



KAZPHOSPHATE LIMITED

**Consolidated Financial Statements and
Independent Auditor's Report**

For the year ended 31 December 2018

Company registration number: 06007551

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KAZPHOSPHATE LIMITED **GROUP STRATEGIC REPORT OF THE DIRECTORS**

The directors present their strategic report with the audited financial statements of the Group for the year ended 31 December 2018.

STRATEGY AND BUSINESS MODEL

The Group's principal trading activities are the extraction and processing of phosphoric ore, concentration and processing of raw minerals, production of mineral fertilisers, yellow phosphorous and phosphorous-containing products at mine pits and plants located in Southern Kazakhstan. These products are primarily exported from this region. The Group's only trading subsidiary Kazphosphate LLP (hereinafter referred to as the "Company"), which operates in Kazakhstan.

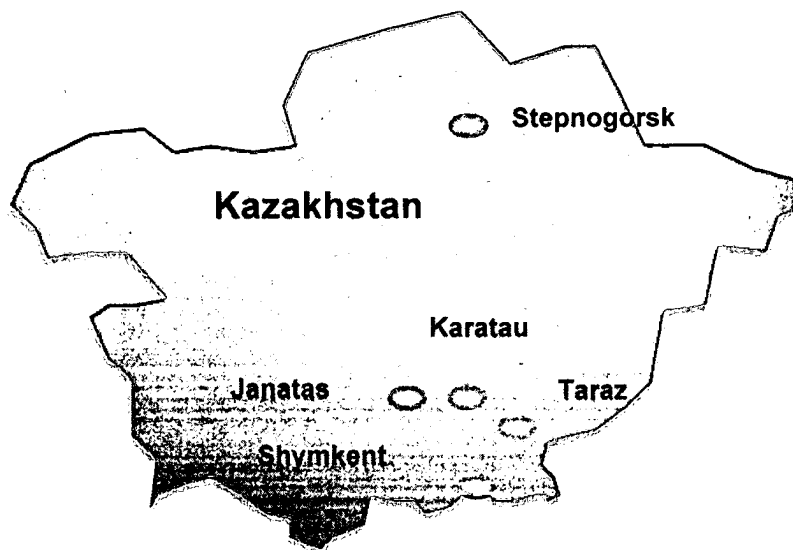
Company's vision is to present the phosphoric industry of the Kazakhstan and become a leading producer of phosphorous-containing products among CIS countries. Our main objective is focused on solution of priority tasks in development of Kazakhstan enterprise chemical sub-industry. By gaining access to the world market with our high quality competitive we will enhance the image of Kazakhstan as a high-tech products supplier and will deliver value to our stakeholders.

Kazphosphate LLC is a unique company operating a full cycle from mining and processing of phosphate rock to the final products using it's own railway-transportation complex. The company has a large supply phosphate with proven reserves of 1.6 billion tons that can be extracted through surface mining. The Company operates in Jambyl Region and South Kazakhstan Region, including the single-industry towns of Karatau, Chulaktau, Stepnogorsk, and provides employment opportunities to 6,163 people.

Currently, the Company produces 20 product types. The products are sold in 27 countries.

The production facilities, sales and markets are presented below -

Sales and Markets



Europe and CIS
▪ Yellow Phosphorus, Sodium Tripolyphosphate; GMPN, Ammophos, Tricalcium Phosphate, Tricresyl Phosphate, Phosphatic Raw Materials, Ferrophosphorus
Asia
▪ Yellow Phosphorus, Ammophos, Ferrophosphorus, Phosphatic Raw Materials Slag
North America
▪ Yellow Phosphorus, GMPN

The management team is committed to the following business philosophy:

- Direct sales to end users to make the most of sales of phosphorus-containing products and investments into production of products with higher added value.
- Maximum use of the existing business relations.
- Active work in new markets.
- Study of current and potential requirements with the aim of ensuring customer satisfaction.
- Boosting the occupational prestige in the chemical and mining industry.

KAZPHOSPHATE LIMITED

GROUP STRATEGIC REPORT OF THE DIRECTORS (Continued)

In addition to our primary objective we have determined the following priority objectives:

Ecology

Creation of environment friendly production is one of the most important strategic objectives of Kazphosphate LLC. Our environmental harmful emissions reducing program is under development. The program provides number of measures:

- Ensuring of the optimal reduction of pollution;
- High level of environmental safety;
- Improvement of industrial environment monitoring and its control system.

Health and safety

We pay great attention to health and safety. Our goal is to meet all international standards on work conditions in the company. We are committed to prevent industrial injuries and identify in advance dangers and risks at the workplaces. We are achieving this through:

- Certification of the mail technological equipment to provide timely control over its safe operation;
- High-quality professional (re)trainings of workers;
- Study of safe method of work (lectures and seminars prior to the annual test on health and safety);
- Development of technical documentation in accordance with operating standards and technological normative documents;
- Certification of production facilities to determine the assessment of working conditions and determine estimation of injury prevention in the workplaces;
- Development and ensuring performance of "Comprehensive plan of measure on reduction of occupational diseases" concerted by region sanitary and epidemiological service.

High product quality and sustainable environment

High product quality and sustainable environment is constant goal to keep and intensify the position of Kazphosphate LLC as a leading company. We have implemented the following measures:

- Customer satisfaction survey;
- Compliance with product specifications and law and regulations;
- Rational use of natural resources, environmental impact prevention, leading to air pollution, depletion and pollution of water and land resources;
- Environmental impact assessment and monitoring;
- Effectiveness of management systems.

Environmental matters

The Group management seeks to reduce the impact of the environment and to increase environmental awareness amongst its employees, customers and suppliers. The Group has an environmental policy which sets out its commitment to environmental protection, reduction of emissions and waste and efficient consumption of resources such as energy and water. The Group adheres to the Ecology Code of the Republic of Kazakhstan. The Group has implemented Environmental protection management system ISO 14001 and quality management system ISO-9001 are implemented in several branches of the Company (NDPP, MFP, RTC, GPK "Karatau", GPK "Chulaktau").

Employees

The Group is committed to a policy of equal opportunities in employment by which the Group continues to ensure that all aspects of selection and retention are based on merit and suitability for the job without considerations of sex, marital status, nationality, colour, race, ethnicity, sexual orientation or any disability. The Group aims to maintain a diverse workforce free from discrimination. Persons who have or develop a disability are, where possible, given practical assistance and training to seek to overcome their disability in the performance of their works.

Social responsibility

Social responsibility of the Group includes successful production operations, ensuring decent work conditions, caring of employees and their families, interacting with the region population. The Group strives to promote economic and social development of the region in parallel with ensuring decent level of workers live.

BUSINESS REVIEW

Revenue in 2018 increased by 15% (2017: increase 29%) from \$293m in 2017 to \$337m in 2018. This was mainly higher sales of the Company's main products – yellow phosphorous and sodium tripolyphosphate. The increase in revenue was due to higher demand for the Group's main product for use in fertilizer product. The director believe that this trend will continue.

Gross profit is also increased by 15% (2017: decrease 20%) from \$84m in 2017 to \$96m in 2018 in the line with increase in sales.

Overall return on equity fell by 3% from 10% in 2017 to 7% in 2018. Net assets are \$219m, unchanged to previous year as break even achieved during the year.

KAZPHOSPHATE LIMITED
GROUP STRATEGIC REPORT OF THE DIRECTORS (Continued)

BUSINESS REVIEW (continued)

The Group has several subsurface use contracts that expire during 2020-2040. The Group complies with contractual obligations and believes that extension of the subsurface use contract is probable and mining operations will continue in the long run. (see note 3 to the financial statements.)

Investment projects in Kazakhstan

During the year group has completed some of its projects investing \$13m which includes - Replacement of SKCN 34 cyclones with modern dust-cleaning system, construction of arsenic-removal facilities at D4 and D5 to increase production capacity, upgrade of automatic process control system of furnace N 5, deep cleaning of yellow phosphorus from organic substances, memorial structure at motor road NDFZ-Taraz, capital repair of furnace transformer – EOCNKM; railway tracks N 6 at Zavodskaya station and diesel-powered locomotive TEM2 N6513, construction of a pond for quarry water, upgradation of fertiliser production with a view to increasing 10 – 46 grade Monoammonium Phosphate production to 500,000 tons per year.

KEY PERFORMANCE INDICATORS

The Group monitors its performance using number of measures. These include:

	2018	2017
Reserves	1.6bln tons	1.16bln tons
Number of product types	20	20
Number of countries we sell to	27	27
Average number of employees	6,253	6,028
Fixed Asset Investment	\$44m	\$16m
Provision for community development	\$0.91m	\$1.14m

Payment policy

The Group does not have a formal code that it follows with regard to payments to suppliers. Members of the Group generally agree payment terms with their suppliers when they enter into binding contracts for the supply of goods and services. Suppliers are in that way made aware of these terms.

Group companies seek to abide by these payment terms when they are satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions. At 31 December 2018 the amount of trade payables shown in the Group balance sheet represented 58 days (2017: 57 days) of purchases.

Apart from the performance indicators disclosed above, the directors have opted not to disclose further information on the grounds of its commercial sensitivity.

PRINCIPAL RISKS AND UNCERTAINTIES

Financial risk

The Group's principal financial instruments are non-derivative and comprise of trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. The main purpose of these instruments is to raise funds for the Group's operations and to finance the Group's trading activities.

The Group has exposure to credit, liquidity and market risk. Note 33 explains the Group's objectives, policies and processes for measuring and managing these risks

Political matters

The Group could be affected by political instability or social and economic changes in the countries in which it operates. This could include the granting and renewal of permits and changes to foreign trade or legislation that could affect the business environment and negatively impact the Group's business, financial performance and licence to operate. The Board continues to view the political, social and economic environment within Kazakhstan favourably and remains optimistic about the conditions for business in the region.

KAZPHOSPHATE LIMITED
GROUP STRATEGIC REPORT OF THE DIRECTORS (Continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Foreign exchange and inflation

Fluctuations in rates of exchange or inflation in the jurisdictions to which the Group is exposed could result in future increased costs. As the functional currency of the Group's operating entities is their local currency, fluctuations in exchange rates can give rise to exchange gains and losses in the income statement and volatility in the level of net assets recorded on the Group's balance sheet. Where possible the Group conducts its business and maintains its financial assets and liabilities in US dollars. The Group generally does not hedge its exposure to foreign currency risk in respect of operating expenses.

FUTURE DEVELOPMENTS

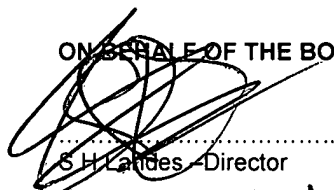
The company has developed an operational program with projected investment of \$163m for modernization and reconstruction of Kazphosphate production from 2019 to 2023.

The investments will be channelled into:

- Purchase of modern mining equipment;
- Improvement of the production management system;
- Introduction of energy-efficiency and other environmental measures;
- Support and development of social services in mining;
- Design and construct manufacture of 1 million tons of MAP (10-46) at industrial sites of Kazphosphate LLP;
- Reconstruction of a production shop of tricalcium phosphate containing 41% nutrients at a fertilizer plant, 30,000 tons annually;
- Construction of production facility of Sodium Hypophosphite, Ammonium Polyphosphate and Phosphate-Potassium Fertilizer at Kazphosphate LLP NDFZ;
- Acquisition of a shunting diesel locomotive TEM2, tanks and dump cars for transportation of phosphorous raw materials for railway transportation complex.

Directors believe that having own production facilities and transportation make real conditions for the sustainable development of phosphate fertilizer production and product sales on the territory of the Republic of Kazakhstan and foreign markets and the strategic decision of investing funds in above project will add a great value to the progression of the Group.

ON BEHALF OF THE BOARD:



S.H. Landes - Director

Date: -

20/9/19

KAZPHOSPHATE LIMITED
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report with the audited financial statements of the Group for the year ended 31 December 2018.

DIRECTORS

The directors who have held office at any time during the period to the date of this report are as follows:

Y Nurgozhayev
S H Landes
T Janabayev

On 20th August 2019, Y Nurgozhayev resigned and T Janabayev was appointed as a company director.

REGISTERED OFFICE

3rd Floor, Fairgate House, 78 New Oxford Street, London, WC1A 1HB.

RESULTS AND DIVIDENDS

The consolidated statement of comprehensive income for the period is set out on page 11.

