-Atyrau-Samara main oil pipeline.

6. TRADE AND OTHER ACCOUNTS RECEIVABLE

Long-term accounts receivable as at 30 September 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	30 September 2020 (unaudited)	31 December 2019 (audited)
Other accounts receivable from third parties	1,268,954	1,206,111
Less: allowance for expected credit losses	(61,492)	(77,485)
Total	1,207,462	1,128,626

Short-term trade and other accounts receivable as at 30 September 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	30 September 2020 (unaudited)	31 December 2019 (audited)
Trade accounts receivable from third parties	7,380,803	7,406,294
Trade accounts receivable from related parties (Note 24)	3,553,482	2,446,713
Other accounts receivable from third parties	705,412	767,842
Other accounts receivable from related parties (Note 24)	509	509
Less: allowance for expected credit losses	(5,256,944)	(4,763,120)
Total	6,383,262	5,858,238

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)

Trade and other accounts receivable of the Group as at 30 September 2020 and 31 December 2019 are denominated in the following currencies:

<i>In thousands of Tenge</i>	30 September 2020 (unaudited)	31 December 2019 (audited)
Tenge	5,113,091	5,152,735
US Dollars	1,257,891	693,253
Russian Rubles	4,075	2,303
Other currency	8,205	9,947
Total	6,383,262	5,858,238

7. VAT RECOVERABLE AND OTHER PREPAID TAXES

VAT recoverable and other prepaid taxes as at 30 September 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	30 September 2020 (unaudited)	31 December 2019 (audited)
VAT recoverable	5,760,867	6,705,365
Property tax	259,685	388,239
Withholding tax at the source of payment	37,365	16,756
Other taxes prepaid	11,762	10,735
Total	6,069,679	7,121,095

8. OTHER CURRENT ASSETS

Other current assets as at 30 September 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	30 September 2020 (unaudited)	31 December 2019 (audited)
Due for oil transportation coordination services	3,851,200	6,726,960
Prepaid insurance	399,274	35,760
Due from employees	43,594	31,905
Deferred expenses	48,114	34,805
Other	33,416	30,206
Total	4,375,598	6,859,636

9. BANK DEPOSITS

Bank deposits as at 30 September 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	30 September 2020 (unaudited)	31 December 2019 (audited)
Short-term bank deposits – US Dollar	21,591,000	45,910,799
Long-term bank deposits – Tenge	1,743,733	2,158,180
Accrued interest on deposits – US Dollar	19,144	69,414
Accrued interest on deposits – Tenge	15,628	39,791
Less: allowance for expected credit losses	(73,232)	(78,017)
Total	23,296,273	48,100,167

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. BANK DEPOSITS (continued)

In accordance with the maturity, bank deposits as at 30 September 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	30 September 2020 (unaudited)	31 December 2019 (audited)
Short-term bank deposits with maturity under 1 year	21,567,146	45,960,400
Long-term bank deposits with maturity over 1 year	1,729,127	2,139,767
Total	23,296,273	48,100,167

As at 30 September 2020 and 31 December 2019 bank deposits comprised the following:

- US Dollar denominated short-term deposits with maturity from 3 to 12 months, with interest from 0.4% to 0.55% per annum (as at 31 December 2019: from 0.5% per annum), maturing from December 2020 to March 2021 (as at 31 December 2019: maturing from January to June 2020);
- Restricted long-term bank deposits with interest from 2% to 3.5% per annum maturing in 2028 and in 2027, respectively, arranged for the purpose of preferential lending rates for the Company's employees for the purchase of residential property.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 September 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	30 September 2020 (unaudited)	31 December 2019 (audited)
Time deposits with banks – Tenge	34,475,851	19,238,432
Current accounts with banks – US Dollars	9,202,407	4,365,671
Current accounts with banks – Tenge	8,079,931	2,920,193
Current accounts with banks – Lari	1,125,755	2,080,907
Current accounts with banks – Russian Ruble	66,333	32,182
Current accounts with banks – Euro	23,318	22,573
Other current accounts with banks	23,181	23,175
Cash on hand	77	280
Less: allowance for expected credit losses	(22,568)	(34,322)
Total	52,974,285	28,649,091

As at 30 September 2020:

- Current accounts and time deposits with maturity less than 3 months in Tenge placed with Kazakhstani banks carried interest ranging from 6.50% to 8.20% per annum (as at 31 December 2019: from 6.75% to 8.60% per annum);
- Interest for current accounts and time deposits with maturity less than 3 months placed in US Dollars ranged from 0.25% to 4% per annum (as at 31 December 2019: from 0.25% to 4% per annum).

11. EQUITY

Asset revaluation reserve

As at 30 September 2020 asset revaluation reserve of the Group was equal to 229,845,328 thousand Tenge (as at 31 December 2019: 299,585,499 thousand Tenge). The change in revaluation reserve is mainly due to impairment of the technological oil (*Note 3*) and revision of estimates of provision for asset retirement and land recultivation obligation (*Note 15*) with the corresponding effect of income tax expense (*Note 22*), as well as amortization of this reserve for the period.

Dividends

During the nine months period ended 30 September 2020 the Company accrued dividends payable based on the decision of the general meeting of shareholders dated 27 May 2020 in the amount of 45,386,116 thousand Tenge based on the results of 2019 (calculated as 118 Tenge per 1 share), with the use of net income received in 2019 in the amount of 45,121,438 thousand Tenge and retained earnings of previous years in the amount of 264,678 thousand Tenge, from which 40,848,301 thousand Tenge will be paid to KMG (*Note 24*) and 4,537,815 thousand Tenge to minority shareholders.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. EQUITY (continued)

Dividends (continued)

During the nine months period ended 30 September 2019 the Company accrued dividends payable based on the decision of the general meeting of shareholders dated 28 May 2019 in the amount of 40,001,322 thousand Tenge based on the results of 2018 (calculated as 104 Tenge per 1 share), with the use of net income received in 2018 in the amount of 38,484,983 thousand Tenge and retained earnings of previous years in the amount of 1,516,339 thousand Tenge, from which 36,001,892 thousand Tenge were paid to KMG and 3,999,430 thousand Tenge to minority shareholders.

Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Parent of the Group by the weighted average number of ordinary shares outstanding during the period.

Since the Company, as the Parent of the Group, does not issue convertible financial instruments, basic earnings per share of the Group are equal to diluted earnings per share.

The following reflects the net profit and share data used in the basic earnings per share computations:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2020	2019	2020	2019
Net profit attributable to ordinary equity holders of the Parent of the Group	13,769,780	3,831,845	51,940,265	37,649,442
Weighted average number of ordinary shares for basic earnings per share	384,628,099	384,628,099	384,628,099	384,628,099
Basic earnings per share, in relation to profit for the period attributable to ordinary equity holders of the Company, as a Parent company of the Group (in Tenge)	36	10	135	98

Book value per ordinary share

Book value per the ordinary share of the Company, calculated in accordance with requirements of KASE for the Parent of the Group is as follows:

<i>In thousands of Tenge</i>	30 September 2020 (unaudited)	31 December 2019 (audited)
Total assets	835,931,574	912,813,470
Less: intangible assets	(7,194,186)	(7,728,097)
Less: total liabilities	(180,046,253)	(209,834,504)
Net assets for calculation of book value per ordinary share	648,691,135	695,250,869
Number of ordinary shares	384,628,099	384,628,099
Book value per ordinary share (in Tenge)	1,687	1,808

12. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 30 September 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	30 September 2020 (unaudited)	31 December 2019 (audited)
Trade accounts payable to third parties for goods and services	8,792,813	10,318,431
Trade accounts payable to related parties for goods and services (Note 24)	1,144,558	3,743,715
Other accounts payable to third parties	650,164	1,116,797
Other accounts payable to related parties (Note 24)	10,488	4,181
Total	10,598,023	15,183,124

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. TRADE AND OTHER ACCOUNTS PAYABLE (continued)

As at 30 September 2020 trade and other accounts payable included payables to related and third parties for property, plant and equipment and works and services related to the construction-in-progress in the amount of 4,312,380 thousand Tenge (as at 31 December 2019: 7,730,268 thousand Tenge).

Trade and other accounts payable as at 30 September 2020 and 31 December 2019 are denominated in the following currencies:

<i>In thousands of Tenge</i>	30 September 2020 (unaudited)	31 December 2019 (audited)
Tenge	10,079,173	14,576,983
US Dollars	239,265	179,750
Russian Rubles	6,675	4,830
Euro	2,591	23,667
Other currency	270,319	397,894
Total	10,598,023	15,183,124

13. ADVANCES RECEIVED

Advances received as at 30 September 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	30 September 2020 (unaudited)	31 December 2019 (audited)
Advances received from related parties (Note 24)	12,058,285	11,220,896
Advances received from third parties	7,198,054	7,258,086
Total	19,256,339	18,478,982

14. OTHER TAXES PAYABLE

Other taxes payable as at 30 September 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	30 September 2020 (unaudited)	31 December 2019 (audited)
Personal income tax	2,914,572	3,382,103
VAT payable	1,121,198	19,067
Withholding tax at the source of payment to non-residents	1,057,959	1,071,635
Social tax	329,572	708,284
Property tax	167,978	126,139
Other taxes	402,789	390,338
Total	5,994,068	5,697,566

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. ASSET RETIREMENT AND LAND RECULTIVATION PROVISIONS

The movement of provision for asset retirement and land reclamation obligation for the nine months ended 30 September 2020 and 2019 is as follows:

<i>In thousands of Tenge</i>	For the nine months ended 30 September (unaudited)	
	2020	2019
At the beginning of the period	27,780,887	21,109,397
Charge for the period through asset (Note 3)	322,744	–
Revision of estimates through other comprehensive loss	2,911,745	1,030,482
Revision of estimates through profit and loss (Note 20)	(143,277)	2,909,256
Reversal of provision (Note 20)	(1,038,269)	(207,747)
Unwinding of discount (Note 21)	1,534,719	1,392,547
At the end of the period (unaudited)	31,368,549	26,233,935

As at 30 September 2020 the Group revised the long-term provisions considering current best estimate, which was based on the discount rate of 7.36%, on the inflation rate of 5.66% and the cost of dismantling pipelines and land reclamation per 1 km, equalling to 6,560 thousand Tenge. As at 31 December 2019 the corresponding assumptions were 7.46%, 5.48% and 5,954 thousand Tenge.

The specified above recovery of the provision is related to the disposal of the pipe from the decommissioned non-liquidated sections of main oil pipelines (in accordance with the terms of the Group's agreements on the disposal of the pipe, the disposal costs are borne by the buyer).

