

KazTransOil JSC

Interim condensed consolidated financial statements

For the six months ended 30 June 2017



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Report on review of interim financial information

Interim condensed consolidated financial statements

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Report on Review of Interim Financial Information

To the Shareholders of KazTransOil JSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of KazTransOil JSC and its subsidiaries, which comprise the interim consolidated statement of financial position as at 30 June 2017 and the related interim consolidated statements of comprehensive income for the three- and six-month periods then ended, interim consolidated statement of changes in equity and cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Ernst & Young LLP



Gulmira Turmagambetova 0374
Auditor / General director
Ernst & Young LLP



Auditor qualification certificate No. 0000374 dated
21 February 1998

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

21 August 2017



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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of Tenge</i>	Notes	As at 30 June 2017 (unaudited)	As at 31 December 2016 (audited)
Assets			
Non-current assets			
Property, plant and equipment	3	586,843,927	604,155,347
Intangible assets	4	6,363,753	6,260,601
Investments in joint ventures	5	22,306,760	15,728,257
Advances to suppliers for property, plant and equipment	6	2,263,192	1,678,603
Long-term accounts receivable		69,610	71,991
Bank deposits	12	3,931,444	4,182,770
Other non-current assets		14,081	15,065
		621,792,767	632,092,634
Current assets			
Inventories	7	6,616,989	4,399,035
Trade and other accounts receivable	8	8,451,576	6,476,952
Advances to suppliers	9	2,545,856	375,382
Prepayment for income tax		3,307,697	4,488,440
VAT recoverable and other prepaid taxes	10	5,967,449	6,446,378
Other current assets	11	5,816,175	5,727,129
Bank deposits	12	20,652,254	15,675,618
Restricted bank deposits	12	1,357,079	-
Cash and cash equivalents	13	29,585,799	69,294,429
		84,300,874	112,883,363
Total assets		706,093,641	744,975,997

The accounting policy and explanatory notes on pages 8 through 35 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

<i>In thousands of Tenge</i>	Notes	As at 30 June 2017 (unaudited)	As at 31 December 2016 (audited)
Equity and liabilities			
Equity			
Share capital	14	61,937,567	61,937,567
Treasury shares repurchased from shareholders		(9,549)	(9,549)
Asset revaluation reserve	14	217,787,717	230,346,658
Foreign currency translation reserve	14	32,928,681	32,918,111
Other capital reserves	14	(846,135)	(695,389)
Retained earnings		248,577,326	263,477,884
Total equity		560,375,607	587,975,282
Non-current liabilities			
Employee benefit liabilities	15	12,814,609	11,994,599
Deferred tax liabilities	29	61,503,877	60,856,513
Provision on asset retirement and land recultivation obligation	20	16,039,444	15,022,086
Deferred income	16	7,375,645	7,731,328
		97,733,575	95,604,526
Current liabilities			
Employee benefit liabilities	15	501,908	543,418
Income tax payable		1,154,693	1,246,171
Trade and other accounts payable	17	6,001,892	15,384,798
Advances received	18	17,600,262	16,444,432
Other taxes payable	19	5,760,759	5,055,666
Provisions	20	217,729	208,103
Other current liabilities	21	16,747,216	22,513,601
		47,984,459	61,396,189
Total liabilities		145,718,034	157,000,715
Total equity and liabilities		706,093,641	744,975,997
Book value per ordinary shares (in Tenge)	14	1,440	1,512

Signed and approved for issue on 21 August 2017.

General Director



Dossanov D.G.

Chief Accountant

Akhmedina A.S.