The directors do not recommend payment of an ordinary dividend.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

ON BEHALF OF THE BOARD:

S H Landes – Director

Date: -

20/9/19

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAZPHOSPHATE LIMITED

OPINION

We have audited the financial statements of Kazphosphate Limited for the year ended 31 December 2018, which comprise the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Statements of Cash Flows, the Group and Parent Company Statement of Changes in Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the Company and Group's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted for the use in the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR QUALIFIED OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

As at 31 December 2018 and 2017 loans with a carrying value of USD 47,272 thousand and USD 39,445 thousand, respectively, made to Bloomtrade International Limited, a related party, were included in non-current financial assets in the Group Statement of Financial Position. The Group also recognised an impairment loss in profit and loss for the year of USD 20,085 thousand and USD 23,220 thousand on those loans for the years ended 31 December 2018 and 31 December 2017, respectively. We were unable to satisfy ourselves as to the recoverability of the carrying value of those loans as we could not obtain access to certain financial information in respect of this related party. As a result, we were unable to determine whether adjustments might have been found necessary in respect of relevant elements making up the Group Statement of Financial Position as at 31 December 2018 and 2017 and related elements making up the Group Statement of Comprehensive Income and Changes in Equity for the year then ended. Our opinion on the Group financial statements as at 31 December 2018 and for the year ended 31 December 2017 was modified accordingly.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAZPHOSPHATE LIMITED (CONTINUED)

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic and Directors' Report.

In respect solely of the limitation on our work relating to loans receivable, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made.

RESPECTIVE RESPONSIBILITIES OF DIRECTOR AND AUDITORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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, the directors are 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS
OF KAZPHOSPHATE LIMITED (CONTINUED)

USE OF OUR REPORT

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Stephen Poleykett BA (Hons) FCA (Senior Statutory Auditor)

for and on behalf of
MHA MacIntyre Hudson

Chartered Accountants
Statutory Auditors
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Date:

26 September 2019

KAZPHOSPHATE LIMITED
CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

	Note	Group 31 December 2018	Company 31 December 2018	Group 31 December 2017	Company 31 December 2017
<i>In thousands of US dollars</i>					
ASSETS					
Property, plant and equipment	5	233,950	-	251,392	-
Intangible assets	6	21,143	-	26,479	-
Investments in associate & joint venture	7	1,176	-	1,158	-
Other non-current assets	8	115	-	2,228	-
Restricted cash	8	448	-	429	-
Investments	9	-	143,504	-	143,504
Loans receivable	12	47,272	-	39,445	-
Total non-current assets		304,104	143,504	321,131	143,504
Current assets					
Inventories	10	67,458	-	71,756	-
Trade and other receivables	11	37,978	64	36,689	75
Prepayments		2,495	-	1,793	-
Taxes receivable	13	14,243	-	10,756	-
Current income tax prepaid		1,311	-	390	-
Cash and cash equivalents	14	10,166	121	7,870	8
Total current assets		133,651	185	129,254	83
TOTAL ASSETS		437,755	143,689	450,385	143,587
LIABILITIES AND EQUITY					
Called up share capital	15	98	98	98	98
Retained earnings		378,204	105,289	349,373	75,350
Foreign exchange translation reserve		(180,455)	-	(152,580)	-
Other reserves	18	(565)	-	(565)	-
Revaluation surplus		22,699	-	22,704	-
TOTAL EQUITY		219,981	105,387	219,030	75,448
LIABILITIES					
Non-current liabilities					
Borrowings	19	63,932	-	58,180	-
Deferred income tax liability	16	42,406	-	47,798	-
Provision for asset retirement obligations	17	3,279	-	3,729	-
Provision for social development of the region	32	768	-	998	-
Employee benefits	18	448	-	209	-
Total non-current liabilities		110,833	-	110,914	-
Current liabilities					
Borrowings	19	56,893	38,168	79,415	68,010
Trade and other payables	20	38,406	23	33,090	19
Advances received		6,437	-	2,340	-
Accruals		111	111	110	110
Provision for unused vacation & bonuses		1,412	-	1,564	-
Employee benefits	18	105	-	97	-
Provision for social development	32	140	-	138	-
Other taxes payable	21	3,437	-	3,687	-
Total current liabilities		106,941	38,302	120,441	68,139
TOTAL LIABILITIES		217,774	38,302	231,355	68,139
TOTAL LIABILITIES AND EQUITY		437,755	143,689	450,385	143,587

The financial statements were authorised for issue on 20/9/14 and signed on its behalf.


S. H. Landes - Director

Company registration number: 06007551

The notes on pages 14 to 57 form an integral part of these financial statements.

KAZPHOSPHATE LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of US dollars</i>	Note	2018	2017
CONTINUING OPERATIONS			
Revenue	22	337,500	293,235
Cost of sales	23	(240,881)	(210,184)
Impairment of property, plant and equipment	5	-	761
Gross profit		96,619	83,812
Other operating income	24	852	324
Distribution costs	25	(33,639)	(29,050)
General and administrative expenses	26	(32,554)	(21,484)
Other operating expenses	27	(147)	(797)
Operating profit		31,131	32,805
Finance income	28	19,181	5,842
Finance costs	28	(13,826)	(9,297)
Share of profit /(loss) of joint ventures	7	195	(151)
Profit before income tax		36,681	29,199
Income tax expense	29	(6,929)	(7,575)
Profit for the year		29,752	21,624
Other comprehensive income for the year:			
Land devaluation		(5)	-
Foreign exchange translation		(27,875)	(370)
Other comprehensive income/(loss) for the year		(27,880)	(370)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		1,872	21,254

The notes on pages 14 to 57 form an integral part of these financial statements.

KAZPHOSPHATE LIMITED
CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

In thousands of US Dollars

GROUP	Share Capital	Foreign exchange translation reserve	Actuarial gains/ losses on pension liability	Revaluation reserve on property plant & equipment	Retained earnings	Total equity
Balance 1 January 2017	98	(152,210)	(565)	22,704	327,749	197,776
Profit for the year	-	-	-	-	21,624	21,624
Other comprehensive income/(loss)	-	(370)	-	-	-	(370)
Total comprehensive income/(loss) for the year	-	(370)	-	-	21,624	21,254
Balance 31 December 2017	98	(152,580)	(565)	22,704	349,373	219,030
The effect of application of IFRS 9	-	-	-	-	(921)	(921)
As at 1 January 2018 (recalculated)	98	(152,580)	(565)	22,704	348,452	218,109
Profit for the year	-	-	-	-	29,752	29,752
Other comprehensive income/(loss)	-	(27,875)	-	(5)	-	(27,880)
Total comprehensive income/(loss) for the year	-	(27,875)	-	(5)	29,752	1,872
Balance 31 December 2018	98	(180,455)	(565)	22,699	378,204	219,981

COMPANY	Share capital	Retained earnings	Total equity
Balance at 1 January 2017	98	44,597	44,695
Total comprehensive income	-	30,753	30,753
Balance as at 31 December 2017	98	75,350	75,448
Total comprehensive income	-	29,939	29,939
Balance at 31 December 2018	98	105,289	105,387

The notes on pages 14 to 57 form an integral part of these financial statements.

KAZPHOSPHATE LIMITED
CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

<i>In thousands of US Dollars</i>	Group 2018	Company 2018	Group 2017	Company 2017
Cash flow from operating activities				
Proceeds from sales	344,496	-	292,109	-
Value added tax refund	14,966	-	10,101	(15)
Refund from suppliers	125	-	505	-
Other	275	(178)	283	(93)
Payments to suppliers and contractors	(248,689)	-	(187,968)	-
Wages and salaries paid	(20,895)	-	(18,910)	-
Payment of other taxes	(25,041)	-	(20,007)	-
Corporate income tax payment	(10,562)	-	(14,540)	-
Payments to other state funds	(4,180)	-	(3,833)	-
Rebates for undelivered goods	(1,360)	-	(2,024)	-
Others	(6,360)	-	(3,129)	-
Restricted cash	(97)	-	(121)	-
Net cash (used in) / received from operating activities	42,678	(178)	52,466	(108)
Cash flow from investing activities				
Dividend received	-	19,909	-	30,879
Acquisition of property, plant and equipment	(24,326)	-	(19,483)	-
Loan disbursed and financial aid provided by related parties	(606)	-	(30)	-
Repayment received on loan issued	2005	-	8,721	-
Proceeds from loan receipts	181	-	3	-
Interest paid	(5,595)	-	(6,390)	-
Net cash (used in) / received from investing activities	(28,341)	19,909	(17,179)	30,879
Cash flow from financing activities				
Proceeds from loans and borrowings	61,190	-	54,230	89
Sales of securities	3,044	-	2,974	-
Purchase of securities	(3,003)	-	(2,811)	-
Repayment of loans and borrowings	(73,274)	(19,618)	(95,096)	(30,852)
Net cash (used in) / received from financing activities	(12,043)	(19,618)	(40,703)	(30,763)
Net increase / (decrease) in cash and cash	2,294	113	(5,416)	8
Cash and cash equivalents at the beginning of the year	7,870	8	12,691	-
Reserve for cash impairment	(48)	-	-	-
Exchange loss on currency movement	50	-	595	-
Cash and cash equivalents at the end of the year	10,166	121	7,870	8

The notes on pages 14 to 57 form an integral part of these financial statements.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

1. The Group and its Operations

Kazphosphate Limited is a company incorporated in England and Wales. Its registered office address is 3rd Floor, Fairgate House 78 New Oxford Street London WC1A 1HB. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as a Group). The Parent Company financial statements present information about the Company as a separate entity and not as a group.

2. Basis of Preparation and Significant Accounting Policies

Basis of preparation

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) "As adopted by the EU" under the historical cost convention, as modified by revaluation of some financial instruments and land. In publishing the parent company financial statements here together with the Group financial statements, the company has taken advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these approved financial statements.

The main accounting policies used in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to all the periods presented unless stated otherwise. All amounts have been rounded to the nearest \$1,000 except as otherwise indicated.

Preparation of the financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Uniform accounting policies are applied by the Group companies to ensure consistency.

Functional and presentation currency

The functional and presentation currency of the company is US dollars ("USD"). All amounts in these Group financial statements are presented in thousands of USD except where stated otherwise. The functional currency of the Kazakh subsidiary is the Kazakhstan Tenge.

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value into a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit and loss. Non-monetary items are measured based on historical cost in a foreign currency are not translated.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

2. Basis of Preparation and Significant Accounting Policies (continued)

Foreign operations

The assets and liabilities of foreign operations are translated into USD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into USD at the exchange rates at the dates of transactions. Foreign currency difference are recognised in statement of comprehensive income and accumulated in the translation reserve. When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the group disposes of only part of an associate or joint venture while retaining influence or joint control, the relevant proportion of the cumulative is reclassified to profit or loss.

Associates

Associates are those entities over which the group has significant influence (directly or indirectly), but not control; generally the share of voting rights in these companies is between 20% and 50%. Investments in associates are accounted for using the equity method of accounting and are recognised initially at cost. Dividends received from associates reduce the carrying value of investments in the associates. Other post-acquisition changes in the group share in net assets of associates are recognised as follows: (i) the group share of profit or losses of the associates is recognised in profit or loss for the year as share of the results of associates; (ii) the Company's share of other comprehensive income is recognised in other comprehensive income and is presented as a separate line. However, when the Company's share of losses in associate equals or exceeds its investment in the associate, including any other unsecured receivables, the recognition of further losses is discontinued, except to the extent that the Company has an obligation or has made payments on behalf of the associate. Unrealised gains arising from transactions between the Company and its associates are eliminated to the extent of the group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment of the asset transferred.

Joint ventures

The Group has applied IFRS11 to all the joint arrangements as of 1 January 2012. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of post-acquisition profits and losses and movement in other comprehensive income.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. The Group's share of joint venture's other comprehensive income or loss is recognised in other comprehensive income in the Group's financial statements.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's policy is to eliminate unrealised gains against the carrying amount of the investment in joint venture. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Disposals of subsidiaries, associates or joint ventures.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit and loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit and loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit and loss where appropriate.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

2. Basis of Preparation and Significant Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment except for land is stated at purchase price less accumulated depreciation and impairment losses. The land is stated at fair value determined in accordance with periodic revaluations conducted by independent appraisers.

