KAZPHOSPHATE LIMITED

Consolidated Financial Statements and Independent Auditor's Report

For the year ended 31 December 2019

Company registration number: 06007551

CONTENTS

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 2019.

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"), operates in Kazakhstan.

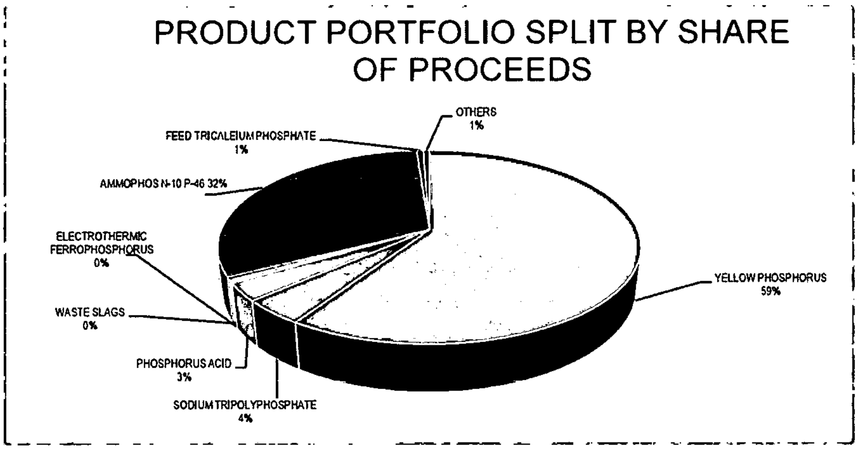
Company's vision is to present the phosphoric industry of Kazakhstan and become a leading producer of phosphorous-containing products among CIS countries. Our main objective is to strengthen the Group's position in the world market for phosphorus-containing products, despite the challenges associated with the pandemic and high competition.

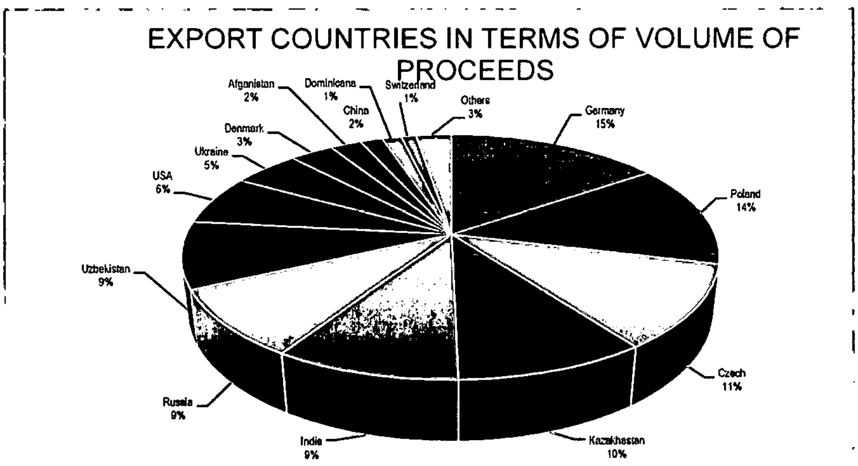
Kazphosphate LLC is a unique company operating a full cycle from mining and processing of phosphate rock to the final products using its own railway-transportation complex. The Company has a large supply phosphate with proven reserves of 2.1 billion tons that can be extracted through surface mining. The Company operates in Jambyl Region and South Kazakhstan Region, including the single-industry towns of Karatau, Chulaktau, Stepnogorsk, and provides employment opportunities to 6,139 people.

Currently, the Company produces 20 product types. The products are sold in 25 countries.

The production facilities, sales and markets are presented below -

Sales and Markets





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.

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 trainings and retraining 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 regional 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 group in the production of phosphorus-containing products in the CIS countries. 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 2019 increased by 9% (2018: increase 15%) from $337m in 2018 to $368m in 2019. This was mainly due to the higher sales of the Company's main products – yellow phosphorous and ammonia phosphorous. 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 28% (2018: increase 15%) from $96m in 2018 to $124m in 2019.

Net assets are $132m (2018: $220m) and the drop was mainly due to loss on disposal of investment in Disport International Limited.

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
The Group has strategically invested earned profits into expansion and upgrading of its production facilities to improve the usage of its existing resources. Adhering to this decision, the Group has completed some of its projects by investing $37.66m which includes acquiring new equipment's for Technical Control Department and Industrial and Sanitary Laboratory, upgrading essentials including installation of Automated Control System for Technological Process, yellow phosphorus dispensing unit and turbocompressor K-525 at NDFZ project. The Group has also spent on repairs of railway tracks №5 at Zhanatas and № 6 at Zavodskaya station, diesel-powered locomotive TEM2 №5499 and acquired 56 units of wagons at Railway & Transportation Complex. Further, the Group has successfully completed the reconstruction of granulator drum dryer (air conditioning unit stage 2), following to which new production of Ammophos with capacity of up to 1m tons per year will start from 2020 with initial stage of using 500 thousand tons of capacity at its Mineral Fertilizer Plant.

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

	2019	**2018**
Reserves of phosphate (in volume)	2.1bln tons	1.16bln tons
Number of product types	20	20
Number of countries we sell to	25	27
Average number of employees	6,139	6,253
Fixed Asset Investment	$38m	$44m
Provision for community development	$0.90m	$0.91m

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.

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 36 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.

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.

Global Pandemic

The impacts of the Covid-19 global pandemic have been assessed and are included as a new risk.

Further development of the COVID-19 pandemic is still unpredictable, which causes significant uncertainty in the development of the phosphorus processing industry as a whole. The chemical industry will be significantly affected by demand in the automotive and aviation industries, energy demand and oil prices.

Rising unemployment and the risk of unemployment will adversely affect consumer purchasing power and, consequently, market development. Most chemical companies will mitigate negative factors using strict cost control measures, deferred investment, and so on. Procurement will be under a strong pressure; however, it will go in two directions: (a) cost reduction, (b) security of supply.

The COVID-19 crisis has affected the areas of yellow phosphorus application in different ways. The automotive chemicals production industry is experiencing a significant decline due to the supply interruptions and the longtime shutdown of auto industry. In the same time, there is a growing demand for some products such as food phosphates, home care chemicals. Some areas, for example, construction, remain relatively stable.

In general, demand for yellow phosphorus for non-acid use is expected to decrease by 2-3 thousand tons (year-on-year calculation) in the EU in the second half of 2020, nevertheless, the revenue for 2020 is expected not to be lower than the revenue for 2019.

ECONOMIC IMPACT, CONSEQUENCES OF COVID-19 AND GOIND CONCERN

In April 2020, the International Monetary Fund (IMF) forecasted a 3% contraction in global economic activity by 2020, which could be worse than the recession of 2009. Global economic policy have being focused on ensuring business continuity and a smooth resumption of economic activity after the pandemic. Widespread national lockdowns and multiple disruptions in global supply chains and travelling schedules have caused huge uncertainty in international business and economic activity, as well as volatility in exchange rates and commodity prices. Crude oil prices have dropped by 70% between the end of January and April 2020. According to the World Trade Organisation, world trade of goods may decline significantly in 2020. Currencies have reached extreme levels of volatility comparing to the recent years.

Agricultural supply chains have also been adversely affected by COVID-19. Some Governments have developed programs to support food chains and farmers. Countries such as the United States and China have developed support packages for farmers and agricultural businesses, while France, Italy, the United Kingdom and Australia have adopted support measures to eliminate labour shortages.

The global medical care crisis caused by the COVID-19 pandemic is expected to affect fertilizer consumption in two ways: through its primary impact on labor force and material and technical support, and through its secondary impact on demand for agricultural commodities.

In general, as of mid-April 2020, the impact of COVID-19 on fertilizer supplies in 2020 was not significant in North America and Europe, where farmers had already purchased the fertilizers for the main growing season; the fertilizers delivered with delays were subsequently used as additional fertilizing.

According to the a International Fertilizer Association forecast (June 2020), the decline in global fertilizer consumption in fiscal year 2020 will be determined by nitrogen (-2.2 million tons), by phosphorus and potassium (-1.6 million tons each).

ECONOMIC IMPACT, CONSEQUENCES OF COVID-19 AND GOIND CONCERN (Continued)

As for our sales market, the use of fertilizers in Eastern Europe and Central Asia has increased significantly over the past decade, mainly in the Russian Federation and Ukraine. Since these countries were affected by COVID-19 later than the countries in the Northern hemisphere, the supply of fertilizers for spring sowing was completed on time. As of mid-April 2020, no significant logistics disruptions were reported.

In Russia, strong government support of agriculture sector, weakening Ruble that keeps wheat exports competitive, and high self-sufficiency in fertilizers are expected to support further stable growth in fertilizer consumption in the near future. The outlook in Ukraine is not so positive, due to dry weather in the spring, higher dependence on labour force and on fertilizer imports. A number of countries in the region have introduced short-term controls on grain exports in order to limit the growth of domestic prices. Expended export restrictions could potentially have a negative impact on fertilizer consumption in the future.

Regarding the regions of our presence, we see both advantages and disadvantages of our position in the market. So, one of our advantages is the absence of other ammophos producers in Central Asia, so the product is sold at a higher price. Besides, the sanctions imposed on the supply of fertilizers from Russia to Ukraine allow us to deliver large volumes of ammophos to this market at a favorable price. No competition in Afghanistan and well-established logistics give us a positive forecast of increase in supplies to this market.

On the other hand, the program of subsidies for fertilizers in Kazakhstan in 2020 was a failure for the several years in a row (late adoption of regulations and budgets by regions, absence of funds of farmers, quarantines introduced in the spring season), which led to a sharp decline in sales on the local market. Competition in the Russian Federation with local giants-manufacturers constrains us to work with prices in Rubles. The drop in prices in China also does not allow us to deliver the product at a high price.

However, our target markets are expected to bring total sales of about 423-425 thousand tons of ammophos.

Considering the impact of COVID 19, directors have a reasonable expectation that the Group as a whole, have adequate resources to continue in operational existence for foreseeable future. For this reason, the Group continues to adopt going concern basis in preparing the financial statements.

FUTURE DEVELOPMENTS

The Company has developed an operational program with projected investment of $166m for modernization and reconstruction of Kazphosphate production from 2020 to 2025.