16. OTHER CURRENT LIABILITIES

Other current liabilities as at 30 September 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	30 September 2020 (unaudited)	31 December 2019 (audited)
Accounts payable for oil transportation coordination services to related parties (Note 24)	6,911,628	8,193,956
Accounts payable for oil transportation coordination services to third parties	4,204,791	5,192,306
Salaries and other compensations	4,183,589	11,099,128
Current portion of deferred income	671,257	576,806
Accounts payable to pension fund	459,540	870,184
Other accruals	277,813	341,844
Total	16,708,618	26,274,224

Salaries and other compensations include current salary payable, year-end benefits payable and vacation payments payable. The decrease in these liabilities in the reporting period is mainly due to the payment of remuneration for the year results.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**17. REVENUE**

Revenue for the three and nine months ended 30 September 2020 and 2019 are as follows:

<i>In thousands of Tenge</i>	For three months ended 30 September 2020 (unaudited)					For nine months ended 30 September 2020 (unaudited)				
	Oil transportation and related services	Oil trans-shipment	Water transportation	Others	Total for segments	Oil transportation and related services	Oil trans-shipment	Water transportation	Others	Total for segments
Crude oil transportation	47,097,478	–	–	–	47,097,478	145,715,590	–	–	–	145,715,590
Pipeline operation and maintenance services	4,279,850	–	–	–	4,279,850	12,729,681	–	–	–	12,729,681
Water transportation	–	–	1,514,631	–	1,514,631	–	–	5,030,675	–	5,030,675
Fees for undelivered oil volumes	619,958	–	–	–	619,958	2,175,851	–	–	–	2,175,851
Seaport services	–	–	–	1,622,944	1,622,944	–	–	–	4,473,702	4,473,702
Oil, oil products and gas transshipment and railway shipment	–	2,019,430	–	–	2,019,430	–	4,718,422	–	–	4,718,422
Oil transportation coordination services	163,285	–	–	–	163,285	525,453	–	–	–	525,453
Others	16,707	–	15,725	966,400	998,832	76,772	–	16,879	1,534,203	1,627,854
Total for segments	52,177,278	2,019,430	1,530,356	2,589,344	58,316,408	161,223,347	4,718,422	5,047,554	6,007,905	176,997,228
Geographic regions of customers										
Kazakhstan	45,898,672	1,046,687	1,530,356	–	48,475,715	142,396,871	2,502,441	5,047,554	–	149,946,866
Russia	6,278,606	–	–	–	6,278,606	18,826,476	–	–	–	18,826,476
Georgia	–	809,518	–	2,281,363	3,090,881	–	1,620,551	–	5,678,475	7,299,026
Others	–	163,225	–	307,981	471,206	–	595,430	–	329,430	924,860
Total revenue under contracts with customers	52,177,278	2,019,430	1,530,356	2,589,344	58,316,408	161,223,347	4,718,422	5,047,554	6,007,905	176,997,228
Timing of revenue recognition										
At a point in time	47,897,428	2,019,430	1,530,356	2,589,344	54,036,558	148,493,666	4,718,422	5,047,554	6,007,905	164,267,547
Over time	4,279,850	–	–	–	4,279,850	12,729,681	–	–	–	12,729,681
Total revenue under contracts with customers	52,177,278	2,019,430	1,530,356	2,589,344	58,316,408	161,223,347	4,718,422	5,047,554	6,007,905	176,997,228

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**17. REVENUE (continued)**

<i>In thousands of Tenge</i>	For three months ended 30 September 2019 (unaudited)					For nine months ended 30 September 2019 (unaudited)				
	Oil transportation and related services	Oil trans-shipment	Water transportation	Others	Total for segments	Oil transportation and related services	Oil trans-shipment	Water transportation	Others	Total for segments
Crude oil transportation	50,433,982	–	–	–	50,433,982	150,376,551	–	–	–	150,376,551
Pipeline operation and maintenance services	4,089,399	–	–	–	4,089,399	11,982,038	–	–	–	11,982,038
Water transportation	–	–	2,018,654	–	2,018,654	–	–	5,777,658	–	5,777,658
Fees for undelivered oil volumes	1,374,725	–	–	–	1,374,725	3,760,769	–	–	–	3,760,769
Seaport services	–	–	–	1,225,339	1,225,339	–	–	–	3,543,939	3,543,939
Oil, oil products and gas transshipment and railway shipment	–	909,360	–	–	909,360	–	3,214,305	–	–	3,214,305
Oil transportation coordination services	159,356	–	–	–	159,356	507,326	–	–	–	507,326
Others	28,355	447	247	210,464	239,513	120,968	11,446	3,307	447,141	582,862
Total for segments	56,085,817	909,807	2,018,901	1,435,803	60,450,328	166,747,652	3,225,751	5,780,965	3,991,080	179,745,448
Geographic regions of customers										
Kazakhstan	49,966,508	492,700	2,018,901	–	52,478,109	148,736,711	1,492,888	5,780,965	–	156,010,564
Russia	6,119,309	–	–	–	6,119,309	18,010,941	–	–	–	18,010,941
Georgia	–	413,714	–	1,435,803	1,849,517	–	1,152,571	–	3,991,080	5,143,651
Others	–	3,393	–	–	3,393	–	580,292	–	–	580,292
Total revenue under contracts with customers	56,085,817	909,807	2,018,901	1,435,803	60,450,328	166,747,652	3,225,751	5,780,965	3,991,080	179,745,448
Timing of revenue recognition										
At a point in time	51,996,418	909,807	2,018,901	1,435,803	56,360,929	154,765,614	3,225,751	5,780,965	3,991,080	167,763,410
Over time	4,089,399	–	–	–	4,089,399	11,982,038	–	–	–	11,982,038
Total revenue under contracts with customers	56,085,817	909,807	2,018,901	1,435,803	60,450,328	166,747,652	3,225,751	5,780,965	3,991,080	179,745,448

For the nine months ended 30 September 2020 the revenue from the four major customers amounted to 37,411,032 thousand Tenge, 25,502,163 thousand Tenge, 12,858,624 thousand Tenge and 9,154,639 thousand Tenge, respectively (for the nine months ended 30 September 2019 the revenue from the four major customers amounted to 40,888,359 thousand Tenge, 25,724,267 thousand Tenge, 12,015,771 thousand Tenge and 8,434,598 thousand Tenge, respectively).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. COST OF SALES