The cost includes all expenses directly related with the purchase of a relevant asset. The cost of assets constructed using its own resources includes the cost of used materials, direct labour costs, other expenses directly related with asset delivery and put it into operation for the intended use, and expenses on asset dismantling and transfer and site restoration. The software purchase cost inseparably associated with functionality of corresponding equipment is capitalised in the cost of this equipment.

The individual significant parts of an item of property, plant and equipment (components), whose useful lives are different from the useful life of the given asset as a whole are depreciated individually, applying depreciation rates reflecting their anticipated useful lives. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit or loss for the year during the reporting period in which they are incurred.

Recognised as an item of property, plant and equipment are specialised spare parts and servicing equipment with the cost of above USD 1,461 and useful life of more than one year. Other spare parts and servicing equipment are recognised within inventories in the statement of profit or loss and other comprehensive income as used.

The gain or loss on disposal of property, plant and equipment is the amount of the difference in the consideration received and their carrying amount is recognized in the individual statement of profit and loss and other comprehensive income.

Land revaluation

Land is 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 land in equity is transferred directly to retained earnings on the retirement or disposal of the asset.

Depreciation

The depreciation is charged to the statement of profit or loss and other comprehensive income. Depreciation is calculated using the straight-line method to allocate their cost to revalued amounts to their residual value over their estimated useful lives of the item of property, plant and equipment. Land and construction in progress are not depreciated.

The expected useful lives of property, plant and equipment in the reporting and comparative periods are as follows:

	Useful lives in years
Buildings and structure	3-50
Machinery and equipment	7-20
Other assets	8-14
Land	Indefinite

The residual value of an asset is the estimated amount that the Group 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 Group 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.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

2. Basis of Preparation and Significant Accounting Policies (continued)

Impairment of assets

At the end of each reporting period management assesses whether the indicators of impairment of property, plant and equipment exists. The carrying amounts of property, plant and equipment and all other non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable.

For the purpose of impairment testing the recoverable amount is measured by reference to the higher of "value in use" (being the net present value of expected future cash flows of a relevant cash generating unit) and "fair value less costs to sell" (the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, who are independent from each other, less the costs of disposal). Where there is no binding sale agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the Group could receive for the cash generating unit. 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 groups of assets.

If the carrying amount of the asset exceeds its recoverable amount, the asset is deemed to be impaired and an impairment loss is charged to profit or loss so as to reduce the carrying amount in the individual statement of financial position to its recoverable amount. A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in profit or loss, and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment loss, where required. Intangible assets include software licenses, development costs, mining rights, rent entitlements and capitalised costs on social program financing, which periods vary from 2015 to 2025.

The cost includes all expenses on acquisition and implementation of intangible assets. Intangible assets are amortised using the straight-line method over their useful lives, as follows:

	Useful lives in years
Licenses and rights for subsurface use and rights for groundwater extraction	3-25
Software	5-6

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 measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. The cost of inventories is based on the first-in first-out principle. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Financial instruments

Key measurement terms

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL);
- fair value through other comprehensive income (FVOCI).

Financial instruments of the Group include financial assets and financial liabilities which are carried at amortised cost as described below.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

2. Basis of Preparation and Significant Accounting Policies (continued)

Financial instruments (continued)

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 expected 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, 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 repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial assets

Financial assets of the Group include restricted cash, cash and cash equivalents, bank deposits, loans issued and trade and other accounts receivable.

Restricted cash

Restricted cash includes Group's cash placed on special bank accounts with limited access of the Group.

Cash

Cash and cash equivalents include cash on hand, cash on current accounts in banks, cash on short-term bank deposits with maturity less than 3 months.

Bank deposits

Bank deposits include funds in savings accounts with an initial maturity of more than three months.

Loans issued

Loans issued evaluated at fair value and subsequently at amortized cost using effective interest rate method.

Trade and other accounts receivable

Trade and other accounts receivable are recognized in the statement of financial position at amounts of invoices for payment net of allowance for doubtful debts. Trade and other accounts receivable primarily evaluated at fair value, subsequently at amortized cost using method of effective interest rate.

Financial liabilities

Financial liabilities of the Group include financial liabilities carried at amortized cost.

Loans payable, trade accounts payable and other payables

Loans payable, trade accounts payable and other payables are initially measured at fair value and subsequently at amortized cost using the effective interest rate method.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

2. Basis of Preparation and Significant Accounting Policies (continued)

Initial recognition of financial instruments

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.

Subsequent measurement of financial assets

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is not material.

Derecognition of financial assets

The Group derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all 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. 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.

Impairment of financial assets carried at amortized cost

Expected impairment losses are defined as the difference between all the contractual cash flows that are due to an entity and the cash flows that it actually expects to receive ("cash shortfalls"). This difference is discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The assessment of impairment for financial assets can either be individually or collectively and is based on how an entity manages its credit risk. If an entity has a small number of receivables with large value and these receivables are managed on an account basis (i.e. individually) it may not be appropriate in that case to base the impairment on a provision matrix as such a matrix would unlikely be in line with the expected credit loss of the individual receivable.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1")
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").
- "Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

If the terms of an impaired financial asset held at amortized cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

2. Basis of Preparation and Significant Accounting Policies (continued)

Impairment of financial assets carried at amortized cost (continued)

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

Offsetting of financial instruments

Financial assets and financial liabilities may be offset, and net amount may be disclosed in the statement of financial position only when there is a legally enforceable right to offset recognized amounts and the Group intends either to offset or to sell the asset and settle the liability simultaneously.

Impairment

Investments accounted for using the equity method

Impairment with respect to investments accounted for using the equity method is assessed by comparing the recoverable cost of investments and its carrying amount. Impairment losses are recognised in profit or loss and reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognised in the cases, when the carrying amount of an asset or CGU, to which this asset relates to, exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

2. Basis of Preparation and Significant Accounting Policies (continued)

Prepayments

A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Prepayments paid for future supplies of inventories are recorded within other current assets. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. Prepayments denominated in foreign currencies for goods and services are non-monetary items, and are recorded by the market rate ruling at the date of the prepayment, and are not subject to translation at the reporting date. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss.

Provision for asset retirement and site restoration obligations

Asset retirement and site restoration obligations for fields under development are recognised when it is highly probable that the cost would be incurred, and those costs can be measured reliably. Site restoration costs related to fields under development include the costs of rehabilitation and costs of liquidation (dismantling or demolition of infrastructure facilities, removal of residual materials and restoration of disturbed land).

Provision for the estimated costs of liquidation, rehabilitation and restoration are established and charged to the cost of property, plant and equipment in the reporting period when the obligation arises based on net present value of estimated future costs.

Provisions for asset retirement obligations do not include any additional obligations expected to arise from future disturbance and damage. The costs are estimated on the basis of a closure and restoration plan. The costs are estimated annually during the course of operations to reflect known developments, e.g. updated cost estimates and revised estimated useful life of an asset or the estimated terms of operations and are subject to regular formal reviews.

The Group estimates its costs based on feasibility and engineering studies using the current restoration standards and techniques for conducting restoration and remediation works.

The amortisation or "unwinding" of the discount applied in establishing the net present value of provisions is charged to the statement of profit or loss and other comprehensive income in each reporting period. The amortisation of the discount is shown as finance costs. Other changes in the provisions for site restoration obligations, resulting from updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate using the depreciation methods applied to those assets. Where restoration and rehabilitation works are conducted systematically over the term of the operations, rather than at the time of closure, provision is made for the estimated outstanding continuous restoration work at each reporting date and the costs are charged to profit or loss.

Loans and borrowings

Loans and borrowings are recorded at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January of the financial year or later.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

2. Basis of Preparation and Significant Accounting Policies (continued)

Operating leases

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

Value added tax (VAT)

Value-added tax related to sales is payable to the tax authorities when goods are shipped or services are rendered. Input VAT can be offset against output VAT upon the receipt of a tax invoice from a supplier. Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases unsettled at the reporting date is stated in the statement of financial position on a net basis.

Income tax

Income taxes have been provided for in the individual financial statements in accordance with applicable local tax legislation. The income tax charge comprises current (corporate and excess profit) taxes and deferred taxes, and is recognised in profit or loss, except for where it is recognised in the same or a different period in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the state budget in respect of taxable profits or losses for the current and prior periods. Taxable income or losses are based on estimates where the individual financial statements are authorised prior to the filing of the relevant tax returns. Taxes, other than income tax, are recorded within operating expenses.

Deferred tax is recognised using the balance sheet method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In accordance with the initial recognition exception, the deferred income tax is not recognised in respect of temporary differences arising on initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.

Deferred tax is measured at the corporate tax rates and excess profit tax rates that enacted or substantively enacted at the reporting date and that are expected to be applied to the period when the temporary differences are reversed or the tax loss carry-forwards are utilised.

Deferred tax assets for deductible temporary differences and tax loss carry-forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The Group'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 the Group's 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 on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Excess profit tax

In accordance with Kazakhstani tax code effective since 1 January 2009, excess profit tax assessment method using the ratio of annual income to annual allowed deductions under contract has been changed. However, the allowed deductions can include the capitalised costs. Contractual income is determined based on the rules of separate accounting established by the tax accounting policies of the Group's. Taxable basis for excess profit tax is the taxable income determined for the corporate income tax purposes reduced by the amount of corporate income tax as well as amount of 25 percent of allowed deductions including the capital expenditures. Excess profit tax should be paid in the years when the ratio of the annual income and the annual deductions exceeds 1.25.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

2. Basis of Preparation and Significant Accounting Policies (continued)

Revenue recognition

Revenues from sales of goods are recognised at the point of transfer of the risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

Revenue from services is recognised in the same reporting period in which these services were performed by applying the proportion of actual services performed to date from total services to be provided under the contract.

Revenues are shown net of VAT and discounts.

Revenues are measured at the fair value of the consideration received or receivable. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

Interest income is recognised on a time-proportion basis using the effective interest method.

Payroll expenses and related charges

The expenses for salaries, social tax, social insurance fund contributions, annual paid vacations and sick leaves, bonuses and non-cash benefits in kind are accrued as the respective services are provided by the Group's employees.

In compliance with Kazakhstan legislation the Group withholds pension contributions from employees' salaries and remits them to pension funds selected by employees. When an employee retires, all the related payments are made by the respective pension fund.

Employee benefits

The Group provides long-term employee benefits to employees before, on and after retirement, in accordance with a Collective Labour Agreement. The Collective Labour Agreement provides for one-off retirement payments, financial aid for employees' disability, significant anniversaries and funeral aid to the Group's employees. The entitlement to some benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. Such benefits are valued consistently with an unfunded defined plan in accordance with IAS 19, Employee Benefits.

The Group's net obligation in respect of long-term employee benefits, different from the payments on pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods and usually depends on the employee's minimum period of service. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Revaluations are recognised in profit or loss in the period in which they arise. The employee obligations are valued periodically.

Finance income and finance costs

Finance income and costs comprise interest expense on borrowings and loans payable, deposits, loans issued by the group to its employees, interest income/expense from unwinding of discount on provision for asset retirement obligations and other financial assets and liabilities, net foreign exchange gains and losses related to respective financial assets and liabilities on a net basis.

Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

2. Basis of Preparation and Significant Accounting Policies (continued)

Regional social development liabilities

Provisions for regional social investment are community social investment liabilities in the Zhambyl Region of the Republic of Kazakhstan, which are mandatory pursuant to acquisition of subsurface use rights. These social expenses are recognised as part of acquisition cost after initial recognition, and relevant liabilities are recognised at present value of future social expenses during exploration and extraction stage.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgments 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 judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments 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 period include:

Useful lives of property, plant and equipment

Estimation of useful lives of property, plant and equipment is a matter of judgement based on previous experience with similar assets. The future economic benefits embodied in the assets are mainly consumed through the use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

Subsurface use contracts

The Group has several subsurface use contracts that expire during 2020-2040. The Group complies with contractual obligations and believes that extension of the subsurface use contract is probable and mining operations will continue in the long run. State authorities inspect the Group for compliance with the subsurface use contract requirements on a regular basis. No material violations were detected. Subsurface use contract term is considered when determining useful lives of property, plant and equipment and when estimating provision for asset retirement and site restoration obligations.