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;
- 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;
- 4-line of dearsenication of phosphorus;
- 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 makes real conditions for the sustainable development of phosphate fertilizer production and product sales in 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 – 13.01.2021

KAZPHOSPHATE LIMITED
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report with the audited financial statements of the Group for the year ended 31 December 2019.

DIRECTORS

S H Landes has held office during the whole of the period from 1 January 2019 to the date of this report. Other changes in directors holding offices are as follows -
Y K Nurgozhayev – resigned 20 August 2019
T Janabayev – appointed 20 August 2019 – resigned 10 December 2019
Mrs N Aznabakiyeva – appointed 10 December 2019

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 13. The directors do not recommend payment of an ordinary dividend.

FUTURE PLANS

Management will monitor and oversee the process of the implementation of strategic plan outlined for over the span of 2020 to 2025. (see future developments specified in the strategic report.)

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: - 13.01.2021

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAZPHOSPHATE LIMITED

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Kazphosphate Limited for the year ended 31 December 2019, 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.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION

As disclosed in note 12 the group has the following balances due from related parties at the balance sheet date:

	2019	**2018**
Bloomtrade International Limited	USD 16,631,000	USD 47,272,000
Almaty Finance LLP	USD 165,118,000	USD nil

We have been unable to obtain the necessary evidence to support the recoverability of these balances.

We have also been unable to obtain sufficient evidence to satisfy ourselves that the related party disclosures as detailed in notes 12 and 34 are complete and accurate.

On 13 September 2019 the entity paid USD 1 to purchase the entire share capital of Disport International Limited a company organized and existing under the laws of the Republic of the Marshall Islands.

We have been unable to obtain sufficient evidence to confirm that this transaction resulted in the Company obtaining control and that this control was not transitory in nature.

On 28 October 2019 the Company purchased a further 136,800,000 shares in Disport International Limited The Company paid USD 1 for each share; On 30 December 2019 the Company sold its entire shareholding in Disport International Limited for USD 1.

We have been unable to obtain sufficient explanation of the commercial reasoning for these transactions.

Owing to a lack of evidence and explanations we are unable to determine whether these transactions and balances have been accurately measured or fairly presented in these financials, nor are we able to determine what if any adjustment might be necessary to correct their measurement and presentation in these financial statements.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAZPHOSPHATE LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Notwithstanding our disclaimer of an opinion on the financial statements, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit performed subject to the pervasive limitation described above, we have not identified material misstatements in the strategic report or the directors' report.

Arising from the limitation of our work referred to 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 have 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.

RESPONSIBILITIES OF THE DIRECTORS

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 responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

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.

MHA MacIntyre Hudson

Yogan A Patel FCA (Senior Statutory Auditor)

for and on behalf of
MHA MacIntyre Hudson
Chartered Accountants
Statutory Auditors
2 London Wall Place
London
EC5Y 2AU
Date: 15 January 2021

KAZPHOSPHATE LIMITED
CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

In thousands of US dollars	Note	Group 31 December 2019	Company 31 December 2019	Group 31 December 2018	Company 31 December 2018
ASSETS					
Property, plant and equipment	5	238,932	-	233,950	-
Intangible assets	6	16,058	-	21,143	-
Deferred value added tax recoverable		792	-	-	-
Investments in associate & joint venture	7	1,409	-	1,176	-
Other non-current assets	8	8,236	-	563	-
Investments	9	-	143,504	-	143,504
Loans receivable	12	144,397	-	47,272	-
Total non-current assets		**409,824**	**143,504**	**304,104**	**143,504**
Current assets					
Inventories	10	81,830	-	67,458	-
Trade and other receivables	11	26,011	2,297	37,978	64
Loans receivable	12	37,352	-	-	-
Taxes receivable	13	16,617	-	14,243	-
Other current assets	14	5,296	-	3,806	-
Cash and cash equivalents	15	17,539	597	10,166	121
Total current assets		**184,645**	**2,894**	**133,651**	**185**
TOTAL ASSETS		**594,469**	**146,398**	**437,755**	**143,689**
EQUITY					
Called up share capital	16	98	98	98	98
Retained earnings		291,909	146,183	377,639	105,289
Foreign exchange translation reserve		(182,365)	-	(180,455)	-
Revaluation surplus		22,614	-	22,699	-
TOTAL EQUITY		**132,256**	**146,281**	**219,981**	**105,387**
LIABILITIES					
Non-current liabilities					
Provisions	17,18,35	42,363	-	46,453	-
Employee benefits	19	450	-	448	-
Borrowings	20	259,231	-	63,932	-
Lease liabilities	23	11,452	-	-	-
Total non-current liabilities		**313,496**	**-**	**110,833**	**-**

In thousands of US dollars	Note	Group 31 December 2019	Company 31 December 2019	Group 31 December 2018	Company 31 December 2018
Current liabilities					
Borrowings	20	99,360	-	56,893	38,168
Corporation income tax payable		2,282	-	-	-
Trade and other payables	21	35,425	-	38,406	23
Other creditors		4,481	117	7,960	111
Employee benefits	19	86	-	105	-
Lease liabilities	23	3,093			
Provisions	35	167	-	140	-
Other taxes payable	22	3,823	-	3,437	-
Total current liabilities		**148,717**	**117**	**106,941**	**38,302**
TOTAL LIABILITIES		**462,213**	**117**	**217,774**	**38,302**
TOTAL LIABILITIES AND EQUITY		**594,469**	**146,398**	**437,755**	**143,689**

The financial statements were authorised for issue on 13.01.2021 and signed on its behalf.

S H Landes – Director

Company registration number: 06007551
The notes on pages 15 to 66 form an integral part of these financial statements.

KAZPHOSPHATE LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

In thousands of US dollars	Note	2019	2018
CONTINUING OPERATIONS			
Revenue	24	367,816	337,500
Cost of sales	25	(243,694)	(240,881)
Gross profit		**124,122**	**96,619**
Other income	26	1,330	852
Distribution costs	27	(38,651)	(33,639)
General and administrative expenses	28	(17,427)	(32,554)
Other expenses		(94)	(147)
Operating profit before exceptional items		**69,280**	**31,131**
Exceptional items	29	(136,203)	-
Operating profit		**(66,923)**	**31,131**
Finance income	30	5,812	3,752
Finance costs	30	(10,910)	(5,162)
Foreign exchange gain, net	31	(94)	6,765
Share of profit /(loss) of joint ventures	7	228	195
Profit before income tax		**(71,887)**	**36,681**
Income tax expense	32	(13,843)	(6,929)
Profit for the year		**(85,730)**	**29,752**
Other comprehensive income for the year:			
Items that will not be reclassified subsequently to profit or loss			
Land devaluation		(85)	(5)
Items that may be reclassified subsequently to profit or loss			
Foreign exchange translation		(1,910)	(27,875)
Other comprehensive loss for the year		**(1,995)**	**(27,880)**
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(87,725)**	**1,872**

The notes on pages 16 to 66 form an integral part of these financial statements.

KAZPHOSPHATE LIMITED
CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

In thousands of US Dollars

GROUP	Share Capital	Foreign exchange translation reserve	Revaluation reserve on property plant & equipment	Retained earnings	Total equity
Balance 1 January 2018	**98**	**(152,580)**	**22,704**	**347,887**	**218,109**
Profit for the year	-	-	-	29,752	29,752
Other comprehensive loss	-	(27,875)	(5)	-	(27,880)
Total comprehensive loss for the year	-	(27,875)	(5)	29,752	1,872
Balance 31 December 2018	**98**	**(180,455)**	**22,699**	**377,639**	**219,981**
Profit for the year	-	-	-	(85,730)	(85,730)
Other comprehensive loss	-	(1,910)	(85)	-	(1,995)
Total comprehensive loss for the year	-	(1,910)	(85)	(85,730)	(87,725)
Balance 31 December 2019	**98**	**(182,365)**	**22,614**	**291,909**	**132,256**

COMPANY	Share capital	Retained earnings	Total equity
Balance as at 1 January 2018	**98**	**75,350**	**75,448**
Total comprehensive income	-	29,939	29,939
Balance as at 31 December 2018	**98**	**105,289**	**105,387**
Total comprehensive income	-	40,894	40,894
Balance as at 31 December 2019	**98**	**146,183**	**146,281**

The notes on pages 16 to 66 form an integral part of these financial statements.

KAZPHOSPHATE LIMITED
CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

In thousands of US Dollars	Group 2019	Company 2019	Group 2018	Company 2018
Cash flow from operating activities				
Proceeds from sales	380,383	-	344,496	-
Value added tax refund	19,328	-	14,966	-
Refund from suppliers	401	-	125	-
Other	(401)	(856)	275	(178)
Payments to suppliers and contractors	(246,682)	-	(248,689)	-
Wages and salaries paid	(23,726)	-	(20,895)	-
Payment of other taxes	(25,457)	-	(25,041)	-
Corporate income tax payment	(14,485)	-	(10,562)	-
Payments to other state funds	(4,169)	-	(4,180)	-
Rebates for undelivered goods	(986)	-	(1,360)	-
Purchase of short-term financial assets	(1,500)	-	-	-
Others	(2,809)	-	(6,360)	-
Restricted cash	(81)	-	(97)	-
Net cash received/(used in) from operating activities	**79,816**	**(856)**	**42,678**	**(178)**
Cash flow from investing activities				
Dividend received	-	175,705	-	19,909
Acquisition of property, plant and equipment	(28,090)	-	(24,326)	-
Loan disbursed and financial aid provided by related parties	(1,893)	-	(606)	-
Repayment received on loan issued	43,408	-	2005	-
Acquisition of fixed asset investments	(136,204)	(136,204)	-	-
Proceeds from loan receipts	143	-	181	-
Interest paid	(5,292)	(2)	(5,595)	-
Net cash (used in) / received from investing activities	**(127,928)**	**39,499**	**(28,341)**	**19,909**
Cash flow from financing activities				
Proceeds from loans and borrowings	185,437	-	61,190	-
Sales of securities	-	-	3,044	-
Purchase of securities	-	-	(3,003)	-
Payment of lease liabilities	(5,387)	-	-	-
Repayment of loans and borrowings	(122,755)	(38,168)	(73,274)	(19,618)
Net cash received /(used in) from financing activities	**57,295**	**(38,168)**	**(12,043)**	**(19,618)**
Net increase in cash and cash equivalents	**9,183**	**475**	**2,294**	**113**
Cash and cash equivalents at the beginning of the year	10,166	121	7,870	8
Reserve for cash impairment	-	-	(48)	-
Exchange loss on currency movement	(1,810)	1	50	-
Cash and cash equivalents at the end of the year	**17,539**	**597**	**10,166**	**121**

The notes on pages 16 to 66 form an integral part of these financial statements.