Cost of sales for the three and nine months ended 30 September 2020 and 2019 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2020	2019	2020	2019
Depreciation and amortization	13,223,717	13,097,318	39,895,887	39,710,897
Personnel costs	12,549,851	12,122,283	36,659,011	33,774,857
Taxes other than income tax	2,095,638	2,406,395	6,670,380	6,701,748
Materials and fuel	2,594,326	2,867,448	5,581,499	5,427,470
Repair and maintenance	2,420,868	2,506,801	5,457,430	5,566,217
Electric energy	1,726,419	1,714,864	5,276,696	5,252,940
Security services	1,417,993	1,287,163	4,262,947	3,890,565
Railway services	675,583	365,052	1,915,606	1,133,114
Gas expenses	324,435	317,355	1,902,445	1,935,447
Food and accomodation	473,225	514,646	1,392,944	1,496,166
Environmental protection	508,729	598,458	679,532	1,048,340
Insurance	189,608	171,306	536,299	495,236
Labor protection, safety	225,710	218,527	532,104	501,972
Post-employment benefits	148,160	150,990	466,213	412,287
Business trip expenses	169,710	303,310	455,458	720,099
Communication services	129,862	89,318	288,714	293,222
Outstaffing services	98,416	101,414	279,872	276,906
Diagnostics of production facilities	179,033	138,146	195,030	161,027
Social sphere expenses	52,474	355,922	144,586	550,716
Transportation services	46,054	14,673	112,687	105,399
Air services	–	6,829	–	239,144
Other	271,425	1,311,312	750,348	1,806,559
Total	39,521,236	40,659,530	113,455,688	111,500,328

The increase in personnel costs in the reporting period is mainly due to the indexation of salary, as well as changes in the wage system for employees of the Company's production divisions.

The lack of air services in the reporting period is due to a temporary cessation of flights starting second quarter of 2019.

The decrease in business trip expenses in the reporting period is due to restrictions related to the spread of the coronavirus infection COVID-19.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three and nine months ended 30 September 2020 and 2019 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2020	2019	2020	2019
Personnel costs	1,781,365	1,825,688	5,450,634	5,416,224
Depreciation and amortization	398,074	321,943	1,215,108	993,680
Charity expenses	1,008,789	8,115	1,026,191	2,225,562
Office maintenance	131,437	128,190	390,191	383,900
Taxes other than income tax	67,061	59,628	195,023	193,721
Repair and maintenance	62,724	69,098	192,958	216,790
Consulting services	83,905	97,274	189,214	186,135
Outstaffing services	65,494	56,711	166,530	158,893
Write-off of VAT recoverable	100,541	23,241	145,165	66,190
Information services	37,148	29,381	105,840	91,684
Communication services	37,080	41,353	91,536	118,660
Charge of allowance for expected credit losses on trade receivables, net	31,320	165,494	63,620	78,010
Business trip expenses	12,750	74,034	56,880	253,276
Materials and fuel	23,241	9,004	52,798	42,755
Bank costs	16,102	16,601	51,025	49,057
Insurance and security	10,531	12,447	32,358	44,835
Post-employment benefits	8,049	(148,949)	24,147	(129,356)
Advertising expenses	2,845	66,028	9,114	91,044
Social sphere expenses	3,810	109,922	7,342	186,596
Administrative fines	–	752	–	315,890
Other	179,291	209,791	407,102	522,534
Total	4,061,557	3,175,746	9,872,776	11,506,080

Charity expenses for the nine months period ended 30 September 2020 are associated with the purchase in August of current year of artificial lung ventilation devices for the amount of 1,000,000 thousand Tenge, which were donated as sponsorship to health care organizations of the Republic of Kazakhstan in order to support government policy in the fight against coronavirus infection with COVID-19.

The increase in charity expenses for nine months ended 30 September 2019 is associated with the sponsorship for the construction of a facility in the city of Turkestan in the amount of 2,200,000 thousand Tenge.

20. OTHER OPERATING INCOME AND EXPENSES

Other operating income/expenses for the three and nine months ended 30 September 2020 and 2019 are as follows:

Other operating income

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2020	2019	2020	2019
Income from fines and penalties	13,640	123,368	1,405,624	795,007
Income from revision and reversal of provision on asset retirement and land recultivation obligation (Note 15)	–	–	1,181,546	–
Amortization of deferred income	67,923	62,203	198,764	184,457
Income from disposal of property, plant and equipment and intangible assets, net	–	45,107	–	–
Income from disposal of inventories, net	3,979	14,476	102,634	29,178
Other income	132,904	102,752	180,594	185,903
Total	218,446	347,906	3,069,162	1,194,545

The increase in income from fines and penalties in the reporting period is due to claims against certain shippers regarding the quality of oil delivered by them at the beginning of the year.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. OTHER OPERATING INCOME AND EXPENSES (continued)

Other operating expenses

	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
<i>In thousands of Tenge</i>	2020	2019	2020	2019
Loss on VAT write-off	–	–	1,823,703	–
Impairment of non-current assets held for sale	225,214	–	232,631	960,745
Loss on disposal of property, plant and equipment and intangible assets, net	40,743	–	71,933	68,272
Revision and reversal of provision for asset retirement and land recultivation obligation, net (Note 15)	92,708	1,533,161	–	2,701,509
Other expenses	248,666	127,390	362,206	233,027
Total	607,331	1,660,551	2,490,473	3,963,553

Loss on VAT write-off for the nine months ended 30 September 2020 is related to exclusion, in accordance with the requirements of tax legislation, of VAT from offset as a result of transfer of the Company's fixed assets to the authorized capital of a subsidiary.