Provisions for asset retirement and site restoration obligations

In accordance with the environmental legislation and the contracts on subsurface use, the Group has a legal obligation to remediate damage caused to the environment from its operations and to decommission its assets and restore a landfill site after its closure. Provision is made based on net present values for site restoration and rehabilitation costs as soon as the obligation arises from past activities. The provision is estimated based on the Group interpretation of current environmental legislation in the Republic of Kazakhstan and the Group related program for liquidation of subsurface use consequences on the contractual area and other operations supported by the feasibility study and engineering researches in accordance with the existing rehabilitation standards and techniques. Estimations of the restoration costs are subject to potential changes in environmental regulatory requirements and the interpretation of the legislation. Provisions for site restoration obligations are recognised when they are probable and can be measured reliably.

At December 31, 2018, the carrying amount of the provision for asset retirement and restoration of phosphate ore fields was US Dollars 2,913 thousand (2017: US Dollars 3,332 thousand) (Note 17).

At December 31, 2018, the carrying amount of the provision for assets retirement and restoration of groundwater fields was US Dollars 366 thousand (2017: US Dollars 397 thousand) (Note 17).

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Revaluation of land

As at December 31, 2018, the fair value of land in amounts of US Dollars 37,814 thousand was categorised to Level 2 based on the input such as quotations of similar assets in the active markets (method of comparable sales) or quotations on the identical or similar assets in the non-active markets (method of the normative (cadastral) value). The cadastral value, in its turn, represents the historic data on property valuation performed by the state authorities for a certain period of time for all lands of the territory of the Republic of Kazakhstan.

The latest revaluation of the Group's land plots was performed as at December 31, 2016 with the involvement of independent appraisers of Scot Holland LLP (Note 5). Management believes that market prices have not changed significantly as at December 31, 2018.

Related party transactions

In the normal course of business, the Group enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties (Note 31).

Employee benefits

The most significant assumptions applied for accounting of these non-current liabilities are discount rate and estimated staff turnover. The discount rate is used to determine a present value of the benefit obligation of future liabilities, and each year unwinding of discount for such liabilities is recognised in profit or loss as interest expenses. The assumption on staff turnover is used to forecast future benefit payment flow which is discounted to receive net present value of the obligations. Please refer to Note 18 for more detailed information on assumptions used for calculation of actuarial liabilities.

4. New and Revised International Financial Reporting Standards

Standards and interpretations adopted this year

The accounting policy adopted in the preparation of the individual financial statements is consistent with that applied in the preparation of the Company's individual financial statements for the year ended December 31, 2017, except for the newly adopted standards and interpretations effective as at January 1, 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

The Company first applies IFRS 15 Revenue under contracts with customers and IFRS 9 Financial Instruments, which require a recalculation of previously presented financial statements. The nature and impact of these changes is disclosed below. The Company also applied some other amendments and clarifications for the first time in 2018, but they did not have an impact on its individual financial statements. The amendments require the organization to disclose information about changes in liabilities arising from financial activities, including both changes due to cash flows and changes not due to them (for example, profits or losses from changes in exchange rates). The amendments do not affect the Company's individual financial statements.

IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

When adopting IFRS 9, the Company has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

The adoption of IFRS 9 has impacted the impairment of financial assets applying the expected credit loss model. This affects the Company's other non-current assets, trade receivables and cash and equivalents. For contract assets arising from IFRS 15 and trade receivables, the Company applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component

KAZPHOSPHATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018****4. New and Revised International Financial Reporting Standards (continued)**

The effect from the adoption of IFRS 9 on the Company's individual statement of financial position (increase/decrease) as at January 1, 2018 is as follows:

	IAS 39 category valuation	IFRS 9 category valuation	December 31, 2017 (before adoption of IFRS 9)	The effect of adopting IFRS 9	January 1, 2018 (after adoption of IFRS 9)
ASSETS					
Non-current assets					
Restricted cash	Loans and receivables	Amortized cost	429	(10)	419
			429	(10)	419
Current assets					
Cash and cash equivalent	Loans and receivables	Amortized cost	7,862	(48)	7,814
Trade receivable	Loans and receivables	Amortized cost	35,162	(863)	34,299
			43,024	(911)	42,113
Equity					
Retained earnings			253,537	(921)	252,616
			253,537	(921)	252,616

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" and the related clarifications to IFRS 15 replace IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related interpretations and applies to any revenue arising from contracts with customers, except where contracts fall within the scope of other standards. Under IFRS 15, revenue is recognized in an amount reflecting the reimbursement that the organization expects to receive in return for the transfer of goods or services to the customer.

The standard requires that organizations apply judgment and consider all relevant facts and circumstances when applying each phase of the model to contracts with customers. The standard also contains requirements for accounting for additional costs for contracting and costs directly related to the implementation of the contract.

The Company adopted IFRS 15 using the full retrospective method of adoption. Since the Company's principal activity is extraction and processing of phosphoric ore, concentration and processing of raw materials, production of fertilisers, yellow phosphorus and phosphorus-containing products at the fields and factories located in Kazakhstan and sales mainly for export and partly for domestic market of the Republic of Kazakhstan, the Company recognises revenue from each sale based on the actual shipment of goods which meets the requirements of IFRS 15, therefore, the reflection of revenue in accordance with IFRS 15 does not cause changes in accounting policy. Therefore, the comparative information for the period beginning on January 1, 2017 has not been adjusted

New and revised IFRS – issued but not yet effective

The Company did not adopt the following new and revised IFRS and Interpretations issued, but not yet effective as at the date of the individual financial statements of the Company:

IFRS 16 "Leases"

IFRS 16 will replace IAS 17 "Leases", IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

4. New and Revised International Financial Reporting Standards (continued)

New and revised IFRS – issued but not yet effective (continued)

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Early adoption is permitted; however, the Company have decided not to early adopt.

The Company is planning to adopt IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to equity at the date of initial application. The Company assessed the effect of applying this standard on its financial results and concluded that the effect of applying IFRS 16 on the cumulative loss as of January 1, 2019 is insignificant for the individual financial statements of the Company.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- how an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Company will apply the interpretation from its effective date.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the individual financial statements of the Company.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period. The Company does not expect significant effect on its financial statements.

4. New and Revised International Financial Reporting Standards (continued)

New and revised IFRS – issued but not yet effective (continued)

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. The Company does not expect significant effect on its financial statements.

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Early application is permitted. The Group plans to adopt the new standard on the required effective date. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information, including perspective one. The Group does not expect a significant effect on its financial position or equity, except for application of requirement of IFRS 9 on recognition of impairment.

KAZPHOSPHATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS- FOR THE YEAR ENDED 31 DECEMBER 2018****5. Property, Plant and Equipment****GROUP**

Movements in the carrying amount of property, plant and equipment were as follows:

<i>In thousands of US Dollars</i>	Land	Buildings and constructions	Machinery and equipment	Other assets	Construction in progress	Total
Cost or revalued amount at 1 January 2017	43,566	279,391	157,400	33,908	4,463	518,728
Additions	-	107	350	644	15,290	16,391
Disposal	-	(1)	(256)	(795)	(642)	(1,694)
Foreign currency differences	126	121	24	6	28	305
Reversal of Impairment	-	2	1	-	758	761
Impairments	-	-	-	-	-	-
Transfers to intangible asset	-	-	-	-	-	-
Transfers	-	1,738	10,584	3,935	(16,257)	-
Balance at 31 December 2017	43,692	281,358	168,103	37,698	3,640	534,491
Accumulated depreciation at 1 January 2017	-	135,879	91,246	21,040	(51)	248,114
Depreciation	-	17,066	15,690	3,330	-	36,086
Disposals	-	(1)	(212)	(786)	-	(999)
Foreign currency differences	-	(21)	(76)	(5)	-	(102)
Accumulated depreciation at 31 December 2017	-	152,923	106,648	23,579	(51)	283,099
Net Carrying amount at 31 December 2017	43,692	128,435	61,455	14,119	3,691	251,392
Cost or revalued amount at 1 January 2018	43,692	281,358	168,103	37,698	3,640	534,491
Additions	23	74	283	739	43,032	44,151
Disposal	-	(36)	(177)	(154)	-	(367)
Foreign currency differences	(5,901)	(8,973)	(14,392)	(4,938)	(330)	(34,534)
Reversal of Impairment	-	-	-	-	-	-
Impairments	-	-	-	-	(26)	(26)
Transfers to intangible asset	-	-	-	-	(118)	(118)
Transfers	-	13,737	21,860	6,792	(42,389)	-
Balance at 31 December 2018	37,814	286,160	175,677	40,137	3,809	543,597
Accumulated depreciation at 1 January 2018	-	152,923	106,648	23,579	(51)	283,099
Depreciation	-	16,998	16,851	3,480	-	37,329
Disposals	-	(32)	(174)	(144)	-	(350)
Transfer	-	7	(7)	-	-	-
Foreign currency differences	-	(1,761)	(6,075)	(2,595)	-	(10,431)
Accumulated depreciation at 31 December 2018	-	168,135	117,243	24,320	(51)	309,647
Net Carrying amount at 31 December 2018	37,814	118,025	58,434	15,817	3,860	233,950

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

5. Property, Plant and Equipment (continued)

Additions of property, plant and equipment during 2018 in the amount of US Dollars 44,151 thousand (2017: US Dollars 16,391 thousand) represent primarily purchases under the Group's investment program aimed at increase in production capacity and equipment replacement, as well as current production modernisation.

As at December 31, 2018, machinery and equipment comprise cost of mining assets related to site restoration with the present value of US Dollars 296 thousand at initial recognition (December 31, 2017: US Dollars 1,188 thousand).

As at December 31, 2018, the Group had fully depreciated but still used property, plant and equipment with the historical cost of US Dollars 26,287 thousand (December 31, 2017: US Dollars 23,396 thousand).

As at December 31, 2018, in accordance with the terms and conditions of the agreement with Halyk Bank Kazakhstan JSC (Note 19), the property, plant and equipment with a carrying amount of US Dollars 82,726 thousand were pledged as collateral under bank loan agreement (December 31, 2017: US Dollars 84,898 thousand).

Depreciation in the amount of US Dollars 29,227 thousand (2017: US Dollars 30,839 thousand) was charged to the cost of goods sold; in the amount of US Dollars 257 thousand (2017: US Dollars 220 thousand) to the distribution cost, and in the amount of US Dollars 638 thousand (2017: US Dollars 574 thousand) – to general and administrative expenses, including depreciation in the amount of US Dollars 7,207 thousand (2017: US Dollars 4,449 thousand) as part of idle costs within general and administrative expenses.

To determine the market value of land as at December 31, 2016, the Group involved an independent appraiser, Scot Holland LLP, a member of the self-regulating chamber of the Kazakhstan Association of Appraisers (SRC KAA), which has the relevant state licenses for valuation. The valuation was carried out in accordance with the current legislation of the Republic of Kazakhstan, valuation standards adopted on the territory of the Republic of Kazakhstan and International Valuation Standards (IVS). In estimating the value of land, a cost method and a method of comparing sales were used in the framework of the comparative approach. The market value of land plots as of December 31, 2016 was estimated at US Dollars 43,566 thousand and devaluation of US Dollars 2,218 thousand was recognized.

As at December 31, 2018, revaluation of land was not performed. As at December 31, 2018 book value was approximately equal to market value.

KAZPHOSPHATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018****6. Intangible Assets****GROUP**

The movements in the cost of intangible assets are presented below:

In thousands of US dollars

	Software	Licenses and Other	Mining rights	Rent entitlements	Total
Cost Balance at 1 January 2017	395	1,591	74,464	1,701	78,151
Additions	5	488	-	-	493
Transfer	-	-	-	-	-
Disposal	(5)	(1)	-	-	(6)
Foreign currency differences	2	(5)	-	-	(3)
Balance at 31 December 2017	397	2,073	74,464	1,701	78,635
Accumulated amortisation at 1 January 2017	158	595	44,640	1,530	46,923
Amortisation	30	73	4,965	170	5,238
Disposals	(6)	(1)	-	-	(7)
Foreign currency differences	1	1	-	-	2
Accumulated amortisation at 31 December 2017	183	668	49,605	1,700	52,156
Net carrying amount at 31 December 2017	214	1,405	24,859	1	26,479
Cost at 1 January 2018	397	2,073	74,464	1,701	78,635
Additions	2	-	-	-	2
Transfer	42	76	-	-	118
Disposal	-	(88)	-	-	(88)
Foreign currency differences	(58)	(281)	-	-	(339)
Balance at 31 December 2018	383	1,780	74,464	1,701	78,328
Accumulated amortisation at 1 January 2018	183	668	49,605	1,700	52,156
Amortisation	27	204	4,964	1	5,196
Disposals	-	(33)	-	-	(33)
Foreign currency differences	(46)	(88)	-	-	(134)
Accumulated amortisation at 31 December 2018	164	751	54,569	1,701	57,185
Net carrying amount at 31 December 2018	219	1,029	19,895	-	21,143

The software includes capitalised costs for the purchase of ERP SAP software with the right of use and other products required for the Group's operations. As at December 31, 2018, other intangible assets include capitalised costs on social program financing in the amount of US Dollars 1,169 thousand (December 31, 2017: US Dollars 1,443 thousand) according to the phosphoric ore and ground water extraction contracts. Amortisation expense in the amount of US Dollars 211 thousand (2017: US Dollars 89 thousand) were charged to the cost of goods sold, US Dollars 4,985 thousand (2017: US Dollars 5,149 thousand) – to general and administrative expenses.