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 and in accordance with those parts of the Companies Act 2006 relevant to companies, preparing financial statement in accordance with IFRS. 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 statement of comprehensive income 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.

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 differences 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.

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

Going concern

These individual financial statements have been prepared in accordance with IFRS as adopted by EU, based on the assumption that the Group will adhere to the going concern principle. This involves the sale of assets and repayment of liabilities in the normal course of business for the foreseeable future. The management of the Group has neither the intention nor the need to liquidate or significantly reduce the scope of activities.

The Going concern statement on page 5 forms part of Group financial statements.

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.

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

Property, plant and equipment

Property, plant and equipment, except for land, are measured at the acquisition or construction cost less accumulated depreciation and any accumulated impairment losses, if any. Land is measured at the revalued amount, which is determined based on periodic revaluations by external independent appraisers.

The initial cost includes all expenditures that is directly attributable to the acquisition of the related asset. The initial cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to construction, installation, bringing the asset to a working condition for their intended use, as well as costs of dismantling and removing the assets and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that 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.

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 statement of comprehensive income.

Lease

The Group evaluates whether the contract is a lease or contains lease relationship which based on new definition of a lease in accordance with IFRS 16 "Leases". The Group determines that the contract is a lease or contains lease relationship if, under this contract, the right is transferred to control the use of the identified asset for a certain period of time in exchange for compensation.

The Group uses practical simplifications and applies exemption, which allows not to recognize right-of-use assets and liabilities under lease agreements, where the lease term is less than 12 months and where the underlying asset has a low value.

The Group determines the lease term based on the length of the period during which the contract is provided with legal protection. The Group believes that the legal protection of the lease is ensured by a contract (including its provisions on fines), concluded in writing form, in combination with applicable laws regarding the rights to extend or terminate the lease (in particular, the tenant's preferential rights to extend the lease). However, the Group determined that its prerogative right to extend the lease in itself cannot be considered valid in cases where the lessor may refuse the Group in its request to extend the lease. As a result, in relation to lease agreements in which a short period of validity (usually less than 12 months) is established, when the Group has a prerogative right to extend the lease in accordance with the law, but the lessor has the right to refuse the request of the Group to extend the lease, the Group determined that the lease term does not exceed the validity period specified in the contract (less than 12 months).

Right-of-use asset

The Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date on which the underlying asset becomes available for use). Right-of-use assets are measured at historical cost, less accumulated depreciation and accumulated impairment losses, adjusted for reassessment of lease liabilities. The initial cost of a right-of-use asset includes the amount of recognized lease liabilities, initial direct costs incurred and lease payments which incurred at the commencement date and before that date of the lease, where also minus net of any incentive lease payments received.

Lease (continued)

If the Group does not have sufficient confidence that it will receive ownership of the leased asset at the end of the lease term, the recognized a right-to-use asset is amortized on a straight-line basis over the shorter of the following periods: the estimated useful life of the asset or the lease term.

Short-term leases and leases of low value assets

For short-term leases and leases in which the underlying asset is of low value, the Group recognizes lease payments as an expense on a straight-line basis over the lease term.

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	6-14
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.

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.

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

Impairment of assets (continued)

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 statement of comprehensive income 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.

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 extract ion	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.

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.

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

Financial instruments (continued)

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.

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

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 and cash equivalent

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 from inception.

Bank deposits

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

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 which are calculated on the basis of expected loss. Trade and other accounts receivable primarily evaluated at fair value, subsequently at amortized cost using method of effective interest rate.

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.

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

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.

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 methods 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.

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

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.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities that are measured at the present value of the lease payments that will be made during the lease term. Lease payments include fixed payments (including substantially fixed payments) minus any incentive payments on a lease receivable, variable lease payments, which depend on the index or rate, and the amount that is expected to be paid on residual value guarantees. Lease payments also include the perform price of the purchase option, if there is sufficient confidence that the Group will perform this option, and payment of penalties for terminating the lease, if the lease term reflects the Group's potential exercise of the termination option. Variable lease payments that are independent of the index or rate are recognized as an expense in the period in which an event or condition leading to such payments. If the interest rate which laid down in the lease agreement cannot be easily determined, to calculate the present value of the lease payments, the Group uses the rate of raising additional borrowed funds on the date the lease begins. After the lease commencement date, lease liabilities increase to reflect interest accruals and decrease to reflect lease payments made. In addition, the carrying amount of lease liabilities is reassessed in the event of a modification, a change in the lease term, a change in the substance of fixed lease payments or a change in the valuation of an option to purchase an underlying asset.

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.

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.

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.

Trade payables per main activities

Trade payables per main activities are accrued when the counterparty performed its obligations under the contract, and are recorded at amortised cost using the effective interest method.

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

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 filling 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.

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

Revenue recognition

In 2018 IFRS 15 was adopted and it determines when and how a company must recognize revenue (income), as well as the requirements for disclosing sufficient information about revenue. IFRS 15 offers a single model of five basic steps for revenue recognition, which will apply to all contracts with customers and clients.

The Company, in recognition of revenue, takes the following steps:

- identify of the contract(s) with a consumer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract;
- recognise revenue when (or as) the entity satisfies a performance obligation.

The main principle is that revenue is recognized at the time or as it transfers the promised goods (services) to customers (clients) in an amount corresponding to the remuneration that the company expects and to which it has the right in exchange for goods or services.

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.

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

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.

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.

Reclassifications

In preparing the individual financial statements for and as at year ended 31 December 2019, the Group changed the classification of certain items of the individual statement of profit and loss and other comprehensive income for the year ended 31 December 2018 to bring the classification in line with the presentation of individual financial statements for 2019. The effect of the change is given below.

In thousands of US dollars	Note	2018 (before reclassification)	Reclassifications	2018 (after reclassification)
Finance income	30	19,181	(15,429)	**3,752**
Finance costs	30	(13,826)	8,664	**(5,162)**
Foreign exchange gain, net	31	–	6,765	**6,765**

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, 2019, the carrying amount of the provision for asset retirement and restoration of phosphate ore fields was US Dollars 2,960 thousand (2018: US Dollars 2,913 thousand) (Note 18).

At December 31, 2019, the carrying amount of the provision for assets retirement and restoration of groundwater fields was US Dollars 393 thousand (2018: US Dollars 366 thousand) (Note 18).

Revaluation of land

As at December 31, 2019, the fair value of land was US Dollars 37,869 thousand (2018: 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, 2019 from the date that valuation was undertaken.

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

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 34).

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 19 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 Group's financial statements for the year ended December 31, 2018, except for the newly adopted standards and interpretations effective as at 1 January 2019.

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

IFRS 16 Leases

IFRS 16 replaced 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. The standard establishes the principles for recognition, measurement, presentation and disclosure of leases and requires tenants to reflect most leases using a single balance sheet accounting model.

The accounting procedure for a lessor in accordance with IFRS 16 is practically unchanged compared with IAS 17. Landlords will continue to classify leases using the same classification principles as in IAS 17, identifying two types of lease: operating and financial. Therefore, the application of IFRS 16 did not affect the accounting for leases in which the Group is the lessor.

The Group first applied IFRS 16 using a modified retrospective application method from 1 January 2019. According to this method, the standard is applied retrospectively with recognition of the cumulative effect of its initial application at the date of initial application.

When switching to the standard, the Group decided to use practical simplification, which allows the standard to be applied only to contracts that were previously identified as leases using IAS 17 and Clarifications IFRIC 4 at the date of initial application. The Group also decided to use exemptions from recognition for leases for which the lease term that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases) and lease contracts for which the underlying asset is of low value (low-value assets).

As of 1 January 2019, the application of IFRS 16 had an effect on the individual financial statements of the Group, as the Group has an office lease agreement for the indicated date. The effect of the adoption of IFRS 16 as at 1 January 2019 is presented below:

Assets	
Other non-current assets	458
Total assets	**458**
Liabilities	
Lease liabilities (long-term)	315
Lease liabilities (short-term)	143
Total liabilities	**458**
Net effect on equity	**–**

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

IFRS 16 Leases (continued)

Impact nature of the first application of IFRS 16

The Company has lease agreements for various property, plant and equipment items. Prior to applying IFRS 16, the Group classified each lease (in which it was a lessee) at the commencement of the lease as a finance lease or an operating lease. A lease was classified as a financial lease if almost all the risks and benefits associated with owning the leased asset were transferred to the Group; otherwise, the lease is classified as an operating lease. Finance leases were capitalized at the inception of the lease at the fair value of the leased property or, if this amount is less, at the present value of the minimum lease payments. Lease payments were allocated between interest and a decrease in lease liabilities. In the case of operating leases, the value of the leased property was not capitalized, and lease payments were recognized as a lease expense in profit or loss on a straight-line basis over the lease term. All advance lease payments and accrued lease payments are recognized in "Advances paid" and "Accounts payable", respectively.

As a result of the application of IFRS 16, the Group used a unified approach to the recognition and measurement of leases, except for short-term leases and leases of low-value assets. The Group has applied the special transitional requirements and practical simplifications provided for in the standard.

Leases previously classified as operating leases

For leases previously classified as operating leases, other than short-term leases and leases of low-value assets, the Group recognized right-of use-assets and lease liabilities at 31 December 2019. Right-of-use assets for most leases were measured at their carrying amount, as if the standard had always been applied, except for using the rate of raising additional borrowed funds on the date of initial application. In some leases, right-of-use assets were recognized in an amount equal to lease liabilities, adjusted for the amount of advance payments or accrued expenses that were previously recognized. Lease commitments were recognized at the present value of the remaining lease payments, discounted at the rate of additional borrowing at the date of initial application. The Group also applied affordable practical simplifications, as a result, it:

- used a flat discount rate of 6.4% for a portfolio of leases with reasonably similar characteristics;
- used, as an alternative to impairment testing, an analysis of the onerous nature of leases immediately prior to the date of initial application;
- applied the exemption from recognition for short-term leases to leases that expire within 12 months from the date of initial application;
- excluded initial direct costs from the valuation of a right-of-use asset at the date of initial application;
- used previous experience in determining the lease term if the contract contained an option to extend or terminate the lease.

Based on the above, as at 1 January 2019:
- "Right-of use-assets" were recognized and presented as part of "Other non-current assets" (458 thousand US dollars);
- lease liabilities were recognized and presented as part of long-term and short-term "Lease liabilities" (458 thousand US dollars).