Impairment charge for non-current assets held for sale for the nine months ended 30 September 2019 is primarily related to the recognition of the impairment of the carrying amount of property, as administrative building in Pavlodar accounted for at 31 December 2018 within non-current assets held for sale, to its recoverable amount based on an offer to purchase the specified assets.

21. FINANCE INCOME AND EXPENSES

Finance income/expenses for the three and nine months ended 30 September 2020 and 2019 are as follows:

Finance income

	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
<i>In thousands of Tenge</i>	2020	2019	2020	2019
Interest income on bank deposits and current accounts	549,193	503,670	1,788,538	1,730,222
Income from revision of bond's fair value	65,929	47,760	192,538	137,639
Unwinding of discount on long-term receivables	48,951	–	146,704	–
Reversal of allowance for expected credit losses on cash and cash equivalents and bank deposits, net	–	–	13,978	–
Other finance income	3,896	3,879	45,507	12,289
Total	667,969	555,309	2,187,265	1,880,150

Finance expenses

	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
<i>In thousands of Tenge</i>	2020	2019	2020	2019
Unwinding of discount on asset retirement and land recultivation obligation reserve (Note 15)	512,963	472,187	1,534,719	1,392,547
Interest cost on employee benefit obligations	295,541	270,469	886,790	892,830
Unwinding of discount on lease liabilities	120,445	158,073	379,872	482,342
Charge of allowance for expected credit losses of cash and cash equivalents and bank deposits, net	57,079	30,636	–	10,864
Total	986,028	931,365	2,801,381	2,778,583

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. INCOME TAX EXPENSE

Income tax expenses for the three and nine months ended 30 September 2020 and 2019 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2020	2019	2020	2019
Current income tax expense	3,901,175	4,701,666	13,770,624	14,364,044
Adjustments of the past periods	–	–	69,953	(83,663)
Deferred income tax benefit	(1,007,865)	(1,682,575)	(2,107,441)	(2,699,934)
Income tax expense	2,893,310	3,019,091	11,733,136	11,580,447

Movement in deferred income tax liabilities for the three and nine months ended 30 September 2020 and 2019 is as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2020	2019	2020	2019
At the beginning of the period (unaudited)	65,060,573	64,332,311	80,564,703	67,394,342
Charged to other comprehensive (income)/loss	731,359	15,944,739	(13,673,236)	14,006,076
Charged to profit and loss	(1,007,865)	(1,682,575)	(2,107,441)	(2,699,934)
Changes in accounting policy	–	–	–	(106,009)
Currency translation	54	–	95	–
At the end of the period (unaudited)	64,784,121	78,594,475	64,784,121	78,594,475

23. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its services and has four reportable segments, as follows:

- Oil transportation and related services;
- Oil transshipment;
- Water transportation;
- Other segments.

Segments that are identified, but do not separately exceed quantitative limits (amount of separate segment revenue comprises less than 10% of combined revenue) are combined in “Other segments”. Such services include transshipment of dry cargo (sugar-airbrick, ammonium nitrate, cement, grain, sunflower and oil cake) in BSP with operation of dry-cargo, ferry and container terminals, and also passenger terminal services.

Oil transportation and related services provided by the Company, which do not exceed quantitative limits and are intimately connected with the Group’s main operating activities, or with main asset of the Group – pipelines, such as oil storage, expedition services, services on support and maintenance of pipelines, are included into service related to oil transportation. Separate management report is not provided to the Management of the Group on some types of these services and accordingly they cannot be identified as a separate segment.

Services on transshipment of oil, oil-products and gas through BSP with operation of BOT are included in “Oil transshipment” segment. Revenue from oil terminal is generated through storage, transshipment of oil, oil-products and gas and expedition. Expedition services rendered by PTL, represent transshipment of oil, oil-products and gas services through railway from Azerbaijanian-Georgian border to oil terminal in Batumi. This type of activity is directly related to oil transshipment, and therefore is not shown as a separate segment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**23. SEGMENT INFORMATION (continued)**

Management analyses its operating segments by segment profit. The following tables present information on revenue and profit of the Group's segments for the three months ended 30 September 2020 and 2019:

	For the three months ended 30 September 2020 (unaudited)					For the three months ended 30 September 2019 (unaudited)				
	Oil transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Water transportation (Kazakhstan)	Other	Total segments	Oil transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Water transportation (Kazakhstan)	Other	Total segments
<i>In thousands of Tenge</i>										
Revenue										
External customers	52,177,278	2,019,430	1,530,356	2,589,344	58,316,408	56,085,817	909,807	2,018,901	1,435,803	60,450,328
Total revenue	52,177,278	2,019,430	1,530,356	2,589,344	58,316,408	56,085,817	909,807	2,018,901	1,435,803	60,450,328
Financial results										
Impairment of property, plant and equipment and intangible assets through profit and loss	(543)	–	–	–	(543)	1,437,175	(8,236,893)	(2,501,789)	(1,486,783)	(10,788,290)
Depreciation and amortization	(12,253,206)	(204,760)	(915,759)	(248,066)	(13,621,791)	(12,098,765)	(265,407)	(837,159)	(217,930)	(13,419,261)
Interest income on bank deposits and current accounts	391,746	5,286	112,111	40,050	549,193	438,031	11,952	37,139	16,548	503,670
Share in income of joint ventures	657,069	–	–	–	657,069	1,799,161	–	–	–	1,799,161
Income tax (expense)/ benefits	(3,101,993)	–	208,683	–	(2,893,310)	(3,179,262)	(59,136)	219,307	–	(3,019,091)
Segment profit/(loss) for the period	13,300,747	(10,603)	(1,394,180)	1,873,816	13,769,780	14,235,255	(9,672,327)	(538,626)	(192,457)	3,831,845