7. Investments in joint venture

GROUP In thousands of US dollars

	Joint venture
Carrying value at 1 January 2017	1,302
Exchanges differences	7
Share of profit/(loss) in 2017	(151)
Carrying value 31 December 2017	1,158
Carrying value at 1 January 2018	1,158
Exchanges differences	(177)
Share of profit /(loss) in 2018	195
Carrying value 31 December 2018	1,176

KAZPHOSPHATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018****7. Investments in associate and joint venture (continued)***In thousands of US dollars*

Kazphos LLP is the sole object of a joint venture agreement, to which the Group is a party. The enterprise is located in Taraz and produces hexametaphosphate and other phosphoric salts. Kazphos LLP is not a public company; it is a separate structure with a residual interest of the Group in its net assets. Accordingly, the Group has classified its 50% stake in Kazphos LLP as an interest in joint venture.

The following table presents summarised financial information of Kazphos LLP as it is presented in the enterprise's own financial statements:

As at 31 December 2018

<i>In thousands of US dollars</i>	Total assets	Total liabilities	Revenue	Profit
Kazphos LLP	2,495	143	4,068	390

As at 31 December 2017

<i>In thousands of US dollars</i>	Total assets	Total liabilities	Revenue	Profit
Kazphos LLP	2,718	269	2,933	(303)

Associated Companies

The Group has a share in associate Nitrophos LLP. The Group's share in the capital of Nitrophos LLP is 49%.

The Group came to a conclusion that it has a significant influence over the enterprise as it can block any decision, which was not agreed with the Group. According to the decision of the Specialized regional economic court of Zhambyl region the claims of the Group against Nitrophos LLP for the recovery of the debt in the amount of US Dollar 241 thousand and state duty in the amount of US Dollar 7 thousand were satisfied. The property of Nitrophos LLP was seized by private bailiff. The estimated value of the property of Nitrophos LLP amounted to US Dollars 182 thousand. For execution of the court's decision on December 31, 2015 private bailiff issued decree about transfer of the property of Nitrophos LLP to the Kazphosphate LLC.

In December 2018 the seized³ property of Nitrophos LLP was included into the property, plant and equipment of the Group.

As at 31 December 2018 and 31 December 2017 the carrying value of the Group's investments in Nitrophos LLP has been impaired by 100%.

8. Other Non-current Assets**GROUP**

<i>In thousands of US dollars</i>	31 December 2018	31 December 2017
Prepayments for property, plant and equipment and related services	115	2,228
Restricted cash	458	429
Reserve for impairment of restricted cash	(10)	-
Total other non-current assets	563	2,657

As at December 31, 2018 and December 31, 2017 restricted cash was denominated in tenge.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

8. Other Non-current Assets (continued)

The changes in the reserve for impairment are presented below:

<i>In thousands of US dollars</i>	31 December 2018	31 December 2017
At the beginning of the year under IAS 39	-	59
Effect on application of IFRS 9	10	-
January 1 under IFRS 9 (recalculated)	10	-
Translation reserve	(2)	1
Accrued during the year	2	-
Allowance write-off	-	(60)
Balance as at December 31	10	-

9. Investments in subsidiary

COMPANY

<i>In thousands of US dollars</i>	Shares in subsidiary undertakings
Cost	
1 January 2017	143,504
Additions	-
Balance 31 December 2017	143,504
1 January 2018	143,504
Additions	-
Balance 31 December 2018	143,504
Carrying amount	
At 31 December 2018	143,504
At 31 December 2017	143,504

The carrying value of the Company's investments in its subsidiaries is reviewed annually for impairment by comparing the carrying value to the Company's share of the net assets of its subsidiaries. Since the Company's share of the net assets of its subsidiaries exceeds the carrying value of the investment management has not recognised any provision for impairment.

GROUP

The Group also has an indirect shareholding in the following companies:

Company name	Country of incorporation	Nature of business	Class of shares	Holding %	
				2018	2017
Nitrophos LLP	Kazakhstan	Production of industrial explosives and drilling	Ordinary	49	49
Kazphos LLP	Kazakhstan	Production of hexametaphosphate and other salts of phosphorus	Ordinary	50	50

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

10. Inventories

GROUP

<i>In thousands of US dollars</i>	2018	2017
Raw materials	15,177	16,649
Work in progress	23,750	26,334
Finished products	16,395	20,150
Goods for resale	1,356	1,159
Goods in transit	11,031	7,784
Less: provisions for obsolete and slow-moving inventory	(251)	(320)
Total inventories	67,458	71,756

11. Trade and Other Receivables

GROUP

<i>In thousands of US dollars</i>	2018	2017
Financial assets		
Trade receivables	38,120	34,985
Trade receivable due from related parties (Note 31)	-	371
Less: provision for impairment loss	(1,638)	(194)
Total	36,482	35,162
Advances paid for inventory and services	1,071	1,394
Other receivables	590	185
Less: provision for impairment loss	(165)	(52)
Total	1,496	1,527
Total trade and other receivables	37,978	36,689

The changes in reserve for impairment of trade receivables for principal activities are presented below:

<i>In thousands of US dollars</i>	2018	2017
At the beginning of the year under IAS 39	194	589
Effect on application of IFRS 9	863	-
January 1 under IFRS 9 (recalculated)	1,057	-
Accrued during the year	965	37
Disposed during the year	(158)	(432)
Translation reserve	(226)	-
Balance as at December 31	1,638	194

The changes in reserve for impairment of advances paid and other receivables are presented below:

<i>In thousands of US dollars</i>	2018	2017
Balance as at January 1	52	59
Accrued	144	42
Recovered	(11)	(49)
Translation reserve	(20)	-
Balance as at December 31	165	52

KAZPHOSPHATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018****11. Trade and Other Receivables (continued)**

The ageing analysis of trade receivables classified as financial assets as of 31 December 2018 and 31 December 2017 is as follows:

<i>In thousands of US dollars</i>	2018	2017
Current and not impaired	17,071	12,698
<i>Past due but not impaired</i>		
- 30 to 90 days overdue	16,614	17,902
- 91 to 180 days overdue	1,924	2,032
- 181 to 360 days overdue	815	1,982
- over 360 days overdue	58	548
Total past due but not impaired	19,411	22,464
<i>Individually determined to be impaired (gross)</i>		
- not overdue	78	-
- less than 360 days overdue	932	-
- over 360 days overdue	628	194
Total individually impaired	1,638	194
Total trade receivables	38,120	35,356
Less: impairment loss provision	(1,638)	(194)
Total trade receivables net	36,482	35,162

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

<i>In thousands of US dollars</i>	2018	2017
US Dollars	28,886	25,917
Tenge	5,460	6,539
Russian Roubles	1,948	854
Euro	188	1,852
Total trade and other receivables	36,482	35,162

As at December 31, 2018, the cash to be received under the contract No. 1661/9-SB of \$260m between the Group and LANXESS Deutschland GmbH, as well as movable and immovable property of the Group's Branches (NDPP, MFP, RTC, SDPP), as well as subsoil use rights (development of phosphorite ores from the Zhanatas, Koksus, Kokzhon Kistas), Chulaktau, Aksai, Shilibulak), are considered to be collateral for obligations on loans issued by Halyk Bank of Kazakhstan JSC.

The cash to be received under the contract No. 2331/14-SB of \$300m between the Group and Fosfa akciova spolosenost and contract No. 2203/14-SB with Alwernia Invest Sp. Z.o.o. are considered to be collateral for obligations on loans received from Development Bank of Kazakhstan JSC (Note 19).

COMPANY

<i>In thousands of US dollars</i>	2018	2017
VAT	-	13
Other receivables	9	7
Called up share capital not paid	55	55
Total trade and other receivables	64	75

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

12. Loans Receivable

GROUP Presented below are carrying amounts of loans:

	2018		2017	
<i>In thousands of US dollars</i>	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loans issued:-				
Bloomtrade International Limited	67,357	67,357	62,665	62,665
Bloomtrade International Limited- (bad debt reverse)	(20,085)	(20,085)	(23,220)	(23,220)
Total loans receivable	47,272	47,272	39,445	39,445

On 15 October 2012, the Group signed an agreement with Bloomtrade International Limited (related party) for a loan in the amount of US Dollars 50 million. During 2014 the Group signed an additional agreement, under which the loan had to be repaid in tranches until August 25, 2019. On May 25, 2018, the Group signed an additional agreement, according to which the deadlines for repayment of the principal debt and interest for the entire period of using the loan were revised and extended until November 10, 2022. The calculation of interest on this loan is made according to the interest rate of the loan received from Halyk Bank of Kazakhstan JSC. The interest rate on the loan received was reduced from 8% per annum to 7% per annum, starting from December 27, 2017.

13. Taxes Receivable

GROUP

<i>In thousands of US dollars</i>	2018	2017
VAT refund	14,005	10,487
Other	238	269
Total taxes receivable	14,243	10,756

VAT receivable represents the current asset on VAT recognized as a result of purchase of goods and services on the territory of Republic of Kazakhstan. The group on a quarterly basis makes a refund of VAT receivables amounts under a simplified scheme, that is, when the quarterly tax return for VAT payables is submitted, an application for a refund of VAT receivables is also filed. Every year, tax authorities of the Republic of Kazakhstan conduct audit for the correctness of the calculation and payment of VAT amounts. As a result of such audits, no additional significant charges were incurred by tax authorities at the reporting date. Management of the group believes that the VAT will be refunded within the period established by tax legislation.

14. Cash and Cash Equivalents

GROUP

<i>In thousands of US dollars</i>	2018	2017
Cash in bank, Tenge	243	232
Cash in bank	121	8
Cash on hand	12	12
Cash in bank accounts in Russian Rubles	(61)	-
Bank deposits	9,851	7,618
Total cash and cash equivalents	10,166	7,870

COMPANY

<i>In thousands of US dollars</i>	2018	2017
Cash in bank, USD	121	8
Total cash and cash equivalents	121	8

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

14. Cash and Cash Equivalents (continued)

Information about the Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 33.

15. Company called up share capital

Allotted and issued:

GROUP AND COMPANY

<i>In thousands of US dollars</i>			2018	2017
Number	Class	Nominal value		
50,000	Ordinary Share	£1	98	98

As at 31 December 2018 the Company was owed USD 55 thousand (2017: USD 55 thousand) in relation to unpaid share capital, which is included in trade and other receivables.

16. Group deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following, none of which are concerned with the group, only the other subsidiaries in the Group:

<i>In thousands of US dollars</i>	Asset		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Property, plant and equipment	-	-	(37,267)	(41,464)	(37,267)	(41,464)
Land revaluation	-	-	(7,793)	(8,969)	(7,793)	(8,969)
Provisions and accruals	2,454	2,780	-	-	2,454	2,780
Employees benefit	112	62	-	-	112	62
Other payables	74	-	-	(207)	74	(207)
Cash and cash equivalents	14	-	-	-	14	-
Net tax assets/(liabilities)	2,654	2,842	(45,060)	(50,640)	(42,406)	(47,798)

<i>In thousands of US dollars</i>	Group 2018	Recognised in income	Translation adjustments	Recognised in equity	Group 2017
Property, plant and equipment	(37,267)	1,579	2618	-	(41,464)
Land revaluation	(7,793)		1181	(5)	(8,969)
Provisions and accruals	2,454	(108)	(218)	-	2,780
Employees benefit	112	64	(14)	-	62
Other payables	74	367	(86)	-	(207)
Cash and cash equivalents	14	16	(2)	-	-
Net tax assets/(liabilities)	(42,406)	1,918	3,479	(5)	(47,798)

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

16. Group deferred tax assets and liabilities (continued)

<i>In thousands of US dollars</i>	Group 2017	Recognised in income	Translation adjustments	Recognised in equity	Group 2016
Property, plant and equipment	(41,464)	6,498	(60)	-	(47,902)
Land revaluation	(8,969)	-	(25)	-	(8,944)
Provisions and accruals	2,780	189	5	-	2,586
Employees benefit	62	(14)	-	-	76
Other payables	(207)	(96)	2	-	(113)
Net tax assets/(liabilities)	(47,798)	6,577	78	-	(54,297)

17. Provisions for asset retirement and site restoration obligations

The obligations related to site restoration at GPK Karatau and GPK Chuluktau are stipulated by the subsurface use contracts between the Group and Government of the Republic of Kazakhstan. The Group has a legal obligation to restore land disturbed during the operations and decommissioning of its assets after its expected closure of site operation at GPK Karatau and GPK Chuluktau. In April 2009 the Group signed two contracts for groundwater extraction and use in the territory of its branches: NDPP and MFP. The contracts have been signed for 25 years and include a provision for site restoration after the contract expiry date.