IFRIC Interpretation 23 Uncertainty over Corporate Income Tax Treatment

The Interpretation addresses the accounting for corporate 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 tax 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.

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

IFRIC Interpretation 23 Uncertainty over Corporate Income Tax Treatment (continued)

The Group has determined to consider each uncertain tax treatment separately. 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.

The Group has determined to consider each uncertain tax treatment separately and believes that this approach will more accurately predict the result of resolving the uncertainty. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. This clarification has not affected the individual financial statements of the Group.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The amendments to IFRS 9: Prepayment Features with Negative Compensation applied retrospectively and are effective from 1 January 2019. 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. These amendments had no impact on the individual financial statements of the Group due to the absence of such instruments.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19: Plan Amendment, Curtailment or Settlement applied and are effective from 1 January 2019. The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event;
- determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments had no impact on the individual financial statements of the Group as there were no any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take into account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the individual financial statements as the Group does not have long-term interests in its associate and joint venture.

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

Annual Improvements 2015-2017 Cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

These amendments had no impact on the individual financial statements of the Group as there is no transaction where joint control is obtained.

IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. These amendments had no impact on the individual financial statements of the Group as there was no transaction where joint control was obtained.

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 Group does not expect significant effect on its financial statements.

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. These amendments had no significant impact on the individual financial statements of the Group.

New and revised IFRSs - issued but not yet effective

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts that was issued in 2005. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. This standard is not applicable to the business of the Group.

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

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

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. These amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, and will have no significant impact on the individual financial statements of the Group.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments to the definition of material is not expected to have a significant impact on the individual financial statements of the Group.

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

5. Property, Plant and Equipment

GROUP

In thousands of US Dollars	Land	Buildings and constructions	Machinery and equipment	Other assets	Construction in progress	Total
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
Disposals	-	(36)	(177)	(154)	-	(367)
Foreign currency differences	(5,901)	(8,973)	(14,392)	(4,938)	(330)	(34,534)
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**
Charge for year	-	16,998	16,851	3,480	-	37,329
Disposals	-	(32)	(174)	(144)	-	(350)
Transfers	-	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**
Cost or revalued amount at 1 January 2019	**37,814**	**286,160**	**175,677**	**40,137**	**3,809**	**543,597**
Additions	-	5	373	658	36,590	37,626
Disposals	(108)	(44)	(448)	(178)	(4)	(782)
Foreign currency differences	160	257	419	146	8	990
Impairments	-	-	-	-	58	58
Transfers to intangible asset	-	-	-	-	(62)	(62)
Transfers	3	2,827	20,986	12,985	(36,801)	-
Balance at 31 December 2019	**37,869**	**289,205**	**197,007**	**53,748**	**3,598**	**581,427**
Accumulated depreciation at 1 January 2019	-	**168,135**	**117,243**	**24,320**	**(51)**	**309,647**
Charge for year	-	17,604	11,160	4,397	-	33,161
Disposals	-	(42)	(443)	(151)	-	(636)
Transfer	-	(22)	2,226	(159)	(2045)	-
Foreign currency differences	-	52	178	76	17	323
Accumulated depreciation at 31 December 2019	-	**185,727**	**130,364**	**28,483**	**(2,079)**	**342,495**
Net Carrying amount at 31 December 2019	**37,869**	**103,478**	**66,643**	**25,265**	**5,677**	**238,932**

5. Property, Plant and Equipment (continued)

Additions of property, plant and equipment during 2019 in the amount of 37,626 thousand US dollars (2018: 44,151 thousand US dollars) represent primarily purchases under the Group's investment program aimed at an increase in production capacity and equipment replacement, as well as current production modernisation.

As at 31 December 2019, machinery and equipment comprise of estimated cost of mining assets related to site restoration with the present value of 279 thousand US dollars (31 December 2018: 296 thousand US dollars).

As at 31 December 2019, the Group had fully depreciated but still used property, plant and equipment with the historical cost of US Dollars 33,831 thousand (31 December 2018: US Dollars 26,287 thousand).

As at 31 December 2019, in accordance with the terms and conditions of the agreement with Halyk Bank Kazakhstan JSC (Note 20), the property, plant and equipment with a carrying amount of 91,198 thousand US dollars were pledged as collateral under bank loan agreement (31 December 2018: 82,726 thousand US dollars).

In 2019 the Group entered into several lease agreements for mining dump trucks and excavators (Note 23). The lease term is 5 years, while the assets remain in the ownership of the Group after the lease term. The carrying value of property, plant and equipment leased as at 31 December 2019 amounted to 15,940 thousand US dollars.

Accrued depreciation in the amount of US Dollars 29,861 thousand (2018: US Dollars 29,438 thousand) was charged to the cost of goods sold; in the amount of US Dollars 186 thousand (2018: US Dollars 257 thousand) to the distribution cost, and in the amount of US Dollars 5,667 thousand (2018: US Dollars 5,623 thousand) as a part of general and administrative expenses, as well as in part related to downtime in the amount of US Dollars 4,663 thousand (2018: US Dollars 10,685 thousand) included in general and administrative expenses.

To determine the market value of land as at 31 December 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 31 December 2016 was estimated at 43,566 thousand US dollars.

As of 31 December 2019, land revaluation was not carried out, as its carrying value is approximately equal to the market value.

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 2018	**397**	**2,073**	**74,464**	**1,701**	**78,635**
Additions	2	-	-	-	2
Transfer from property, plant and equipment	42	76	-	-	118
Disposals	-	(88)	-	-	(88)
Foreign currency differences	(58)	(281)	-	-	(339)
Balance at31 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**
Cost at 1 January 2019	**383**	**1,780**	**74,464**	**1,701**	**78,328**
Additions	4	33	-	-	37
Transfer from property, plant and equipment	62	-	-	-	62
Re-allocation of cost	(18)	18	-	-	-
Foreign currency differences	-	8	-	-	8
Balance at 31 December 2019	**431**	**1,839**	**74,464**	**1,701**	**78,435**
Accumulated amortisation at 1 January 2019	**164**	**751**	**54,569**	**1,701**	**57,185**
Amortisation	31	192	4,964	-	5,187
Re-allocation of cost	112	(150)	38	-	-
Foreign currency differences	1	4	-	-	5
Accumulated amortisation at 31 December 2019	**308**	**797**	**59,571**	**1,701**	**62,377**
Net carrying amount at 31 December 2019	**123**	**1,042**	**14,893**	**-**	**16,058**

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, 2019, other intangible assets include capitalised costs on social program financing in the amount of US Dollars 800 thousand (December 31, 2018: US Dollars 1,169 thousand) according to the phosphoric ore and ground water extraction contracts. Amortisation expense in the amount of US Dollars 201 thousand (2018: US Dollars 231 thousand) were charged to the cost of goods sold, US Dollars 4,986 thousand (2018: US Dollars 4,985 thousand) – to general and administrative expenses.

7. Investments in joint venture

GROUP

In thousands of US dollars

	Joint venture
Carrying value at 1 January 2018	**1,158**
Exchanges differences	(177)
Share of profit	195
Carrying value 31 December 2018	**1,176**
Carrying value at 1 January 2019	**1,176**
Exchanges differences	5
Share of profit	228
Carrying value 31 December 2019	**1,409**

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 2019

In thousands of US dollars	Total assets	Total liabilities	Revenue	Profit
Kazphos LLP	3,073	134	3,355	457

As at 31 December 2018

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

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 theamount 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 seized property of Nitrophos LLP was included into the property, plant and equipment ofthe Group.

As at 31 December 2019 and 31 December 2018 the carrying value of the Group's investments in Nitrophos LLP has been impaired by 100%.

8. Other Non-current Assets

GROUP

In thousands of US dollars	31 December 2019	31 December 2018
Prepayments for property, plant and equipment and related services	1,572	115
Long-term prepaid expenses (bank guarantee of ATFBank JSC)	5,830	-
Right-of-use assets	305	-
Restricted cash	541	458
Reserve for impairment of restricted cash	(12)	(10)
Total other non-current assets	**8,236**	**563**

As at December 31, 2019 and December 31, 2018 restricted cash was denominated in tenge.

The changes in the reserve for impairment are presented below:

In thousands of US dollars	31 December 2019	31 December 2018
Balance as at 1 January	10	10
Translation reserve	1	(2)
Accrued during the year	1	2
Balance as at December 31	**12**	**10**

9. Investments in subsidiary

COMPANY

In thousands of US dollars	Shares in subsidiary undertakings
Cost	
1 January 2018	143,504
Additions	-
Balance 31 December 2018	**143,504**
1 January 2019	143,504
Additions	136,204
Impairment	(136,204)
Balance 31 December 2019	**143,504**
Carrying amount	
At 31 December 2019	**143,504**
At 31 December 2018	**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 % 2019	Holding % 2018
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

As at 31 December 2019 and 31 December 2018 the carrying value of the Group's investments in Nitrophos LLP has been impaired by 100%.

10. Inventories

GROUP

In thousands of US dollars	2019	2018
Raw materials	18,673	15,177
Work in progress	23,591	23,750
Finished products	24,514	16,395
Goods for resale	835	1,356
Goods in transit	14,542	11,031
Less: provisions for obsolete and slow-moving inventory	(325)	(251)
Total inventories	**81,830**	**67,458**

11. Trade and Other Receivables

GROUP

In thousands of US dollars	2019	2018
Financial assets		
Trade receivables	26,381	38,120
Less: provision for impairment loss	(1,668)	(1,638)
Total	**24,713**	**36,482**
Advances paid for inventory and services	1,275	1,071
Other receivables	145	590
Less: provision for impairment loss	(122)	(165)
Total	**1,298**	**1,496**
Total trade and other receivables	**26,011**	**37,978**

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

In thousands of US dollars	2019	2018
Balance as at January 1	1,638	1,057
Accrued during the year	23	807
Translation reserve	7	(226)
Balance as at December 31	**1,668**	**1,638**

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

In thousands of US dollars	2019	2018
Balance as at January 1	**165**	**52**
(Recovered) / accrued during the year	(44)	133
Translation reserve	1	(20)
Balance as at December 31	**122**	**165**

11. Trade and Other Receivables (continued)

The ageing analysis of trade receivables classified as financial assets as of 31 December 2019 and 31 December 2018 is as follows:

In thousands of US dollars	2019	2018
Current and not impaired	**5,808**	**17,071**
Past due but not impaired		
- 30 to 90 days overdue	15,217	16,614
- 91 to 180 days overdue	3,199	1,924
- 181 to 360 days overdue	383	815
- over 360 days overdue	106	58
Total past due but not impaired	**18,905**	**19,411**
Individually determined to be impaired (gross)		
- not overdue	101	78
-less than 360 days overdue	372	932
- over 360 days overdue	1,195	628
Total individually impaired	**1,668**	**1,638**
Total trade receivables	**26,381**	**38,120**
Less: impairment loss provision	(1,668)	(1,638)
Total trade receivables net	**24,713**	**36,482**

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

In thousands of US dollars	2019	2018
US Dollars	16,885	28,886
Tenge	3,161	5,460
Russian Roubles	2,463	1,948
Yuan	2,204	-
Euro	-	188
Total trade and other receivables	**24,713**	**36,482**

As at 31 December 2019 the cash to be received under contract No. 1661/9-SB between the Company and LANXESS Deutschland GmbH is a security for loans received from Halyk Bank of Kazakhstan JSC (Note 20).