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**23. SEGMENT INFORMATION (continued)**

Information on revenue and profit of the Group's segments for the nine months ended 30 September 2020 and 2019 and on assets and liabilities of the Group's segments as at 30 September 2020 and 31 December 2019:

	For the nine months ended 30 September 2020 (unaudited)					For the nine months ended 30 September 2019 (unaudited)				
	Oil transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Water transportation (Kazakhstan)	Other	Total segments	Oil transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Water transportation (Kazakhstan)	Other	Total segments
<i>In thousands of Tenge</i>										
Revenue										
External customers	161,223,347	4,718,422	5,047,554	6,007,905	176,997,228	166,747,652	3,225,751	5,780,965	3,991,080	179,745,448
Total revenue	161,223,347	4,718,422	5,047,554	6,007,905	176,997,228	166,747,652	3,225,751	5,780,965	3,991,080	179,745,448
Financial results										
Impairment of property, plant and equipment and intangible assets through profit and loss	(1,052)	–	–	–	(1,052)	1,396,754	(11,655,054)	(2,501,789)	(1,486,783)	(14,246,872)
Depreciation and amortization	(36,980,286)	(620,799)	(2,779,434)	(730,476)	(41,110,995)	(36,477,816)	(1,281,145)	(2,259,263)	(686,353)	(40,704,577)
Interest income on bank deposits and current accounts	1,428,923	38,877	212,291	108,447	1,788,538	1,537,946	33,192	118,261	40,823	1,730,222
Share in income of joint ventures	4,288,050	–	–	–	4,288,050	9,692,986	–	–	–	9,692,986
Income tax (expense)/benefits	(12,349,112)	–	615,976	–	(11,733,136)	(11,741,601)	(59,136)	220,290	–	(11,580,447)
Segment profit/(loss) for the period	51,797,756	(556,553)	(2,598,515)	3,297,577	51,940,265	52,896,601	(13,719,640)	(1,306,236)	(221,283)	37,649,442
	As at 30 September 2020 (unaudited)					As at 31 December 2019 (audited)				
	Oil transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Water transportation (Kazakhstan)	Other	Total segments	Oil transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Water transportation (Kazakhstan)	Other	Total segments
<i>In thousands of Tenge</i>										
Total assets	723,472,035	38,766,641	55,396,683	18,296,215	835,931,574	822,992,325	34,273,177	37,714,300	17,833,668	912,813,470
Total liabilities	160,855,172	5,905,570	1,008,005	12,277,506	180,046,253	191,124,015	5,450,760	1,219,239	12,040,490	209,834,504

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. RELATED PARTY TRANSACTIONS

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related party transactions were made on terms agreed between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following tables provide the total amount of transactions, which have been entered into with related parties during the three and nine months ended 30 September 2020 and 2019 and also the related balances as at 30 September 2020 and 31 December 2019.

Trade and other accounts receivables from related parties are as follows:

<i>In thousands of Tenge</i>		30 September 2020 (unaudited)	31 December 2019 (audited)
	Notes		
Trade and other accounts receivable from related parties			
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		1,810,069	875,953
Trade accounts receivable from joint ventures of the Company		925,369	931,715
Trade accounts receivable from entities under common control of KMG		818,044	639,045
Total trade accounts receivable from related parties	6	3,553,482	2,446,713
Other accounts receivable from entities under common control of Samruk-Kazyna Group	6	509	509
Total other accounts receivable from related parties		509	509
Less: allowance for expected credit losses		(8,024)	(4,586)
Total trade and other accounts receivable from related parties		3,545,967	2,442,636

Advances provided to related parties are as follows:

<i>In thousands of Tenge</i>		30 September 2020 (unaudited)	31 December 2019 (audited)
Advances paid to related parties			
Advances paid to entities under common control of KMG		133,498	548,107
Advances paid to entities under common control of Samruk-Kazyna Group		37,765	1,105
Total advances paid to related parties		171,263	549,212

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. RELATED PARTY TRANSACTIONS (continued)

Trade and other accounts payable to related parties are as follows:

<i>In thousands of Tenge</i>		30 September 2020 (unaudited)	31 December 2019 (audited)
	Notes		
Trade accounts payable to related parties for goods and services			
Trade accounts payable to entities under common control of Samruk-Kazyna Group		618,748	2,919,074
Trade accounts payable to entities under common control of KMG		525,810	815,957
Trade accounts payable to joint ventures of the Company		–	8,684
Total trade accounts payable to related parties for goods and services	12	1,144,558	3,743,715
Other payables to entities under common control of Samruk-Kazyna Group		–	2,344
Other payables to joint ventures of the Company		10,488	1,837
Total other accounts payable to related parties	12	10,488	4,181
Total trade and other accounts payable to related parties		1,155,046	3,747,896

Advances received from related parties are as follows:

<i>In thousands of Tenge</i>		30 September 2020 (unaudited)	31 December 2019 (audited)
	Notes		
Advances received from related parties			
Advances received from entities under common control of KMG		11,848,104	10,979,288
Advances received from entities under common control of Samruk-Kazyna Group		210,181	241,608
Total advances received from related parties	13	12,058,285	11,220,896

Other current liabilities to related parties are as follows:

<i>In thousands of Tenge</i>		30 September 2020 (unaudited)	31 December 2019 (audited)
	Notes		
Accounts payable for oil transportation coordination services to related parties			
Accounts payable for oil transportation coordination services to entities under common control of KMG	16	6,911,628	8,193,956
Total accounts payable for oil transportation coordination services to related parties		6,911,628	8,193,956
Employee benefits obligation of key management personnel			
Employee benefits obligation of key management personnel		39,519	52,873
Total employee benefits obligation of key management personnel		39,519	52,873
Total other current liabilities to related parties		6,951,147	8,246,829