The accounting policy and explanatory notes on pages 8 through 35 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of Tenge</i>	Notes	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
		2017	2016	2017	2016
Revenue	22	53,687,408	49,756,347	107,637,556	104,417,994
Cost of sales	23	(33,637,358)	(27,683,862)	(67,623,862)	(57,318,587)
Gross profit		20,050,050	22,072,485	40,013,694	47,099,407
General and administrative expenses	24	(2,941,272)	(2,913,104)	(6,182,156)	(5,684,616)
Other operating income	25	364,130	823,392	962,479	1,901,743
Other operating expenses	26	(248,742)	(136,850)	(686,788)	(193,650)
Operating profit		17,224,166	19,845,923	34,107,229	43,122,884
Net foreign exchange (loss)/gain		495,008	(951,398)	(1,060,240)	(1,016,865)
Finance income	27	1,584,757	2,379,620	2,939,576	3,761,855
Finance costs	28	(594,187)	(587,152)	(1,189,718)	(1,156,264)
Share in income of joint ventures	5	571,424	420,249	6,637,027	1,075,113
Profit before income tax		19,281,168	21,107,242	41,433,874	45,786,723
Income tax expense	29	(3,668,522)	(2,391,460)	(8,699,776)	(7,263,833)
Net profit for the period		15,612,646	18,715,782	32,734,098	38,522,890
Earnings per share (in Tenge)	14	41	49	85	100
Other comprehensive income/(loss)					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods					
Exchange difference from translation of foreign operations of the Group		1,797,424	(1,252,661)	10,570	539,979
Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net		1,797,424	(1,252,661)	10,570	539,979

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

<i>In thousands of Tenge</i>	Notes	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
		2017	2016	2017	2016
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods (Impairment)/ revaluation of property, plant and equipment of the Group, net	3	(1,249)	(633)	(3,818)	633
Income tax effect	29	249	126	763	(127)
		(1,000)	(507)	(3,055)	506
(Charge)/reversal of provision for asset retirement and land reclamation obligation of the Group	20	(907,649)	902,324	(643,329)	4,107,092
Income tax effect	29	181,530	(180,464)	128,666	(821,418)
		(726,119)	721,860	(514,663)	3,285,674
Write-off of deferred tax assets	14, 29	-	-	(150,746)	-
		-	-	(150,746)	-
(Charge)/reversal of provision on asset retirement and land reclamation obligation of the joint ventures		(483,111)	-	(73,154)	21,672
Income tax effect		96,621	-	14,630	(4,334)
	5	(386,490)	-	(58,524)	17,338
Reversal of deferred tax obligations of the Group	29	-	865,077	-	865,077
		-	865,077	-	865,077
Total other comprehensive (loss)/ income not to be reclassified to profit or loss in subsequent periods, net		(1,113,609)	1,586,430	(726,988)	4,168,595
Total other comprehensive income/ (loss) for the period, net of tax		683,815	333,769	(716,418)	4,708,574
Total comprehensive income for the period, net of tax		16,296,461	19,049,551	32,017,680	43,231,464

Signed and approved for issue on 21 August 2017.

General Director



Dossanov D.G.

Chief Accountant

Akhmedina A.S.

The accounting policy and explanatory notes on pages 8 through 35 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In thousands of Tenge</i>	Notes	For the six months ended 30 June (unaudited)	
		2017	2016
Cash flows from operating activities			
Profit before income tax		41,433,874	45,786,723
Non-cash adjustment to reconcile profit before income tax to net cash flows			
Depreciation and amortization	23, 24	24,479,415	18,445,031
Reversal of allowance for doubtful debts, net	24	(29,299)	(31,294)
Share in income of joint ventures	5	(6,637,027)	(1,075,113)
Finance costs	28	1,189,718	1,156,264
Finance income	27	(2,939,576)	(3,761,855)
Employee benefits, current service cost	15	559,272	534,999
Loss from disposal of property, plant and equipment and intangible assets, net	26	434,711	87,833
Charge/(reversal)of impairment of the property plant and equipment, net		433	(3,200)
Gain from disposal of assets held for sale, net		-	(2,989)
Gain from disposal of inventory, net	25, 26	(22,027)	(10,552)
Income from revision of estimates and reversal of provision on asset retirement and land recultivation obligation	20	(260,173)	(1,316,196)
Income from write-off of accounts payable		(3,052)	(1,815)
Unrealized foreign exchange loss		1,267,130	577,897
Reversal of provision for obsolete inventories, net		(8,644)	-
Operating cash flows before working capital changes		59,464,755	60,385,733
(Increase)/decrease in operating assets			
Inventories		(2,489,314)	(1,329,291)
Trade and other accounts receivable		(2,081,655)	(1,656,435)
Advances to suppliers		(2,157,493)	1,392,698
VAT recoverable and other prepaid taxes		(779,955)	1,876,734
Other current assets		(83,854)	2,331,090
Increase/(decrease) in operating liabilities			
Trade and other accounts payable		242,600	(279,920)
Advances received		1,164,461	(3,119,841)
Other taxes payable		434,685	(218,844)
Other current and non-current liabilities and employee benefit liabilities		(6,076,624)	(4,288,598)
Cash generated from operating activities		47,637,606	55,093,326
Income taxes paid		(6,589,469)	(12,206,631)
Interest received		2,958,460	2,458,446
Net cash flow from operating activities		44,006,597	45,345,141