As at 31 December 2019 the cash to be received under contract No. 2331/14-SB between the Company and Fosfa akciova spolosenost and contract No. 2203/14-SB with Alwenta Invest Sp.Zoo, are considered to be collateral for obligations on loans received from Development Bank of Kazakhstan JSC (Note 20).

COMPANY

In thousands of US dollars	2019	2018
Dividend receivable	2,233	-
Other receivables	9	9
Called up share capital not paid	55	55
Total trade and other receivables	**2,297**	**64**

12.Loans Receivable

GROUP

In thousands of US dollars	Currency	Commencement date	Termination date	31 December 2019	31 December 2018
Long-term loans issued to related party:					
Bloomtrade International Limited	US dollars	15.10.2012	10.11.2022	27,653	67,357
Provision for expected credit losses	–	–	–	(11,022)	(20,085)
Long-term loans issued to third parties					
Almaty Mega Finance LLP	US dollars	04.10.2019	23.12.2024	89,758	–
Almaty Mega Finance LLP	Tenge	04.10.2019	23.12.2024	41,807	–
Provision for expected credit losses	–	–	–	(3,799)	–
Total long-term loans issued				**144,397**	**47,272**
Short-term loans issued to third parties:					
Almaty Mega Finance LLP	US dollars	04.10.2019	23.12.2024	24,013	–
Almaty Mega Finance LLP	Tenge	04.10.2019	23.12.2024	11,581	–
Almaty Mega Finance LLP	Tenge	11.06.2018	30.06.2020	424	–
Almaty Mega Finance LLP	Tenge	19.09.2019	30.06.2020	1,385	–
Almaty Mega Finance LLP	Tenge	03.10.2019	30.06.2020	419	–
Provision for expected credit losses	–	–	–	(470)	–
Total short-term loans issued				**37,352**	**–**
Total loans issued				**181,749**	**47,272**

The changes in the provision for expected credit losses on long-term loans issued to the related and third parties are presented below:

In thousands of US dollars	2019	2018
Balance as at January 1	20,085	20,085
Accrued during the year	3,798	–
Recovered during the year	(9,143)	–
Translation reserve	122	–
Balance as at December 31	**14,618**	**20,085**

The changes in the provision for expected credit losses on short-term loans issued to the third party are presented below:

In thousands of US dollars	2019	2018
Balance as at January 1	–	–
Accrued during the year	470	–
Translation reserve	–	–
Balance as at December 31	**470**	**–**

Loan issued to Bloomtrade International Limited

On 15 October 2012 the Group signed an agreement with a related party, Bloomtrade International Limited, to provide a loan in the amount of 50 million US dollars. During 2014 the Group signed an additional agreement, according to which this loan should be repaid in tranches until 25 August 2019. On 25 May 2018 the Group signed an additional agreement, according to which the terms for repayment of the principal debt and interest for the entire period of using the loan were revised and extended until 10 November 2022. For the year ended 31 December 2019, the amount of accrued interest amounted to 2,878 thousand US dollars (2018: 3,567 thousand US dollars). For the year ended 31 December 2019, the foreign exchange gain on the loan issued amounted to 559 thousand US dollars (2018: 9,817 thousand US dollars).

Loans issued to Almaty Mega Finance LLP

On 3 October 2019 in accordance with the agreement with Almaty Mega Finance LLP on the transfer of debt, the Group accepted an obligation to pay the debt of Almaty Mega Finance LLP to Halyk Bank of Kazakhstan JSC in the amount of 112,198 thousand US dollars and 19,993,960 thousand tenge (Note 20). In turn, in accordance with this agreement, Almaty Mega Finance LLP undertook to pay the Group a fee equal to the amount of the debt. The total amount of debt at the time of initial recognition amounted to 63,624,286 thousand tenge, including 112,198 thousand US dollars and 19,993,960 thousand tenge.

Almaty Mega Finance LLP undertook to repay the amount owed to the Group until 23 December 2024 in equal installments twice a year starting from 22 May 2020. Interest rates are calculated and paid in accordance with the terms of the agreement. For the year ended 31 December 2019, the accrued interest amounted to 2,727 thousand US dollars. For the year ended 31 December 2019, the foreign exchange loss on the loan issued amounted to 1,867 thousand US dollars.

On 11 June 2018, the Group provided Almaty Mega Finance LLP with interest free repayable financial assistance with a repayment date until 31 August 2018. In 2018 the maturity was extended until 30 June 2020. During 2019 two contracts were concluded for the provision of interest free repayable financial assistance amounting to1,803 thousand US dollars with a maturity date until 30 October 2020. As the financial assistance is short-term, the fair value at the date of initial recognition does not differ significantly from its nominal value.

13.Taxes Receivable

GROUP

In thousands of US dollars	2019	2018
VAT refund	16,366	14,005
Other	251	238
Total taxes receivable	**16,617**	**14,243**

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. Other Current Assets

GROUP

In thousands of US dollars	2019	2018
Bank guarantees and commissions for arranging loans	2,380	1,543
Transportation	1,751	–
Insurance	558	494
Stripping works	227	429
Subscription for publications	28	29
Current income tax prepaid	-	1,311
Other	352	-
Total other current assets	**5,296**	**3,806**

15. Cash and Cash Equivalents

GROUP

In thousands of US dollars	2019	2018
Cash in bank, Tenge	107	243
Cash in bank	4,705	121
Cash on hand	12	12
Bank deposits	12,692	9,851
Cash in transit	85	-
Provision for expected credit losses on cash and cash equivalents	(62)	(61)
Total cash and cash equivalents	**17,539**	**10,166**

15. Cash and Cash Equivalents (continued)

COMPANY

In thousands of US dollars	2019	2018
Cash in bank, USD	597	121
Total cash and cash equivalents	**597**	**121**

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

16. Called up share capital

Allotted and issued:

GROUP AND COMPANY

In thousands of US dollars			2019	2018
Number	**Class**	**Nominal value**		
50,000	Ordinary Share	£1	98	98

As at 31 December 2019 the Company was owed USD 55 thousand (2018: USD 55 thousand) in relation to unpaid share capital, which is included in trade and other receivables.

17. 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:

	Asset		Liabilities		Net	
In thousands of US dollars	2019	2018	2019	2018	2019	2018
Property, plant and equipment	-	-	(34,217)	(37,267)	(34,217)	(37,267)
Land revaluation	-	-	(7,803)	(7,793)	(7,803)	(7,793)
Provisions and accruals	2,607	2,454	-	-	2,607	2,454
Employees benefit	109	112	-	-	109	112
Other payables	1,008	74	-	-	1,008	74
Cash and cash equivalents	15	14	-	-	15	14
Net tax assets/(liabilities)	**3,739**	**2,654**	**(42,020)**	**(45,060)**	**(38,281)**	**(42,406)**

17. Group deferred tax assets and liabilities(continued)

In thousands of US dollars	Group 2019	Recognised in income	Translation adjustments	Recognised in equity	Group 2018
Property, plant and equipment	(34,217)	3,127	(77)	-	(37,267)
Land revaluation	(7,803)	-	11	(21)	(7,793)
Provisions and accruals	2,607	146	7	-	2,454
Employees benefit	109	(4)	-	-	112
Other payables	1,008	930	4		74
Cash and cash equivalents	15	-	1	-	14
Net tax assets/(liabilities)	**(38,281)**	**4,199**	**(54)**	**(21)**	**(42,406)**

In thousands of US dollars	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 equivalent	14	16	(2)	-	-
Net tax assets/(liabilities)	**(42,406)**	**1,918**	**3,479**	**(5)**	**(47,798)**

18. 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 30).

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 2019 the total balance in special deposit accounts was USD 541 thousand (2018: USD 458 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 phosphoric ore 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 143 thousand.

18. Provisions for asset retirement and site restoration obligations (continued)

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.

Movements in provisions for site restoration obligations are as follows:

In thousands of US dollars	Ore fields	Groundwater wells and landfills for waste disposal	Total
Carrying amount at 1 January 2018	**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**
Unwinding of the present value discount	35	25	60
Currency translation	12	2	14
Carrying amount at 31 December 2019	**2,960**	**393**	**3,353**

19. Employee Benefits

GROUP

In thousands of US dollars	2019	2018
Current portion of employee benefits liabilities	86	105
Non current portion of employee benefits liabilities	450	448
Total employee benefits	**536**	**553**

Changes in the benefit obligations are as follows:

In thousands of US dollars	2019	2018
Present value of defined benefit obligation at 1 January 2019	**553**	**306**
Currency translation	(17)	247
Present value of defined benefit obligation at 31 December 2019	**536**	**553**

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.

In thousands of US dollars	2019	2018
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: -

In percentage	2019	2018
Discount rate at 31 December	7.0	7.0
Average labour turnover rate at 31 December	8.7	8.7
Future salary increases at 31 December	6.4	6.4

19. 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 engaged 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.

During 2019 the Group did not amend the terms of the collective agreement. The Group assessed the changes in employee benefit obligations as minor, therefore it did not evaluate actuarial employee benefits as at 31 December 2019. The changes for 2019 relate to the actual payment of benefits to the employees of the Group.

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.