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. RELATED PARTY TRANSACTIONS (continued)

Transactions, which have been entered into with related parties are as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2020	2019	2020	2019
Sales to related parties				
Revenue from main activities with entities under common control of KMG	28,758,472	32,358,903	91,733,353	95,859,173
Revenue from main activities with joint ventures of the Company	2,519,815	2,405,963	7,558,260	7,081,041
Revenue from main activities with entities under common control of Samruk-Kazyna Group	1,817,568	2,016,289	5,563,418	6,002,817
Revenue from other activities with entities under common control of KMG	98	1,112	65,153	522,431
Revenue from other activities with entities under common control of Samruk-Kazyna Group	–	7,559	19,274	12,760
Total	33,095,953	36,789,826	104,939,458	109,478,222

Revenue from main activities with entities under common control of KMG is related to the services of oil and water transportation.

Purchase of services and assets from related parties is as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2020	2019	2020	2019
Purchases from related parties				
Purchases of services from entities under common control of KMG	1,221,897	1,312,690	4,066,747	5,446,308
Purchases of property, plant and equipment and intangible assets from entities under common control of Samruk-Kazyna Group	817,471	1,321,907	1,811,444	12,119,138
Purchases of services from entities under common control of Samruk-Kazyna Group	480,262	925,754	1,378,285	2,010,566
Purchases of services from joint ventures of the Company	11,843	21,174	63,235	62,406
Purchases of property, plant and equipment and intangible assets from entities under common control of KMG	2,232	–	2,232	166,370
Purchases of inventory entities under common control of Samruk-Kazyna Group	45	–	135	90
Purchases of inventory from entities under common control of KMG	38	–	114	572,619
Total	2,533,788	3,581,525	7,322,192	20,377,497

The decrease for the nine months ended 30 September 2020 in purchases of property, plant and equipment and intangible assets from entities under common control of Samruk-Kazyna Group is mainly due to the completion of construction work by a related party at the end of 2019 on replacement of a pipeline on the main oil pipeline “Prorva-Kulsary” and the main water pipeline “Astrakhan-Mangyshlak”.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. RELATED PARTY TRANSACTIONS (continued)

Cash flows to related parties related to the payment of dividends are as follows:

<i>In thousands of Tenge</i>	Notes	For the nine months ended 30 September (unaudited)	
		2020	2019
Cash flows to related parties			
Dividends paid to the KMG	11	40,848,301	36,001,892
Repayment of contribution liability to charter capital of a joint venture of the Company	4	5,000,000	–
Total		45,848,301	36,001,892

Total accrued compensation to key management personnel for the nine months ended 30 September 2020 amounts to 277,574 thousand Tenge (for the nine months ended 30 September 2019: 263,524 thousand Tenge). Payments to key personnel consist primarily of payroll costs and remuneration established by contracts and Company's internal provisions.

25. CONTINGENT LIABILITIES AND COMMITMENTS

Information on contingent liabilities and commitments of the Group is disclosed in the consolidated financial statements for the year ended 31 December 2019. During the nine months ended 30 September 2020 there were no significant changes, except for the following:

Contractual commitments

As at 30 September 2020 the Group had contractual obligations to acquire property, plant and equipment, intangible assets and construction services for the amount of 62,848,142 thousand Tenge (31 December 2019: 22,828,704 thousand Tenge).

Share of the Group as at 30 September 2020 in contractual obligations of joint ventures to acquire property, plant and equipment, intangible assets and construction services amounted to 4,534,193 thousand Tenge (31 December 2019: 8,193,937 thousand Tenge).

Investment program commitments of the Company

In accordance with the Law of the Republic of Kazakhstan *On Natural Monopolies*, the Company, as a subject of natural monopolies, within the approved maximum tariffs for 2015-2019, has an obligation to execute an investment program aimed at capital construction/reconstruction/overhaul/diagnostics of production facilities for 2015-2019 for 191 billion Tenge.

As at 30 September 2020 and as at 31 December 2019 Company's commitments for the execution of the investment program are 26.6 billion Tenge.

Due to non-performance of certain measures of the investment program in part of 2016 and 2017, as well as the CRNM's refusal to adjust the investment program for 2018-2019, confirmed by judicial acts of the Republic of Kazakhstan that have entered into legal force, there is a risk of applying a temporary compensating tariff to the Company for the service for pumping oil to the domestic market, as well as the return of unreasonably received income for regulated water transportation service to consumers.

On 29 April 2020 the Company sent a report to the CRNM on the implementation of the investment program in terms of the indicators of 2019. Upon the completion of the consideration of this report by the CRNM, the amount of the temporary compensating tariff will be determined due to the failure to fulfill certain measures of the investment program as a whole for the period of 2015-2019. In accordance with the Law of the Republic of Kazakhstan *On Natural Monopolies*, the temporary compensating tariff is applied for subsequent periods from the first day of the second month following the month when the CRNM analyzes the specified report.

In relation to the regulated water transportation service, the Company assesses the risk of returning unreasonably received income as remote, since starting from 2 July 2018 this activity has been transferred to the subsidiary Main Waterline.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Investment program commitments of joint venture

In accordance with the order of the head of the Department of the Committee for the Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan for Almaty (hereinafter – “the Authorized Body”) dated 27 August 2020, from 1 October 2020 to 30 September 2022, the temporary compensating tariffs are introduced to the KCP service for pumping oil. The basis for the approval of the temporary compensating tariffs was the non-performance of certain measures of the investment program of the KCP for 2015-2019.