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In thousands of Tenge</i>	Notes	For the six months ended 30 June (unaudited)	
		2017	2016
Cash flows from investing activities			
Withdrawal of bank deposits		21,840,303	13,210,857
Placement of bank deposits		(28,816,641)	(10,846,428)
Purchase of property, plant and equipment		(16,607,500)	(10,986,785)
Purchase of intangible assets		(42,487)	(21,358)
Proceeds from disposal of property, plant and equipment		7,824	121
Repayment of interest free loan		-	20,000,000
Dividends received	5	-	1,487,160
Net cash flow (used in) / received from investing activities		(23,618,501)	12,843,567
Cash flows from financing activities			
Dividends paid	14	(59,617,355)	(51,156,460)
Treasury shares repurchased from shareholders	14	-	(9,549)
Net cash flow used in financing activities		(59,617,355)	(51,166,009)
Effects of changes in exchange rates on cash and cash equivalents		(479,371)	(577,324)
Net change in cash and cash equivalents		(39,708,630)	6,445,375
Cash and cash equivalents at the beginning of the period		69,294,429	50,420,288
Cash and cash equivalents at the end of the period		29,585,799	56,865,663

Signed and approved for issue on 21 August 2017.

General Director



Dossanov D.G.

Chief Accountant

Akhmedina A.S.

The accounting policy and explanatory notes on pages 8 through 35 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In thousands of Tenge</i>	Share capital	Asset revaluation reserve	Foreign currency translation reserve	Other capital reserves	Treasury shares	Retained earnings	Total
As at 31 December 2016 (audited)	61,937,567	230,346,658	32,918,111	(695,389)	(9,549)	263,477,884	587,975,282
Profit for the period	-	-	-	-	-	32,734,098	32,734,098
Other comprehensive income/(loss)	-	(576,242)	10,570	(150,746)	-	-	(716,418)
Total comprehensive income/(loss) for the period	-	(576,242)	10,570	(150,746)	-	32,734,098	32,017,680
Depreciation transfer of revalued property, plant and equipment	-	(11,982,699)	-	-	-	11,982,699	-
Dividends (Note 14)	-	-	-	-	-	(59,617,355)	(59,617,355)
As at 30 June 2017 (unaudited)	61,937,567	217,787,717	32,928,681	(846,135)	(9,549)	248,577,326	560,375,607
As at 31 December 2015 (audited)	61,937,567	125,563,376	36,210,843	(3,813,701)	-	253,033,425	472,931,510
Profit for the period	-	-	-	-	-	38,522,890	38,522,890
Other comprehensive income	-	4,168,595	539,979	-	-	-	4,708,574
Total comprehensive income for the period	-	4,168,595	539,979	-	-	38,522,890	43,231,464
Depreciation transfer of revalued property, plant and equipment	-	(5,603,261)	-	-	-	5,603,261	-
Treasury shares repurchased from shareholders	-	-	-	-	(9,549)	-	(9,549)
Dividends (Note 14)	-	-	-	-	-	(51,156,535)	(51,156,535)
As at 30 June 2016 (unaudited)	61,937,567	124,128,710	36,750,822	(3,813,701)	(9,549)	246,003,041	464,996,890

Signed and approved for issue on 21 August 2017.

General Director

Chief Accountant




Dossanov D.G.


Akhmedina A.S.

The accounting policy and explanatory notes on pages 8 through 35 form an integral part of these interim condensed consolidated financial statements.

 

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. GENERAL

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

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

As at 30 June 2017 10% of shares of the Company are owned by minority shareholders who acquired them within the "People's IPO" program. The major shareholder of the Company, who owns the controlling interest of the Company (90%) is National Company "KazMunayGas" JSC (hereinafter "KMG" or "Parent Company"). 90% of KMG shares are owned by Sovereign Wealth Fund "Samruk-Kazyna" JSC (hereinafter – "Samruk-Kazyna"), controlled by the Government of the Republic of Kazakhstan. 10% of KMG shares are owned by the National Bank of the Republic of Kazakhstan.