For duration of the current conditions of extraction, the Group believes that current cost estimate for site restoration is correct. Future estimated cash outflows for site restoration purposes were discounted at the rate of 8%. Unwinding of discount is recognised as interest expense in profit and loss and other comprehensive income under "Finance expenses" (Note 28).

Under the subsurface use contracts the Group is obliged to make payments to the liquidation fund regulated by the government, determined as 0.1 percent of operational costs. In accordance with the subsurface use contracts, the Group transfers cash to the long-term bank deposit to finance assets retirement and site restoration in future. As at 31 December 2018 the total balance in special deposit accounts was USD 458 thousand (2017: USD 429 thousand) (Note 8).

In 2016 the Group commissioned an independent third party, IE SAN-eco, specializing in the performance of works and services in the field of environmental protection, to conduct an independent assessment of the costs of land reclamation after the end of the operation of landfill sites for the extraction of phosphorite ores and during processing Fossarya at the ZMU branch. On the basis of this assessment, additional obligations were recognized for the restoration of the territories of the GPK Karatau, GPK Chulaktau and ZMU for the amount of USD 164 thousand.

The assets retirement and site restoration obligations at GPK Karatau and GPK Chuluktau should be settled at the end of the useful life of each field varied from 2020 to 2040; obligations on groundwater wells should be settled upon the contract expiry date in 2034.

KAZPHOSPHATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018****17. Provisions for asset retirement and site restoration obligations (continued)**

Movements in provisions for site restoration obligations are as follows:

<i>In thousands of US dollars</i>	Ore fields	Groundwater wells and landfills for waste disposal	Total
Carrying amount at 1 January 2017	3,205	372	3577
Unwinding of the present value discount	119	25	144
Currency translation	8	-	8
Carrying amount at 31 December 2017	3,332	397	3,729
Unwinding of the present value discount	34	26	60
Currency translation	(453)	(57)	(510)
Carrying amount at 31 December 2018	2,913	366	3,279

18. Employee Benefits**GROUP**

<i>In thousands of US dollars</i>	2018	2017
Current portion of employee benefits liabilities	105	97
Non current portion of employee benefits liabilities	448	209
Total employee benefits	553	306

Changes in the benefit obligations are as follows:

<i>In thousands of US dollars</i>	2018	2017
Present value of defined benefit obligation at 1 January 2018	306	374
Currency translation	247	(68)
Present value of defined benefit obligation at 31 December 2018	553	306

Current service expenses were included in the statement of comprehensive income as part of general and administrative expenses. Actuarial gains/ (losses) were recognised in other comprehensive income.

<i>In thousands of US dollars</i>	2018	2017
Cumulative amount of actuarial losses recognised in other comprehensive income	565	565

Below are the main actuarial assumptions used in calculating employee benefits at the reporting date: -

<i>In percentage</i>	2018	2017
Discount rate at 31 December	7.0	9.9
Average labour turnover rate at 31 December	8.7	7.8
Future salary increases at 31 December	6.4	7.0

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

18. Employee benefits (continued)

The Group concluded collective agreement with its employees and bears obligations on particular payments to the employees in accordance with it. The payments included retirement benefit, anniversary payment, payment in case of an employee death, and funeral payment.

In 2018 the Group attracted Khaliyeva Raushan Makhsutovna (license for actuarial activity in the insurance market No. 4 issued by the National Bank of the Republic of Kazakhstan on 28 November 2001), who assessed the Group actuarial employee benefits obligations as at December 31, 2018. The Group approved the actuary's report and recognised these obligations in its individual financial statements.

Assumption on future benefit increase represents expected increase in monthly calculation index (MCI) which is the basis for determination of amounts payable in accordance with the legislation of the Republic of Kazakhstan.

To calculate the employee benefit obligation, the following criteria are taken into account:

- Personnel turnover rate is calculated in accordance with assumptions of the Group's management;
- The discount rate and the average rate of turnover remained unchanged;
- In the long run MCI is associated with the inflation rate.

19. Borrowings

GROUP

The carrying amounts of borrowings are as follow:

<i>In thousands of US dollars</i>	Carrying amount	
	2018	2017
Non- Current borrowings		
Halyk Bank of Kazakhstan JSC	63,932	58,180
Total non - current borrowing	63,932	58,180
Current borrowings		
Development Bank of Kazakhstan JSC	18,725	21,628
Disport International Limited	38,168	57,787
Total current borrowing	56,893	79,415
Total borrowings	120,825	137,595

The Group's borrowings are denominated in the following currencies:

<i>In thousands of US dollars</i>	2018	2017
Loans denominated in: - US dollar	120,825	137,595
Total borrowings	120,825	137,595

On August 29, 2012 the Group entered into an agreement No. KS 02-12-40 / (1584/12-FO) for a credit line with Halyk Bank of Kazakhstan JSC for 7 years. Under the agreement, the Group is provided with loans in the total amount of USD 108,000 thousand and 2,000,000 thousand Tenge.

In accordance with the terms and conditions of the agreement USD 68,000 thousand were provided at the interest rate of 8% per annum for construction of a workshop for production of sulphuric acid, as well as to refinance indebtedness to SB HSBC Bank Kazakhstan JSC and ATF Bank JSC.

USD 36,000 thousand and 2,000,000 thousand Tenge were provided to the Group for replenishment of working capital, acquisition of movable property for industrial purposes and refinancing of a debt to SB Alfa-Bank JSC and SB HSBC Bank Kazakhstan JSC. The interest rate on these loans varies from 8% to 9% for Kazakhstani Tenge and from 7% to 8% for USD.

KAZPHOSPHATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018****19. Borrowings (continued)**

In addition, USD 4,000 thousand were provided to the Group for development of subsoil use rights under the contract for production of phosphate, as well as other costs related to subsoil use rights under this contract (mining, construction of production facilities necessary for development of subsoil use rights, etc.). Interest rate on this loan is 8% per annum.

On May 3, 2018, the Group entered into an agreement on a credit line in the amount of US dollars 20 million for 48 months with Halyk Bank of Kazakhstan JSC. The interest rate for using a credit line is 6% - 7% depending on the period of use. The purpose of the loan is the technical re-equipment of the drum-type granulator dryer for MFP.

As at December 31, 2018, in accordance with the terms of the agreement with Halyk Bank of Kazakhstan JSC (Note 5), property, plant and equipment with a carrying value of US Dollars 82,726 thousand were pledged as collateral under bank loan agreements (December 31, 2017: US Dollars 84,898 thousand).

In January 2015, based on the lending program of second-tier banks for the financing of large businesses by Development Bank of Kazakhstan JSC, the Group opened two credit lines in Halyk Bank of Kazakhstan JSC for 5 billion Tenge (equivalent of US Dollars 14,730 thousand) (funds of Development Bank of Kazakhstan JSC) and US Dollars 10 million (funds of Halyk Bank of Kazakhstan JSC) under the credit line agreement No. KS 02-15-03 dated 30 January 2015. The credit line is provided for a period of 7 years. The interest rate is 6% per annum. The main purpose of these loans is acquisition of inventory, equipment, construction-assembly works and project documentation related to reconstruction of sulphuric acid plant at the branch of Kazphosphate LLC, Mineral Fertiliser Plant. Besides, on August 17, 2015 the Group entered into an agreement for a credit line No. 80-CM-A/05-01 with Development Bank of Kazakhstan JSC for the amount of 7 billion Tenge (equivalent of US Dollars 20,620 thousand). The interest rate is 6%. The main purpose of this loan is working capital replenishment for the acquisition of inventories, services from contractors and suppliers for the operating activities of the Group.

Company

The carrying amount and fair value of borrowings are as follow:

<i>In thousands of US dollars</i>	Carrying amount		Fair Value	
	2018	2017	2018	2017
Disport International Limited	38,168	57,787	38,168	57,787
Kazphosphate LLP	-	10,223	-	10,223
Total borrowings	38,168	68,010	38,168	68,010

The Company's borrowings are denominated in the following currencies :

<i>In thousands of US dollars</i>	2018	2017
Loans denominated in:		
- US dollar	38,168	57,787
- Euro	-	64
- Pound GB	-	10,159
Total borrowings	38,168	68,010

KAZPHOPHATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018****20. Trade and Other Payables****GROUP**

<i>In thousands of US dollars</i>	2018	2017
<i>Financial liabilities</i>		
Trade payables	36,424	31,172
Total	36,424	31,172
Payables to employees	1,577	1,518
Other payables	199	189
Payables to pension funds	206	211
Total	1,982	1,918
Trade and other payables	38,406	33,090

Trade payables are denominated in the following currencies:

<i>In thousands of US dollars</i>	2018	2017
Tenge	18,965	19,632
US Dollars	4,629	3,470
Pound GB	23	18
Russian Roubles	10,549	6,453
Euro	2,258	1,486
Yuan	-	113
Trade payables	36,424	31,172

COMPANY

<i>In thousands of US dollars</i>	2018	2017
Trade payables	23	19
Total trade and other payables	23	19

21. Other Taxes Payable**GROUP**

<i>In thousands of US dollars</i>	2018	2017
Minerals extraction tax	915	983
Environmental emission payments	890	1,640
Social tax	133	130
Individual income tax	163	158
Payable to social fund	76	104
Other	189	44
Customs fees	1,036	596
Obligatory professional pension contributions	35	32
Total other taxes payable	3,437	3,687

KAZPHOSPHATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018****22. Revenue****Group**

<i>In thousands of US Dollars</i>	2018	2017
Yellow phosphorus	203,662	168,589
Sodium tripolyphosphate	17,952	8,317
Ammonia phosphorus	81,535	81,839
Raw phosphorus	580	1,702
Thermal phosphoric acid	10,559	7,280
Services	5,962	5,880
Tricalcium phosphate	2,197	2,706
Granulated slag	1,132	797
Transportation services	1,479	597
Inventory	596	478
Ferro-phosphorus	1,206	1,446
Oxygen	78	113
Superphosphate	-	3
Ammonium water	-	38
Sulphuric acid	7,556	10,613
Other	3,006	2,837
Total revenue	337,500	293,235

An analysis of the Group's revenue by geographical market is given below:

<i>In thousands of US dollars</i>	2018	2017
European Union and Switzerland	185,620	26,091
Commonwealth of Independent States (former USSR)	37,181	197,165
Kazakhstan	64,181	62,367
Asia	36,749	7,612
Americas	13,769	-
Total revenue	337,500	293,235

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

23. Cost of Sales

GROUP

<i>In thousands of US Dollars</i>	2018	2017
Raw materials	117,077	86,822
Electricity	52,816	46,411
Salary and related cost	22,910	21,649
Repair and maintenance	3,371	2,558
Changes in inventories of finished goods and work in progress	(3,896)	3,389
Third party Services	8,426	7,048
Depreciation and amortisation	29,438	30,928
Cost of inventory sold	407	265
Mineral extraction tax	9,103	9,441
Provision for obsolete and slow-moving inventory	(28)	(51)
Insurance cost	630	579
Other	627	1,145
Total cost of sales	240,881	210,184

24. Other Operating Income

GROUP

<i>In thousands of US Dollars</i>	2018	2017
Payables write off	25	30
Gain on disposal of property, plant and equipment	436	60
Other income	391	234
Total other operating income	852	324