20. Borrowings

GROUP

The carrying amounts of borrowings are as follow:

In thousands of US dollars	Currency	Commencement date	Termination date	Rate	31 December 2019	31 December 2018
Long-term loans payable:						
Halyk Bank of Kazakhstan JSC (v)	US dollars	14.10.2019	02.10.2026	7%	92,500	–
Halyk Bank of Kazakhstan JSC (v)	US dollars	04.10.2019	30.07.2021	5%	29,640	–
Halyk Bank of Kazakhstan JSC (vi)	US dollars	06.03.2013	20.09.2024	6.5%	81,510	–
Halyk Bank of Kazakhstan JSC (vi)	Tenge	29.06.2015	20.09.2024	10%	37,236	–
Halyk Bank of Kazakhstan JSC (ii)	US dollars	18.05.2018	17.05.2022	6-7%	9,403	14,938
Halyk Bank of Kazakhstan JSC (iii)	Tenge	11.02.2015	10.02.2022	6%	3,112	8,090
Halyk Bank of Kazakhstan JSC (i)	US dollars	13.11.2012	14.11.2022	8%	–	40,904
ATFBank JSC (bank guarantee) (vii)	US dollars	03.10.2019	02.02.2028	2%	5,830	–
Total long-term loans payable					**259,231**	**63,932**
Short-term loans payable:						
Halyk Bank of Kazakhstan JSC (v)	US dollars	04.10.2019	30.07.2021	5%	20,971	–
Halyk Bank of Kazakhstan JSC (v)	US dollars	14.10.2019	02.10.2026	7%	1,403	–
Halyk Bank of Kazakhstan JSC (vi)	US dollars	06.03.2013	20.09.2024	6.5%	32,451	–
Halyk Bank of Kazakhstan JSC (vi)	Tenge	29.06.2015	20.09.2024	10%	16,290	–
Halyk Bank of Kazakhstan JSC (ii)	US dollars	18.05.2018	17.05.2022	6-7%	6,344	71
Halyk Bank of Kazakhstan JSC (iii)	Tenge	11.02.2015	10.02.2022	6%	2,520	44
Halyk Bank of Kazakhstan JSC (i)	US dollars	13.11.2012	14.11.2022	8%	–	384
Development Bank of Kazakhstan JSC (iv)	Tenge	17.08.2015	31.05.2020	6%	18,302	18,226
ATFBank JSC (bank guarantee) (vii)	US dollars	03.10.2019	02.02.2028	2%	1,079	–
Disport International Limited	US dollars	22.12.2014	31.12.2019	LIBOR + 3%	-	38,168
Total short-term loans payable					**99,360**	**56,893**
Total loans payable					**358,591**	**120,825**

20. Borrowings (continued)

(i) Loan facility No.KS 02-12-40, Halyk Bank of Kazakhstan JSC

On 29 August 2012 the Group entered into an agreement with Halyk Bank of Kazakhstan JSC for the provision of a loan facility No.KS 02-12-40 / (1584/12-FO) for a period of 7 years. According to this agreement, the Group was granted loans totalling 108 million US dollars and 2,000,000 thousand tenge, respectively. As of 31 December 2019, the debt on this loan facility was fully repaid.

In accordance with the terms of the agreement, 68 million US dollars were provided at an interest rate of 8% per annum for the construction of a sulfuric acid production unit, as well as for the purpose of refinancing the debt of the Group to SB HSBC Bank of Kazakhstan JSC and ATF Bank JSC. As of 31 December 2019, the debt on this loan facility was fully repaid.

36 million US dollars and 2,000,000 thousand tenge were provided to the Group for replenishment of working capital, acquisition of fixed assets for production needs and refinancing of debts to SB Alfa-Bank JSC and SB HSBC Bank Kazakhstan JSC. Interest rates range from 8% to 9% per annum for loans in tenge and from 7% to 8% per annum for loans in US dollars. As of 31 December 2019, the debt on this loan facility was fully repaid.

4 million US dollars were provided to the Group to carry out activities under the subsoil use contract for the production of phosphorites, as well as other expenses associated with this contract (mining, construction of production facilities for the development of subsoil use rights, etc.). The interest rate on this loan is 8% per annum. As of 31 December 2019, the debt on this loan facility was fully repaid.

On 5 July 2019, the Group entered into an additional agreement with Halyk Bank of Kazakhstan JSC on the provision of a loan facility No.KS 02-12-40 until 29 November 2026. According to this additional agreement, the Group received loans totalling 10 million US dollars and 2,000,000 thousand tenge, respectively. A loan facility was provided to the Group for working capital replenishment for the purchase of inventory, services of contractors and suppliers. Interest rates range from 12% to 13% per annum for loans in tenge and from 4% to 6% per annum for loans in US dollars.

As of 31 December 2018, the balance of the principal debt in the amount of 41,000 thousand US dollars, as well as the accrued interest, were fully repaid during 2019.

(ii) Loan facility KD 02-18-12, Halyk Bank of Kazakhstan JSC

On 3 May 2018 the Company concluded an agreement with Halyk Bank of Kazakhstan JSC on the provision of a loan facility in the amount of 20 million UD dollars for a period of 48 months. The interest rate for using the loan facility is 6% - 7% depending on the period of use. The purpose of the loan is the technical re-equipment of the drum granulator dryer on ZMU. As at 31 December 2019 the accrued interest amounted to 76 thousand US dollars (2018: 79 thousand US dollars).

(iii) Loan facility No.KS 02-15-03, Halyk Bank of Kazakhstan JSC

In January 2015 based on the program of the Development Bank of Kazakhstan JSC for lending to second-tier banks to finance large business entities, the Company opened two loan facilities at Halyk Bank of Kazakhstan JSC under agreement No.KS 02-15-03 dated30 January 2015 on providing a loan facility worth of 5 billion tenge (funds of Development Bank of Kazakhstan JSC) and 10 million US dollars (funds of Halyk Bank of Kazakhstan JSC). A loan facility is provided for a period of 7 years. The interest rate is 6% per annum. The main purpose of lending is the acquisition of equipment, materials, construction and installation works and design estimates related to the reconstruction of the unit for production of phosphoric acid extraction at the MFP branch. As of 31 December 2019 and 2018 the Company repaid a loan to Halyk Bank of Kazakhstan JSC in the amount of 10 million US dollars in full. As at 31 December 2019, the accrued interest amounted to 31 thousand US dollars (2018: 49 thousand US dollars).

(iv) Loan facility No. 80-SM-F / 05-01, Development Bank of Kazakhstan JSC

The Company opened a loan facility at Development Bank of Kazakhstan JSC for 7 billion tenge under an agreement No. 80-SM-A / 05-01 dated17 August 2015. The interest rate is 6% per annum. The purpose of this loan is to replenish working capital for the purchase of inventory, services of contractors and suppliers for the purchase of raw materials, materials and services for pre-export operations. As at 31 December 2019 the accrued interest amounted to 6 thousand US dollars (2018: 8 thousand US dollars).

20. Borrowings (continued)

(iv) Loan facility No. 80-SM-F / 05-01, Development Bank of Kazakhstan JSC (continued)

Cash received under contract No. 2331/14-SB concluded with Fosfa akciovas polosenost and contract No. 2203/14-SB concluded with Alwenta Invest Sp.Zoo are being the collateral for loans received from Development Bank of Kazakhstan JSC (Note 11).

(v) Loan facility KD 02-19-20, Halyk Bank of Kazakhstan JSC

In September 2019, the Group entered into an agreement with Halyk Bank of Kazakhstan JSC on the provision of a non-revolving loan facility in the amount of 142.5 million US dollars for a period of 84 months. The purpose of the loan facility is to pay dividends. The interest rate is 5% - 7% per annum. As at 31 December 2019 the amount of accrued interest amounted to 2,013 thousand US dollars (2018: nil).

(vi) Loan agreement KD 02-13-05, Halyk Bank of Kazakhstan JSC

In September 2019 the Group entered into a debt transfer agreement with Halyk Bank of Kazakhstan JSC. According to the terms of the agreement, the Group assumed the outstanding debt of Almaty Mega Finance LLP to Halyk Bank of Kazakhstan JSC in the amount of 19,993,960 thousand tenge and 112,198 million US dollars (Note 12). The maturity of obligations to the bank is 5 years. Interest rates are calculated and paid in accordance with the terms of the loan agreement. As at 31 December 2019 the accrued interest amounted to 19,045 thousand US dollars, including previously accrued interest of Almaty Mega Finance LLP (2018: nil).
As at 31 December 2019 in accordance with the terms of pledge agreements with Halyk Bank of Kazakhstan JSC (Note 6), property, plant and equipment with a carrying value of 91,198 thousand US dollars were pledged by the Group as collateral under a bank loan agreement (2018: 82,726 thousand US dollars). Subsoil use rights (development of phosphate ore deposits of Zhanatas, Koksu, Kokjon sites;Kistas, Chulaktau, Aksai, Shiylibulak deposits) are being the collateral for the loan (Note 11). In addition, cash inflows under contract No. 1661/9-SB between the Group and LANXESS Deutschland GmbH is a loan collateral (Note 11).

(vii) Loan facility No.KS 02-15-03, ATF Bank JSC

In October 2019 the Group entered into an agreement on opening a loan facility in the amount of 50 million US dollars for a period of 9 years with ATF Bank JSC, a related party. The purpose of the loan facility is to issue a bank guarantee to fulfil the obligations of the Group to Halyk Bank of Kazakhstan JSC. The interest rate is 2% per annum. For the year ended 31 December 2019 the Group accrued interest amounted to1,079 thousand US dollars (2018: nil) (Note 34).