As at 30 June 2017 and 31 December 2016 the Company had interest ownership in the following companies:

	Place of incorporation	Principal activities	Ownership	
			30 June 2017	31 December 2016
NWPC "MunaiTas" JSC (hereinafter – "MunaiTas")	Kazakhstan	Oil transportation	51%	51%
"Kazakhstan-China Pipeline" LLP (hereinafter – "KCP")	Kazakhstan	Oil transportation	50%	50%
"Batumi Terminals Limited" (hereinafter – "BTL")	Cyprus	Forwarding, transshipment and storage of oil and oil products and operating of Batumi Sea Port and Oil Terminal	–	100%
"Batumi Oil Terminal" LLC	Georgia	Forwarding, transshipment and storage of oil and oil products and operating of Batumi Sea Port	100%	–
"Petrotrans Limited"	British Virgin Islands	Forwarding of oil and oil products	100%	–

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

The Company's head office is located in Astana, Kazakhstan, 19 Kabanbay Batyr Avenue. The Company has 3 branches, which are located in Atyrau (Western branch), Pavlodar (Eastern branch), Almaty (Research and Development Centre) and representative offices in Russian Federation (Omsk and Samara). On 26 May 2017 Board of Directors decided to close branch in Astana (Main Information and Computing Center).

The Group operates network of main oil pipelines of 5,377 km and water pipelines of 1,975 km within the Republic of Kazakhstan. Also the Group is engaged in storage, loading, transshipment and transfer of crude oil to other related pipeline systems. Group's joint ventures MunaiTas and KCP own Kenkiyak-Atyrau, Kenkiyak-Kumkol, and Atasu-Alashankou pipelines used for transportation of Kazakhstani crude oil to China.

As at 30 June 2017 BTL was liquidated. Based on the decision of the BTL liquidator of 7 March 2017 100% of shares to Petrotrans Limited (hereinafter – "PTL") and 100% of the interest in Batumi Oil Terminal LLC (hereinafter – "BOT"), that was previously owned by BTL, were transferred to the Company. As at 30 June 2017, the Company received a certificate confirming its ownership of investment in PTL; the ownership of the Company for investment in BOT is at the stage of registration in the authorized bodies of Georgia. BOT has the exclusive right to manage 100% of the shares of Batumi Sea Port LLC (hereinafter – "BSP"). These changes did not affect the interim condensed consolidated financial statements.

The Company is a natural monopolist and, respectively, is subject to regulation of the Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter – "CRNMandPC"). CRNMandPC is responsible for approving the methodology for calculating the tariff and tariff rates, which serve as a base for receiving major part of the Group's revenue in domestic market of the Republic of Kazakhstan.

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

1. GENERAL (continued)

On 18 May 2015 amendments to the Law of the Republic of Kazakhstan *On Natural Monopolies and Regulated Markets* came into force. According to the amendments transit of crude oil through the pipelines on the territory of the Republic of Kazakhstan and export from the Republic of Kazakhstan is excluded from the regulation of natural monopolies.

From 1 October 2015 order of CRNMandPC dated 21 August 2015 approved the maximum tariffs for pumping oil on the domestic market for 2015-2019 in the amount of:

- in 2015 – 3,225.04 Tenge per tonne for 1,000 km without VAT;
- in 2016 – 3,547.46 Tenge per tonne for 1,000 km without VAT;
- in 2017 – 3,902.13 Tenge per tonne for 1,000 km without VAT*;
- in 2018 – 4,292.40 Tenge per tonne for 1,000 km without VAT;
- in 2019 – 4,721.72 Tenge per tonne for 1,000 km without VAT.

* The rate came into effect on 1 January 2017.

Starting from 1 April 2014 tariffs for pumping oil on the export from the Republic of Kazakhstan equals to 5,817.20 Tenge per tonne for 1,000 km without VAT.