25. Distribution Costs

GROUP

<i>In thousands of US Dollars</i>	2018	2017
Transportation services – export	26,034	23,265
Materials and repair	5,307	3,860
Payroll and related expense	964	863
Electricity	281	214
Depreciation	257	220
Business trips and representative expenses	321	205
Certification	193	187
Insurance	2	18
Communication expenses	26	24
Customs services	62	61
Other	192	133
Total distribution costs	33,639	29,050

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

26. General and Administrative Expenses

GROUP

<i>In thousands of US Dollars</i>	2018	2017
Payroll and related expenses	4,800	4,353
Production suspension expenses -depreciation	10,685	6,021
Maintenance, repair and materials	795	659
Communication and IT expenses	161	144
Taxes, other than income tax	1,013	979
Business trips and representative expenses	703	672
Consulting services	207	406
Depreciation and amortisation	5,623	5,723
Bank charges	481	149
Utilities	449	392
Rent	128	135
Security services	160	149
Sponsorship and charity	2,786	561
Legal services	152	315
Insurance	194	205
Accountancy	43	68
Parent company auditor remuneration*	62	51
Other	4,112	502
Total general and administrative expenses	32,554	21,484

* Remuneration of the auditors' of subsidiaries is included within consulting services

27. Other Operating Expenses

GROUP

<i>In thousands of US Dollars</i>	2018	2017
Losses on disposal of property, plant and equipment	18	697
Other	129	100
Total other operating expenses	147	797

28. Finance Income and Costs

GROUP

For the years ended 31, December 2018 and 2017 finance income and costs are presented below:

<i>In thousands of US Dollars</i>	2018	2017
Finance income		
Foreign exchange gain from loan issued	10,527	-
Foreign exchange gain on trade receivables and payables	2,908	-
Interest income on loans issued	3,567	3,998
Interest income on securities	41	112
Foreign exchange gain on loans payable	-	322
Sum difference	290	145
Interest income on bank deposit	144	228
Other foreign exchange gain	1,704	1,037
Total finance income	19,181	5,842

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

28. Finance Income and Costs – (continued)

GROUP

<i>In thousands of USD</i>	2018	2017
Finance costs		
Interest expenses on loans payable	5,046	6,225
Provision for asset retirement and site restoration obligations: unwinding of discount	116	193
Foreign exchange loss on trade and receivable and payables	-	2,284
Foreign exchange loss on loans issued	-	25
Sum difference	693	547
Regional social development liabilities: unwinding of discount	-	23
Foreign exchange loss on loans and interest payable	7,971	-
Total finance costs	13,826	9,297

29. Income Tax

GROUP

<i>In thousands of US Dollars</i>	Note	2018	2017
Current income tax expense		(12,516)	(13,471)
Deferred income tax credit	16	5,587	5,896
Income tax expense		(6,929)	(7,575)

<i>In thousands of US dollars</i>	2018		2017	
Profit / (loss) before income tax	36,680		29,199	
Income tax benefit at applicable tax rate	7,336	20%	5,839	20%
Tax effect of Non-deductible items /non-taxable income	1,623		80	
Tax deducted at source	-		1,627	
WHT refund on dividend payment	(2,065)		-	
Tax effect of loss on which no deferred tax asset recognised	35		29	
Total tax charge	6,929		7,575	

The applicable tax rate used is 20%, which is the corporation tax rate in Kazakhstan. As almost all the Group's activities take place in Kazakhstan this is considered to be the rate most applicable to the Group.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

GROUP

30. Employee Information

The Group's total staff costs (including directors) were:

<i>In thousands of US dollars</i>	2018	2017
Wages and salaries, other bonuses and related expenses	27,954	20,805
Total staff costs	27,954	26,865
The average number of employees for the period was 6,253 (2017: 6,028)		
Production	4,753	4,563
Distribution	80	78
Administration	1,420	1,387
Total	6,253	6,028

31. Balances and Transactions with Related Parties

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2018 and 2017 are detailed below.

<i>In thousands of US dollars</i>	Note	Entities under common control 2018	Entities under common control 2017
Borrowings	19	38,168	57,787
Loan receivable	12	47,272	39,445

<i>In thousands of US dollars</i>	Note	Key Management 2018	Key Management 2017
Salary payable	30	-	18

At 31 December 2018, the outstanding balances with related parties were as follows:

<i>In thousands of USD</i>	Note	Parent company	Associates and joint ventures
Trade and other payable	20	23	213

At 31 December 2017, the outstanding balances with related parties were as follows:

<i>In thousands of USD</i>	Note	Parent company	Associates and joint ventures
Loan issued	19	10,223	-
Trade receivable and advances paid	11	-	371
Allowances for doubtful debts	11	-	(150)
Trade and other payable	20	19	-

KAZPHOSPHATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018****31. Balances and Transactions with Related Parties (continued)**

The income and expense items of the related party transactions for the year ended 31 December 2018 were as follows

<i>In thousands of USD</i>	Entities under common control	Parent company	Associates and joint ventures
Revenue	-	-	4,068
General and administrative expenses	-	-	-
Finance income	16,005	1,156	-
Finance costs	2,620	418	-

The income and expense items of the related party transactions for the year ended 31 December 2017 were as follows:

<i>In thousands of USD</i>	Entities under common control	Parent company	Associates and joint ventures
Revenue	-	-	3,154
General administrative expenses	-	86	-
Finance income	3,998	8	-
Finance costs	84	50	-

During the year the company was charged accountancy fees of USD 16 thousand (2017: USD 67 thousand) by S H Landes LLP and USD 27 thousand (2017: "NIL") by Hawksford UK Services Limited. As at year end the company owed a balance of "Nil" (2017: USD 37 thousand) to both of the companies. S H Landes, a director of the company, is a member of S H Landes LLP and Managing Director of Hawksford UK Services Limited.

The above parties are related due to common directorship.

Key management includes three members of the Management Board of the Group. The key management compensation in 2018 and 2017 was included within general and administrative expenses. The total key management compensation cost for the year was as follows:

<i>In thousands of US dollars</i>	2018	2017
Wages, salaries, other bonuses and related expenses	406	352
Social tax	37	37
Total key management compensation	443	389

32. Contingencies, Commitments and Operating Risks

Political and economic situation in the Republic of Kazakhstan

There are ongoing economic reforms and developments of legal, tax and administrative infrastructure in Kazakhstan which would meet the requirements of market economy. The stability of Kazakhstani economy will largely depend on the progress of these reforms, as well as on effectiveness of measures undertaken by the Government in spheres of economy, financial and monetary-credit policy.

Kazakhstani economy is subject to influence by market fluctuations and decline in the tempo of economic development in the world economy. The global financial crisis led to instability in capital markets, significant decline in liquidity in banking sector and tightening of the credit terms in Kazakhstan. Despite the stabilizing measures, undertaken by the Government of the Republic of Kazakhstan for the purposes of maintaining liquidity and refinancing foreign debts of Kazakhstani banks and companies, there is an uncertainty in relation to possibility of access to sources of capital, as well as cost of capital for the Group and its counterparties, which may impact the financial position, results of operations and economic prospects of the Group.

Considering that the economy of Kazakhstan is largely dependent on the export of oil and other mineral resources, which global prices have declined in the recent years, especially on hydrocarbonate produce, currently there is an indication of decline in the development of the country. Moreover, the presently continuing economic sanctions against Russia indirectly influence the economy of Kazakhstan, taking into account the substantial economic ties between the countries.

Management of the Group believes that it undertakes all necessary measures to support the economic stability of the Group in such conditions. However, further deterioration in the areas described above could negatively affect the results and financial position of the Group. Currently it is not possible to assess potential impact.

Tax and transfer pricing legislation

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. Further, the interpretation of tax and transfer pricing legislation by tax authorities as applied to the transactions and activities of the Group may not coincide with that of management. As a result, tax authorities may challenge transactions and additional taxes, penalties and fines can be accrued to the Group. Tax periods remain open to review by the Kazakh tax authorities for five years.

Whilst there is a risk that the Kazakhstani tax authorities may challenge the policies, including those relating to transfer pricing tax legislation, the management believes that they would be successful in defending any such challenge and notes that the amount of potential claim of the tax authorities cannot be reliably estimated. Accordingly, at 31 December 2018, the financial statements do not include any provisions for potential tax liabilities (2017: no provision).

Transfer pricing

According to transfer pricing law, the international transactions are subject to the state control. This law prescribes the Kazak companies to support and if necessary to provide the economic rationale and the method for pricing applied in the international transactions, including the availability of documentation supporting the prices and price differentials. Additionally, the price differentials cannot be applied in the international transactions with the companies registered in the offshore countries. In case of deviation of transaction price from the market price, the tax authorities have the right to adjust the taxable items and accrue the additional taxes, penalties and fine. Some sections of the transfer pricing law do not contain any detailed or clear practical guidance (for example form and content of documentation supporting the discounts), and determination of the Group's tax liabilities in terms of transfer pricing rules requires the interpretation of transfer pricing law.

The Group carries out the transactions subject to the transfer pricing state control. Despite possible risks of challenging the Group's policy relating to transfer pricing tax legislation by the tax authorities, the management of the Group believes that they would be successful in defending any such challenge if the Group's policy relating to transfer pricing tax legislation is challenged by the tax authorities. Accordingly, the financial statements of the Group do not include any additional tax liabilities.

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NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

32. Contingencies, Commitments and Operating Risks (continued)

Social liabilities

Under the subsurface use contracts, the Group has committed to finance social programs which are beneficial for Zhambyl region of the Republic of Kazakhstan. The Group will not receive any direct benefit from such costs but they are obligatory in accordance with the provisions on acquisition of subsurface use rights. These social costs are recognised as a part of acquisition cost upon the initial recognition, while the respective liabilities are recognised at present value of future social programs payments during exploration and production stage. Thus, according to the addendums to the contracts for phosphoric ore, the Group is required to make annual payment of US Dollars 100 thousand until the contract expiry date for development of the region. Moreover, similar payments in the amount of 1,600 thousand Tenge (equivalent US Dollars 5 thousand) are stipulated under the contracts for ground water extraction, which were cancelled at the end of 2018 in connection with changes in the environmental legislation of the Republic of Kazakhstan. In 2018, the Group obtained special permits for water use, which replace contracts for the extraction of ground water. For 2018, the Group fulfilled its obligations for the development of the region. As at December 31, 2018 the Group recognised provisions for regional social development in the total amount of US Dollars 908 thousand (December 31, 2017: US Dollars 1,136 thousand).

The Group makes payments into obligatory and voluntary social development programs. These costs are expensed in the period in which they are incurred. The Group's social assets as well as local programs for social development will bring the benefits not only to the Group's employees but also to the community as a whole. For the years ended December 31, 2018 and December 31, 2017, the Group incurred expenses in the amount of US Dollars 1,317 thousand and US Dollars 1,205 thousand, respectively, which were recorded in the individual statement of profit and loss and other comprehensive income. The Group transferred a range of social facilities to the local authorities; however, management believes that the Group will continue to finance such programs in the nearest future.

As part of costs for acquisition of subsurface use rights, the Group is liable to finance the employee professional training programs which will bring the benefit both the community in Zhambyl region and the Group. According to the subsurface contract the Group is obliged to invest at least 0.1% of total operating costs to professional staff trainings programs. These costs are expensed as incurred.

Capital expenditure commitments

As at December 31, 2018, the Group had contractual capital expenditure commitments on purchase of equipment, appliances and expensive spare parts for the reconstruction of property, plant and equipment totalling US Dollars 1,473 thousand (December 31, 2017: US Dollars 1,096 thousand). Management believes that future net income and funding will be sufficient to cover these and any similar commitments.

Operating lease commitments

Where the Group is a lessee, future minimum lease payments under non-cancellable operating lease, are USD 11 thousand per month till 10 October 2019 (2017: USD 18 thousand per month), there are no future commitments.

Insurance policies

The insurance industry in Kazakhstan is in a developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on Group property or relating to property operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

The Group holds insurance policies in relation to the following risks:

- Insurance of property;
- Insurance of civil liability of employer for causing damage to life and health of employee during their work duties;
- Insurance of civil liability of employer for causing damage to environment;
- Insurance of civil liability of vehicles owners;
- Insurance of civil liability of property owners, operations which can cause damage to third parties.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

32. Contingencies, Commitments and Operating Risks (continued)

Environmental matters.