Company

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

	Carrying amount		Fair Value	
In thousands of US dollars	**2019**	**2018**	**2019**	**2018**
Disport International Limited	-	38,168	-	38,168
Total borrowings	-	38,168	-	38,168

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

In thousands of US dollars		**2019**	**2018**
Loans denominated in:	- US dollar	-	38,168
Total borrowings		-	**38,168**

21. Trade and Other Payables

GROUP

In thousands of US dollars	2019	2018
Financial liabilities		
Trade payables	33,265	36,424
Total	**33,265**	**36,424**
Payables to employees	1,770	1,577
Other payables	216	199
Payables to pension funds	174	206
Total	**2,160**	**1,982**
Trade and other payables	**35,425**	**38,406**

Trade payables are denominated in the following currencies:

In thousands of US dollars	2019	2018
Tenge	20,666	18,965
US Dollars	3,902	4,629
Pound GB	-	23
Russian Roubles	6,472	10,549
Euro	2,225	2,258
Trade payables	**33,265**	**36,424**

COMPANY

In thousands of US dollars	2019	2018
Trade payables	-	23
Total trade and other payables	**-**	**23**

22. Other Taxes Payable

GROUP

In thousands of US dollars	2019	2018
Minerals extraction tax	935	915
Environmental emission payments	1,705	890
Social tax	146	133
Individual income tax	156	163
Payable to social fund	84	76
Other	126	189
Customs fees	631	1,036
Obligatory professional pension contributions	40	35
Total other taxes payable	**3,823**	**3,437**

23. Lease Liabilities

GROUP

As at 31 December 2019, the current value of the net minimum lease payments is presented in tenge as follows:

In thousands of US dollars	Right-of-use asset (Note 8)	Machinery and equipment (Note 5)	Other (Note 5)	Total
Within one year	168	1,793	2,456	**4,417**
From 2 to 5 years inclusively	168	5,985	7,144	**13,297**
Less: amounts representing financial payments	(21)	(1,341)	(1,807)	**(3,169)**
Present value of minimum rental payments	**315**	**6,437**	**7,793**	**14,545**
Less the amount payable within 12 months	(172)	(1,329)	(1,592)	**(3,093)**
Amounts due after 12 months	**143**	**5,108**	**6,201**	**11,452**

For the year ended 31 December 2019, changes in lease liabilities are presented as follows:

In thousands of US dollars	Right-of-use asset (Note 8)	Machinery and equipment (Note 5)	Other (Note 5)	Total
1 January 2019	**458**	–	–	**458**
Lease additions	–	6,173	8,242	**14,415**
Accrued interest expenses on lease liabilities	25	68	473	**566**
Payments at present value	(168)	(81)	(1,271)	**(1,520)**
Revaluation	–	277	349	**626**
31 December 2019	**315**	**6,437**	**7,793**	**14,545**

On 9 October 2018 the Group entered into a lease agreement with Exim LLP in order to place and operate an office in the city of Almaty. Future minimum lease payments for office leases amount to 16 thousand US dollars including VAT, monthly. The Group has applied IFRS 16 to the office lease.

On 29 March 2019 the Group entered into series of lease contracts for new mining dump trucks of Belaz-75131 with RailLeasing LLP in the quantity of 6 units for mining operations. The term of the lease is 5 years. After the expiration date and the terms of the lease agreement are fulfilled, all fixed assets become the property of the Group. The total cost of these lease agreements is 9,689 thousand US dollars, including VAT, and includes reimbursement for the purchase of mining trucks and any other expenses associated with the rental of fixed assets. The Group pays remuneration to RailLeasing LLP for arranging a lease transaction in accordance with the payment schedule in the amount of 2,200 thousand US dollars excluding VAT for the entire duration of the lease. In accordance with the terms of the lease agreements with RailLeasing LLP, during 2019 the Group paid advances in the amount of 1,446 thousand US dollars, which were not included into the cost of lease liabilities at initial recognition.

On 26 April 2019 the Group also concluded a lease agreement with RailLeasing LLP for new excavators of EKG-10 in the quantity of 3 units for mining operations. The term of the lease is 5 years. After the expiration date and the terms of the lease agreement are fulfilled, all property, plant and equipment become the property of the Group. The total value of the contract is 11,468 thousand US dollars without VAT. The Group pays remuneration to RailLeasing LLP for arranging a lease transaction in the amount of 2,294 thousand US dollars before the end of the contract. In accordance with the terms of the lease agreements with RailLeasing LLP, during 2019 the Group paid advances for 3 excavators in the amount of 2,344 thousand US dollars, which were not included in the lease liabilities at initial recognition. As of 31 December 2019, the Group recognised two excavators on its individual statement of financial position.

RailLeasing LLP set the base rate in Russian rubles in lease agreements, therefore, the Group performed an exchange rate revaluation of lease liabilities as of 31 December 2019.

24. Revenue

Group

In thousands of US Dollars	2019	2018
Yellow phosphorus	211,747	203,662
Sodium tripolyphosphate	15,915	17,952
Ammonia phosphorus	115,212	81,535
Raw phosphorus	-	580
Thermal phosphoric acid	10,762	10,559
Services	5,333	5,962
Tricalcium phosphate	2,210	2,197
Granulated slag	1,491	1,132
Transportation services	-	1,479
Inventory	-	596
Ferro-phosphorus	1,862	1,206
Oxygen	84	78
Ammonium water	1	-
Sulphuric acid	.176	7,556
Other	3,023	3,006
Total revenue	**367,816**	**337,500**

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

In thousands of US dollars	2019	2018
European Union and Switzerland	184,082	185,620
Commonwealth of Independent States (former USSR)	32,683	37,181
Kazakhstan	41,926	64,181
Asia	89,629	36,749
America	19,496	13,769
Total revenue	**367,816**	**337,500**

For the year ended 31 December 2019, ten major buyers accounted for 64% of total revenue from contracts with customers (2018: 63%).

25. Cost of Sales

GROUP

In thousands of US Dollars	2019	2018
Raw materials	126,108	117,077
Electricity	49,411	52,816
Salary and related cost	24,938	22,910
Repair and maintenance	3,031	3,371
Changes in inventories of finished goods and work in progress	(11,153)	(3,896)
Third party Services	8,775	8,426
Depreciation and amortisation	29,861	29,438
Cost of inventory sold	408	407
Mineral extraction tax	10,660	9,103
Provision for obsolete and slow-moving inventory	73	(28)
Insurance cost	639	630
Other	943	627
Total cost of sales	**243,694**	**240,881**

26. Other Operating Income
GROUP

In thousands of US Dollars	2019	2018
Payables write off	-	25
Gain on disposal of property, plant and equipment	-	436
Other income	1,330	391
Total other operating income	**1,330**	**852**

27. Distribution Cost
GROUP

In thousands of US Dollars	2019	2018
Transportation services – export	29,396	26,034
Materials and repair	6,983	5,307
Payroll and related expense	1,097	964
Electricity	142	281
Depreciation	186	257
Business trips and representative expenses	277	321
Certification	185	193
Insurance	22	2
Communication expenses	16	26
Customs services	73	62
Other	274	192
Total distribution costs	**38,651**	**33,639**

28. General and Administrative Expenses
GROUP

In thousands of US Dollars	2019	2018
Payroll and related expenses	6,728	4,800
Production suspension expenses -depreciation	4,663	10,685
Maintenance, repair and materials	762	795
Communication and IT expenses	137	161
Taxes, other than income tax	1,107	1,013
Business trips and representative expenses	754	703
Consulting services	188	207
Depreciation and amortisation	5,667	5,623
Bank charges	160	481
Utilities	177	449
Rent	8	128
Security services	151	160
Sponsorship and charity	330	2,786
Legal services	72	152
Insurance	102	194
Accountancy	98	43
Parent Company auditor remuneration*	60	62
Other	(3,737)	4,112
Total general and administrative expenses	**17,427**	**32,554**

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

29. Exceptional item
COMPANY

During the year, the Company incurred a loss on the purchase and sale on the shares in a Marshall Islands company, Disport International Limited of 136,203 thousand US dollars. This arose on an arrangement to repay off balance sheet financing of the Company.

30. Finance Income and Costs
GROUP

In thousands of US Dollars	2019	2018
Finance income		
Interest income on loans issued	5,606	3,567
Interest income on securities	-	41
Interest income on bank deposit	206	144
Total finance income	**5,812**	**3,752**
Finance costs		
Interest expenses on loans payable	(10,236)	(5,046)
Provision for asset retirement and site restoration obligations: unwinding of discount	(30)	(116)
Interest expenses on lease liabilities	(541)	-
Interest expenses on lease payments	(25)	-
Regional social development liabilities: unwinding of discount	(76)	-
Loss on convertible bonds	(2)	-
Total finance costs	**(10,910)**	**(5,162)**
Total other operating expenses	**(5,098)**	**(1,410)**

31. Foreign Exchange Gain, Net
GROUP

In thousands of US Dollars	2019	2018
Foreign exchange gain from loan issued	-	10,527
Foreign exchange gain on trade receivables and payables	(1,415)	2,908
Foreign exchange gain on loans payable	3,872	-
Sum difference	(718)	(403)
Foreign exchange loss on loans issued	(1,308)	-
Foreign exchange loss on lease liabilities	(626)	-
Foreign exchange loss on loans and interest payable	-	(7,971)
Other foreign exchange gain	101	1,704
Foreign exchange gain, net	**(94)**	**6,765**

32. Income Tax
GROUP

In thousands of US Dollars	Note	2019	2018
Current income tax expense		(18,043)	(10,915)
Deferred income tax credit	17	4,200	3,986
Income tax expense		**(13,843)**	**(6,929)**

In thousands of US dollars	2019		2018	
(Loss)/profit before income tax	**(71,887)**		**36,681**	
Income tax benefit at applicable tax rate	(14,377)	20%	7,336	20%
Tax effect of Non-deductible items /non-taxable income	895		1,623	
WHT refund on dividend payment	-		(2,065)	
Tax effect of loss on which no deferred tax asset recognised	27,325		35	
Total tax charge	13,843		6,929	

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.

33. Employee Information
GROUP

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

In thousands of US dollars	2019	2018
Wages and salaries, other bonuses and related expenses	32,763	27,954
Total staff costs	**32,763**	**27,954**

The average number of employees for the period was 6,139 (2018: 6,253)		
Production	4,712	4,753
Distribution	80	80
Administration	1,347	1,420
Total	**6,139**	**6,253**

34. 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 2019 and 2018 are detailed below.

In thousands of US dollars	Note	Entities under common control 2019	Entities under common control 2018
Other non-current assets (bank guarantee)	8	5,830	-
Prepaid expenses (bank guarantee)	14	978	-
Loan receivable	12	16,631	47,272
Borrowings	20	-	(38,168)
Borrowings (bank guarantee)	20	(6,909)	-

At 31 December 2019, the outstanding balances with related parties were as follows:

In thousands of USD	Note	Parent company	Associates and joint ventures
Loan receivable	12	-	112
Dividend receivable	11	2,233	-

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

In thousands of USD	Note	Parent company	Associates and joint ventures
Trade and other payable	21	23	213

The income and expense items of the related party transactions for the year ended 31 December 2019 were as follows

In thousands of USD	Entities under common control	Parent company	Associates and joint ventures
Revenue from contracts with customers	-	-	3,355
Finance income	2,878	-	-
Finance costs	(1,079)	-	-
Foreign exchange gain	559	-	-

34. 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:

In thousands of USD	Entities under common control	Parent company	Associates and joint ventures
Revenue	-	-	4,068
General administrative expenses	-	(73)	-
Finance income	16,005	1,156	-
Finance costs	(2,620)	(418)	-

During the year, the Group was charged accountancy fees of USD "Nil" (2018: USD 16 thousand) by S H Landes LLP and USD 98 thousand (2018: USD 27 thousand) by Hawksford UK Services Limited. As at year end the Group owed a balance of USD "Nil" (2018: USD 37 thousand) to Hawksford UK Services Limited. S H Landes, a director of the Parent 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 2019 and 2018 was included within general and administrative expenses. The total key management compensation cost for the year was as follows:

In thousands of US dollars	2019	2018
Wages, salaries, other bonuses and related expenses	1,934	406
Social tax	182	37
Total key management compensation	**2,116**	**443**

35. 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 31December 2019, the financial statements do not include any provisions for potential tax liabilities (2018: the same approach).