The non-performance of certain measures of the investment program is due to a shortage of funds associated with a decrease in the volume of oil transportation to the domestic market and a change in the exchange rate of the national currency against the US Dollar during the period of the specified investment program, which led to an increase in the financial burden for servicing the KCP foreign currency loan.

On 18 September 2020 the KCP submitted an application (complaint) to cancel the specified above order to the CRNM. By a decision of the CRNM dated 5 November 2020 the application (complaint) of KCP was denied. On 5 November 2020 the KCP submitted an application for challenging the order of the Authorized Body to the Specialized interdistrict economic court of Almaty city.

In accordance with the Law of the Republic of Kazakhstan *On Legal Acts*, submission of an application for cancellation of the order to a higher state body or court suspends its effect until an appropriate decision is made. Currently, KCP applies the appropriate tariff approved by the Authorized Body for 2020.

Based on the results of the analysis of the impact of the application of temporary compensating tariffs on the value of the assets of KCP and the Company, no impairment was identified.

Tax liabilities of enterprises in Georgia

In 2015 Georgian Tax Authorities (hereinafter – “GTA”) additionally accrued taxes and fines in the amount of 2,217 thousand US Dollars (equivalent to 957,345 thousand Tenge) as a result of tax inspections of BSP for the period of 2010-2014. BSP did not agree with the decision of GTA and filed an appeal to the audit department of the Georgian Revenue Service.

As a result, in 2017 by the decision of the audit department of the Georgian Revenue Service, the accrued taxes were reduced to 1,454 thousand US Dollars (equivalent to 627,866 thousand Tenge), including penalties in the amount of 512 thousand US Dollars (equivalent to 221,092 thousand Tenge). BSP filed another appeal to the Council of Dispute Resolution of the Georgia Revenue Service (hereinafter – “Council”).

On 21 October 2019 BSP appealed against the decision of the Council in Kutaisi City Court. The Council satisfied the BSP’s complaint regarding the penalties. By the decision of the audit department of the Georgian Revenue Service dated 12 February 2020, the fine was reduced to 14 thousand US Dollars, but the penalty for the expected expiry of unpaid additionally accrued, but not recognized, tax was increased by 359 thousand US Dollars. Accordingly, as at 30 September 2020, the amount of additionally accrued taxes and fines assessed amounted to 1,799 thousand US Dollars (equivalent to 776,844 thousand Tenge).

The management of BOT Group, based on an analysis of local tax legislation and current practice on similar tax proceedings, at the end of 2016 recognized tax liabilities in the amount of 698 thousand US Dollars (equivalent to 301,410 thousand Tenge) and accrued provisions for taxes in the amount of 439 thousand US Dollars (equivalent to 189,569 thousand Tenge). The remaining amount of 1,101 thousand US Dollars (equivalent to 475,434 thousand Tenge) for BSP for the audit period of 2010-2014 was not recognized as additional liabilities, since the management believes that BSP’s appeal will be successful and estimates the possibility of an outflow of financial resources in this regard as being remote.

Termination of the BSP management agreement

In accordance with BSP Management agreement between BOT and the Georgia Government, the last one has the right for termination of this agreement, in case the BSP in the course of 2 years does not meet its obligations on minimum volume of transshipment, which is 4 million tons per year. In addition, if the transshipment volume is less than 6 million tons per year, BOT shall pay the following penalties for:

- Non-fulfillment of up to 1 million tons in the amount of 0.1 US Dollars (ten US cents) per ton;
- Non-fulfillment of 1 to 2 million tons in the amount of 0.2 US Dollars (twenty US cents) per ton;
- Non-fulfillment of over 2 million tons in the amount of 1 US Dollars per ton.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)**

25. CONTINGENT LIABILITIES AND COMMITMENTS (continued)**Termination of the BSP management agreement (continued)**

In the opinion of the management of the Group, as at 30 September 2020, BSP was not subject to the risk of termination of this agreement by the Georgia Government, since the actual transshipment through the BSP for the nine months of 2020 amounted to 4.522 million tons (as at 31 December 2019: 5.9 million tons).

Claim of business counterparty

In 2014 BOT and a business counterparty (Buyer) concluded building agreements, according to which the Buyer acquired the rights on constructing the reservoirs on the territory of BOT and on BOT's cargo transshipments services. According to the Buyer, BOT is not complying with the terms of these agreements, in this connection the legal proceeding has been initiated.

As a part of the claim in the amount of 12,492 thousand US Dollars (equivalent to 5,394,295 thousand Tenge) on 30 October 2020, the Collegium for civil cases of the Batumi City Court as security for the claim imposed a ban on alienation and legal encumbrance on real estate property – a land plot with a book value of 3,528 thousand US Dollars (equivalent to 1,523,461 thousand Tenge) and on the bank accounts of BOT, however, BOT is entitled to pay monthly operating expenses in the amount of not more than 9 million Lari (equivalent to 1,220,220 thousand Tenge) per month.

BOT does not recognize the Buyer's claims and plans to provide the court with a response to the Buyer's claim in accordance with the established procedure.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has trade receivables and cash and cash equivalents that arise directly from its operations.

Fair value of financial instruments

The carrying amount of cash, bank deposits, trade and other accounts receivable, trade and other accounts payable and other current liabilities approximates their fair value due to the short-term maturity of these financial instruments.

27. EVENTS AFTER THE REPORTING DATE

Based on the decision of the Board of Directors of "Samruk-Kazyna" dated 8 October 2020, the Company plans to provide sponsorship in the amount of 405,809 thousand Tenge as an additional financing for the construction of an object in the city of Turkestan in pursuance of the instructions of the Head of state dated 29 September 2018. The payment will be made by the end of 2020.