The enforcement of environmental regulation in the Republic of Kazakhstan is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately in the individual financial statements. Thus, due to adoption of the Ecology Code of the Republic of Kazakhstan, during 2008 the Group created a liquidation fund to arrange the measures for landfill site restoration and environmental monitoring upon closure. In addition to liquidation fund representing the special account for accumulation of funds, the Group accrued provisions for asset retirement and site restoration obligations. The amount of accrued provision for asset retirement and site restoration obligations was based on the management's best estimates of future costs which will be incurred by the Group for repayment of its current liabilities (Note 17). In the current enforcement climate under existing environmental legislation, management of the Group believes that there are no significant liabilities for environmental damage.

Kazakhstan environment legislation and legal practice is continuously evolving, which may result in varying interpretations of the current legislation as well as to introduction of the new laws and other normative acts. Management believes that provisions for asset retirement and site restoration obligation shown in these individual financial statements are sufficient based on the requirements of the current legislation and operations of the Group. However, the changes in the legislation, its interpretation as well as changes in the management estimates can result in the Group's revision of its estimates and accrual of the additional provisions for asset retirement and site restoration obligation.

Environmental protection management system ISO 14001 and quality management system ISO-9001 are implemented in several branches of the Group (NDPP, MFP, RTC, GPK "Karatau", GPK "Chulaktau"). The Group has introduced health and labour safety management system based on OHSAS 18001:2007, ISO 9001:2008, ISO 14001:2004 and received the certificate on compliance. The validity of these certificates expires in 2019.

The Group's management also developed and approved a number of policies on quality, environmental protection, health and labour safety, the main purposes of which are strict compliance with the requirements and expectations of consumers and other interested parties on product quality, environmental pollution prevention, health and labour safety.

33. Financial Risk Management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, (including foreign exchange risk), liquidity risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the Group's financial performance.

Credit risk

Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables, loans receivable, cash and cash equivalents and restricted cash.

The Group has developed policies to ensure that sales of products and services are made to customers with an appropriate credit history and good reputation. Clients which do not meet the Group's solvency requirements may have transactions with the Group only on the terms of prepayments. Maximum credit risk exposure represents the current carrying value of trade receivables, loans receivable, cash and cash equivalents and restricted cash. The Group's management believes that the credit risk on loans to related parties is acceptable as it is expected that the loans will be repaid within the period stipulated in the loan agreements.

Although collection of receivables could be influenced by economic factors, the Group's management believes that there is no significant risk of loss to the Group beyond the allowance for doubtful debts already created. The carrying amount of trade receivables attributable to 10 most significant customers of the Group amounted to US Dollars 32,134 thousand (or 85% of total trade receivables) as at December 31, 2018 (2017: US Dollars 27,143 thousand (or 77% of total trade receivables)).

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

33. Financial Risk Management (continued)

Cash is placed in financial institutions, which are considered at the time of deposit to have a minimal risk of default. Additionally, the Group analyses the external credit ratings of these financial institutions.

The table below shows the credit ratings as of 31 December 2018 and balances with banks and financial institutions where cash and cash equivalents and term deposits were placed as of 31 December 2018 and 31 December 2017:

<i>In thousands of US dollars</i>	Rating	31 December 2018	31 December 2017
<i>Cash and cash equivalents</i>			
Kazkommertsbank JSC	B-(S&P)	-	11
Bank CenterCredit	B -(S&P)	8	56
Halyk Bank of Kazakhstan JSC	BB -(S&P)	224	156
Development Bank of Kazakhstan JSC	BBB- (S&P)	1	1
ATF Bank JSC	B (S&P)	3	-
SB Alfa-Bank JSC	B-(S&P)	8	8
Total cash and cash equivalents		244	232
<i>Bank deposits</i>			
Halyk Bank of Kazakhstan JSC	BB (S&P)	9,850	7,618
Total bank deposits		9,850	7,618
<i>Restricted cash</i>			
SB Alfa-Bank	BB- (S&P)	250	192
Eurasian Bank JSC	B (S&P)	208	237
Total restricted cash		458	429

The maximum exposure to credit risk for trade receivables and loan receivable at the reporting date by geographic region was as follows: -

<i>In thousands of US dollars</i>	Carrying value	
	31 December 2018	31 December 2017
Europe	22,737	17,697
CIS	2,882	1,457
Kazakhstan	5,225	6,538
Asia	2,245	6,926
Other	3,393	2,544
Loan receivable	47,272	39,445
	83,754	74,607

Interest rate risk

At 31 December 2018 the Group is not exposed to interest rate risk as it has no financial instruments with floating interest rate.

KAZPHOSPHATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018****33. Financial Risk Management (continued)****Liquidity risk**

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting its obligations associated with financial liabilities as they fall due. The Group's approach to liquidity management is to ensure the continuous and sufficient liquidity to meet the Group's liabilities as they fall due (both under standard and non-standard situations), preventing unacceptable losses or the Group's reputation damage risk.

Below is the information on contractual terms of financial liabilities settlement, including interest payments as at 31 December 2018 and as at 31 December 2017:

<i>In thousands of US dollars</i>	Carrying value	Cash flows under agreement	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Liabilities -2018							
Borrowings	120,825	133,535	-	6,262	64,582	62,691	-
Trade and other payables	36,424	36,424	-	36,424	-	-	-
Regional social development liabilities	908	908	-	-	140	768	-
Total	158,157	170,867	-	42,686	64,722	63,459	-

<i>In thousands of US dollars</i>	Carrying value	Cash flows under agreement	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Liabilities -2017							
Borrowings	137,595	152,060	-	1,267	23,859	126,934	-
Trade and other payables	31,154	31,154	-	-	31,154	-	-
Regional social development liabilities	1,136	1,136	-	-	138	998	-
Total	169,885	184,350	-	1,267	55,151	127,932	-

KAZPHOSPHATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018****33. Financial Risk Management (continued)****Market risk****Currency risk**

Currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in currency other than the Group's functional currency.

The Group exports a part of its products to the European Union and CIS markets, borrows in foreign currencies and purchases materials in foreign currency. As a result, the Group is exposed to currency risk. Production and processing costs are denominated in Kazakhstan Tenge, while the portion of revenues is denominated in USD, EUR and RUB. Thus, the Group is exposed to risk that changes in exchange rates shall affect both the revenue and financial position.

The management does not have formal arrangements to mitigate the currency risk levels of the Group's operations.

Exposure to currency risk

Group's exposure to currency risk based on nominal values was as follows:

	USD- denominated	EUR- denominated	RUB- denominated	GBP- denominated	USD- denominated	EUR- denominated	RUB- denominated	GBP- denominated
<i>In thousands of USD</i>	2018	2018	2018	2018	2017	2017	2017	2017
Trade and other receivables	28,886	188	1,948	-	25,917	-	854	-
Loans issued	47,272	-	-	-	49,445	67	-	151
Loans and borrowings	(55,876)	-	-	-	(46,000)	-	-	-
Trade payables	(4,629)	(2,258)	(10,549)	-	(3,452)	(1,486)	(6,453)	(18)
Exposure of the statement of financial position to foreign exchange risk, net	15,653	(2,070)	(8,601)	-	25,910	(1,419)	(5,599)	133

	Yuan- denominated	Yuan- denominated
<i>In thousands of USD</i>	2018	2017
Trade and other receivables	-	1,853
Loans issued	-	-
Loans and borrowings	-	-
Trade payables	-	(113)
Exposure of the statement of financial position to foreign exchange risk, net	-	1,740

KAZPHOSPHATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018****33. Financial Risk Management (continued)**

During a year the following main foreign exchange rates were applied:

<i>In thousands of USD</i>	Average exchange rate		Spot rate at the balance sheet date	
	2018	2017	2018	2017
1 USD	344.71	326.00	384.20	332.33
1 EUR	406.66	368.32	439.37	398.23
1 RUB	5.50	5.59	5.52	5.77
1 GBP	459.49	419.99	488.13	448.61
1 Yuan	52.10	48.28	55.88	51.09

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the reporting date with all other variables held constant:

<i>In thousands of USD</i>	31 December 2018	31 December 2017
	Effect on profit or loss	Effect on profit or loss
USD strengthening by 10% (2017: strengthening by 10%)	2,007	2,073
USD weakening by 10% (2017: weakening by 10%)	(2,007)	(2,073)
EUR strengthening by 10% (2017: strengthening by 10%)	(166)	(114)
EUR weakening by 10% (2017: weakening by 10%)	166	114
RUB strengthening by 10% (2017: strengthening by 10%)	(688)	(448)
RUB weakening by 10% (2017: weakening by 10%)	688	448
GBP strengthening by 10% (2017: strengthening by 10%)	–	11
GBP weakening by 10% (2017: weakening by 10%)	–	(11)
Yuan strengthening by 10% (2017: strengthening by 10%)	–	139
Yuan weakening by 10% (2017: weakening by 10%)	–	(139)

Price risk

The Group is not exposed to equity securities price risk since it does not hold a portfolio of quoted equity securities.

34. Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital under management. Net debt is determined as total amount of borrowings (including current and non-current borrowings recognised in the Consolidated Statement of Financial Position) less cash and deposits. Total capital is determined as equity recognised in the Consolidated Statement of Financial position and net debt. Gearing ratio is consistent with the Group's strategy in attracting debt for operating and investment activities.

<i>In thousands of US dollars</i>	Note	2018	2017
Total loans	19	120,825	137,595
Less: Cash and cash equivalents	14	(10,166)	(7,870)
Net debt		110,659	129,725
Total own capital		217,912	219,030
Total capital		328,571	348,755
Financial leverage ratio		34%	37%

The Group's management believes that the debt to equity ratio at 31 December 2018 and 31 December 2017 is reasonable.

KAZPHOSPHATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018****35. Fair value of financial instruments**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing and independent parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily 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 credit risk of the counterparty. Carrying amount of trade receivable (Note 11), cash and cash equivalents (Note 14), restricted cash deposits (Note 8) and issued loans (Note 12) approximates their fair value.

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 short maturities the carrying amount of trade payables to suppliers and contractors approximates their fair values. Fair value of bank loans approximates their carrying amount as disclosed in Note 19.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active market for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following tables provide an analysis of financial instruments in the consolidated financial statements at fair value by the level in the fair value hierarchy at 31 December 2018 and 2017:

<i>In thousands of US Dollars</i>	Level 1	Level 2	Level 3	Total as at December 31, 2018
Assets, which fair value is disclosed				
Trade receivable	-	36,482	-	36,482
Cash and cash equivalents	10,166	-	-	10,166
Restricted cash deposits	448	-	-	448
Loans issued to related parties	-	47,272	-	47,272
Total fair value	10,614	83,754	-	94,368
Liabilities, which fair value is disclosed				
Trade payable	-	36,424	-	36,424
Loans payable	-	120,825	-	120,825
Total fair value	-	157,249	-	157,249

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

35. Fair value of financial instruments (continued)

<i>In thousands of US Dollars</i>	Level 1	Level 2	Level 3	Total as at December 31, 2017
Assets, which fair value is disclosed				
Trade receivable	–	35,162	–	35,162
Cash and cash equivalents	7,870	–	–	7,870
Restricted cash deposits	429	–	–	429
Loans issued to related parties	–	39,445	–	39,445
Total fair value	8,299	74,607	–	82,906
Liabilities, which fair value is disclosed				
Trade payable	–	31,154	–	31,154
Loans payable	–	137,594	–	137,594
Total fair value	–	168,748	–	168,748

36. Ultimate controlling party

The Group's ultimate controlling party is Yessenov Galimzhan Shakhmardanovich.

37. Profit of Parent Company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was USD 29,939 thousand (2017: USD 30,753 thousand).

38. Nature and purposes of reserves

Retained earnings

The retained earnings reserve represents the accumulated retained profits and losses of the Group.

Foreign exchange translation reserve

The foreign exchange translation reserve comprises all currency exchange differences arising from the translation of the financial statements of non-US dollar denominated operations into the presentational currency of the Group.

Revaluation reserve

The revaluation reserve is used to record the increase / decrease in the carrying value of the tangible assets where revalued.

Share capital

Holders of these ordinary shares are entitled to dividends and are also entitled to one vote per share at general meetings of the Company.

39. Subsequent events

In March-April 2019, the Company entered into several financial leasing agreements with Rail Leasing LLP. The subject of the contracts is the leasing of new mining trucks and excavators for mining operations. Terms of contracts is 5 years. The total value of the transaction is about 6 billion tenge. After expiration and fulfillment of the terms of the lease agreement, all property becomes the property of the Company.