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 tight 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 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.

35. 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 the period ended 31 December 2019 and 2018, the Group fulfilled its obligations for the development of the region. As at December 31, 2019 the Group recognised provisions for regional social development in the total amount of US Dollars 896 thousand. (December 31, 2018: US Dollars 908 thousand). Segregation of provision for liability as current and non-current as under:

In thousands of US dollars	**31.12.2019 Current**	**31.12.2019 Non-current**	**31.12.2018 Current**	**31.12.2018 Non-current**
Provision for social liabilities	167	729	140	768
Total	**167**	**729**	**140**	**768**

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, 2019 and December 31, 2018, the Group incurred expenses in the amount of US Dollars 1,246 thousand and US Dollars 1,317 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. For the years ended 31 December 2019 and 2018, the Group has fully fulfilled these obligations.

Capital expenditure commitments

As at December 31, 2019, 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 2,202 thousand (December 31, 2018: US Dollars 1,473 thousand). Management believes that future net income and funding will be sufficient to cover these and any similar 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.

35. 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 18). 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.

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.

36. 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 20,079 thousand (or 81% of total trade receivables) as at December 31, 2019 (2018: US Dollars 32,134 thousand (or 88% of total trade receivables)).

36. Financial Risk Management (continued)

Credit risk (continued)

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

	Carrying value	
In thousands of US dollars	**31 December 2019**	**31 December 2018**
Europe	9,267	22,737
CIS	3,369	2,882
Kazakhstan	7,121	5,225
Asia	3,160	2,245
Other	1,796	3,393
Total	**24,713**	**36,482**

Cash and cash equivalents 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 2019 and balances with banks and financial institutions where cash and cash equivalents and term deposits were placed as of 31 December 2019 and 31 December 2018:

In thousands of US dollars	**Rating**	**31 December 2019**	**31 December 2018**
Cash and cash equivalents			
Bank CenterCredit	B (S&P)	21	8
Halyk Bank of Kazakhstan JSC	BB (S&P)	4,182	224
Development Bank of Kazakhstan JSC	BB+ (S&P)	-	1
ATF Bank JSC	B (S&P)	1	3
SB Alfa-Bank JSC	BB- (S&P)	11	8
CBH Bank *(As CHB Bank is independent, family-owned, private bank in Switzerland, no rating is available.)*	No rating available	597	121
Total cash and cash equivalents		**4,812**	**365**
Bank deposits			
Halyk Bank of Kazakhstan JSC	BB (S&P)	12,692	9,850
Total bank deposits		**12,692**	**9,850**
Restricted cash			
SB Alfa-Bank	BB- (S&P)	311	250
Eurasian Bank JSC	B (S&P)	230	208
Total restricted cash		**541**	**458**

Interest rate risk

At 31 December 2019 the Group is not exposed to interest rate risk as it has no financial instruments with floating interest rate.

Price risk

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

36. 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 2019 and as at 31 December 2018:

In thousands of US dollars	Carrying value	Cash flows under agreement	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Liabilities-2019							
Borrowings	358,591	424,568	-	18,280	86,059	281,976	38,253
Trade payables	33,265	33,265	-	33,265	-	-	-
Lease liabilities	14,545	17,378	374	723	3,153	13,128	-
Regional social development liabilities	896	896	-	-	167	729	-
Total	407,297	476,107	374	52,268	89,379	295,833	38,253

In thousands of US dollars	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 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	-

36. 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

Exposure to currency risk based on nominal values was as follows:

GROUP

	USD-denominated		RUB-denominated		EUR-denominated		Yuan-denominated	
In thousands of USD	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Trade receivables	16,885	28,886	2,463	1,948	-	188	2,204	-
Loans receivables	127,527	47,272	-	-	-	-	-	-
Cash and cash equivalents	12,748	9,437	-		4,093	-	-	-
Loans and borrowings	(281,131)	(55,876)	-	-	-	-	-	-
Lease liabilities	-	-	(14,230)	-	-	-	-	-
Trade payables	(3,902)	(4,629)	(6,472)	(10,549)	(2,225)	(2,258)	-	-
Exposure of the statement of financial position to foreign exchange risk, net	**(127,873)**	**25,090**	**(18,239)**	**(8,601)**	**1,868**	**(2,070)**	**2,204**	**-**

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	TENGE-denominated	
In thousands of USD	**2019**	**2018**
Dividend receivable	2,233	-
Exposure of the statement of financial position to foreign exchange risk, net	**(2,233)**	**-**

36. Financial Risk Management (continued)

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

In thousands of USD	Average exchange rate 2019	Average exchange rate 2018	Spot rate at the balance sheet date 2019	Spot rate at the balance sheet date 2018
1 USD	382.75	344.71	382.59	384.20
1 EUR	428.51	406.66	429.00	439.37
1 RUB	5.92	5.50	6.16	5.52
1 GBP	-	459.49	-	488.13
1 Yuan	55.43	52.10	54.97	55.88

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:

In thousands of USD	31 December 2019 Effect on profit or loss	31 December 2018 Effect on profit or loss
USD strengthening by 10% (2018: strengthening by 10%)	(10,201)	2,007
USD weakening by 10% (2018: weakening by 10%)	10,201	(2,007)
EUR strengthening by 10% (2018: strengthening by 10%)	149	(166)
EUR weakening by 10% (2018: weakening by 10%)	(149)	166
RUB strengthening by 10% (2018: strengthening by 10%)	(1,459)	(688)
RUB weakening by 10% (2018: weakening by 10%)	1,459	688
Yuan strengthening by 10% (2018: strengthening by 10%)	176	–
Yuan weakening by 10% (2018: weakening by 10%)	(176)	–

Price risk

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

37. 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.

In thousands of US dollars	Note	2019	2018
Total loans	20	358,591	120,825
Less: Cash and cash equivalents	15	(17,539)	(10,166)
Net debt		**341,052**	**110,659**
Total own capital		132,256	219,981
Total capital		**473,308**	**330,640**
Financial leverage ratio		**72%**	**34%**

The Group's management believes that the debt to equity ratio at 31 December 2019 and 31 December 2018 is reasonable.

38. 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 15), restricted cash deposits (Note 8) and loans receivable (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 20.

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 2019 and 2018:

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In thousands of US Dollars	Level 1	Level 2	Level 3	**Total as at December 31, 2019**
Assets, which fair value is disclosed				
Trade receivable	-	24,713	-	24,713
Cash and cash equivalents	17,539	-	-	17,539
Restricted cash deposits	529	-	-	529
Loans issued to related parties	-	181,749	-	181,749
Total fair value	**18,068**	**206,462**	**-**	**224,530**
Liabilities, which fair value is disclosed				
Trade payable	-	33,265	-	33,265
Loans payable	-	358,591	-	358,591
Total fair value	**-**	**391,856**	**-**	**391,856**

38. Fair Value of Financial Instruments (continued)

In thousands of US Dollars	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**

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In thousands of US Dollars	Level 1	Level 2	Level 3	**Total as at December 31, 2019**
Assets, which fair value is disclosed				
Dividend receivable	-	2,233	-	2,233
Cash and cash equivalents	597	-	-	597
Total fair value	**597**	**2,233**	**-**	**2,830**

In thousands of US Dollars	Level 1	Level 2	Level 3	**Total as at December 31, 2018**
Assets, which fair value is disclosed				
Cash and cash equivalents	121	-	-	121
Total fair value	**121**	**-**	**-**	**121**
Liabilities, which fair value is disclosed				
Trade payable	-	23	-	23
Loans payable	-	38,168	-	38,168
Total fair value	**-**	**38,191**	**-**	**38,191**

During 2019 and 2018 there were no transfers between levels 1, 2 and 3.

39. Ultimate Controlling Party

The Group's ultimate controlling party was Yessenov Galimzhan Shakhmardanovich until the change in ownership, that happened on 30 March 2020, see note 42.

40. 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 40,894 thousand (2018: USD 29,939 thousand).

41. 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.

42. Subsequent Events

At the beginning of 2020, the global market encountered the uncertainty caused by an outbreak of coronavirus infection. Along with other factors, the coronavirus infection pandemic led to a decline in stock indices, and also led to a devaluation of Tenge against US dollar. Since 18 March 2020, in connection with the outbreak of coronavirus infection, the Government of the Republic of Kazakhstan declared a state of emergency. Despite of lifting state of emergency from 11 May 2020 onwards, quarantine restrictions continue to apply in the country. The consequences of these significant changes can have a significant impact on the overall development of the economy of Kazakhstan and the activities of the Group as a whole. The management of the Group is not able to predict how long this situation will last. Meanwhile, the Group's management has introduced number of measures to ensure the safety and well-being of its employees and customers.

In March 2020, the Group entered into an agreement on the provision of a loan facility KS 02-20-06 with Halyk Bank of Kazakhstan JSC in the amount of 40 billion tenge. The loan term is 84 months. The interest rate is 15%, of which 9% is a subsidised part. The purpose of the loan is the construction of a launch complex for production of 500 thousand tons of monoammonium phosphate and ammophos at the ZMU branch.

On 27 May 2020, the Group acquired 100% of the shares in Bloomtrade International Limited, a company organized and existing under the laws of the Republic of the Marshall Islands. The Company was acquired for the total cost of US Dollar 7,500 thousand.

Further, in June 2020, the Group has acquired 94.80% of the shares in Almaty Mega Finance LLP, a partnership domiciled in the Republic of Kazakhstan. The Company was acquired for the total cost of US Dollar 23,580 thousand.

At 30 March 2020 there was a change in ownership and there is now no controlling party.