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

In accordance with the Law of the Republic of Kazakhstan *On Natural Monopolies and Regulated Markets*, the Company, as a subject of natural monopolies, within the approved maximum tariffs for 2015-2019, has an obligation to execute an investment program aimed at capital construction/reconstruction/overhaul/diagnostics of production facilities for 2015-2019 (approved by the joint order of the Ministry of Energy of the Republic of Kazakhstan No. 73 of 28 February 2017 and the CRNMandPC No. 29-OD of 17 February 2017), in the total amount of 187.3 billion Tenge including:

- 2015 – 57.1 billion Tenge, including on the domestic market - 18.4 billion Tenge;
- 2016 – 38.4 billion Tenge, including on the domestic market – 12.5 billion Tenge;
- 2017 – 43.5 billion Tenge, including on the domestic market – 13.6 billion Tenge;
- 2018 – 028.9 billion Tenge, including on the domestic market – 9.6 billion Tenge;
- 2019 – 019.4 billion Tenge, including on the domestic market – 6.5 billion Tenge.

In accordance with the above-mentioned law for failure to implementation the actions with the approved investment program, CRNMandPC has the right to apply a compensating tariff.

The actual implementation of the investment program as at 30 June 2017 is as follows:

- 2015 – 70.5 billion Tenge;
- 2016 – 35.9 billion Tenge;
- 2017 – 3.6 billion Tenge (the main execution will be during the second half of 2017).

In accordance with the Rules for approval of the temporary compensating tariff approved by the order of the Minister of the National Economy of the Republic of Kazakhstan No. 484 of 23 November 2016, the temporary compensating tariff shall be applied upon the expiry of the tariff ceiling, which is, after 2019.

It is expected that the actions of the approved investment program will be implemented in general for a period of 5 years in accordance with the procedure established by law.

These interim condensed consolidated financial statements for the six months ended 30 June 2017 were signed and approved for issue by the General director and Chief accountant on 21 August 2017.

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES**Basis of preparation**

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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

The interim condensed consolidated financial statements do not include all information and disclosures required for annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

These interim condensed consolidated financial statements are presented in Tenge and all amounts are rounded to the nearest thousands, except for the book value of ordinary shares, earnings per share and when otherwise indicated. Each entity of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Functional currency of the Company and the joint ventures MunaiTas and KCP is Tenge. Functional currency of BTL, PTL, and BOT is US Dollar, functional currency of BSP is Georgian lari.

New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017.

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

Although these amendments apply for the first time in 2017, they do not have impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard and amendment are described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

New standards, interpretations and amendments thereof, adopted by the Group (continued)

Annual improvements 2014-2016 cycle

Amendments to IFRS 12 Disclosure of Interests in Other Entities: clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

These amendments do not affect the interim condensed consolidated financial statements since as at 30 June 2017 the Group does not have interests in other entities classified as held for sale.

Seasonality of operations

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

Foreign currency translation

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

Weighted average currency exchange rates for the six months ended 30 June 2017 and 2016 are as follows:

<i>Tenge</i>	For the six months ended 30 June	
	2017	2016
US Dollars	318.69	345.34
Russian Rubles	5.50	4.93
Euro	344.87	385.25
Georgian Lari	128.00	150.21

As at 30 June 2017 and 31 December 2016 the currency exchange rates of KASE are:

<i>Tenge</i>	30 June 2017	31 December 2016
US Dollars	322.27	333.29
Russian Rubles	5.44	5.43
Euro	367.52	352.42
Georgian Lari	134.39	126.25

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

Property, plant and equipment as at 30 June 2017 are as follows:

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
At revalued amount as at 31 December 2016 (audited)	19,803,815	202,402,253	14,258,143	96,958,727	145,295,540	88,061,076	15,398,884	40,428,912	622,607,350
Foreign currency translation	(458,707)	-	58,211	35,444	42,530	-	(3,897)	(20,792)	(347,211)
Additions	380	124,682	84,779	-	593,899	1,164	265,417	6,726,891	7,797,212
Disposals	-	(63,838)	(1,680)	(9,525)	(123,600)	(500,204)	(75,010)	(13,946)	(787,803)
Revaluation (revaluation reserve)	-	-	-	-	-	136	-	-	136
Transfers from construction in progress	763	321,370	180,697	492,292	1,846,216	-	313,870	(3,155,208)	-
Transfers to intangible assets (Note 4)	-	-	-	-	-	-	-	(35,907)	(35,907)
Transfers and reclassifications	-	8,498	(80,000)	151,878	312,565	-	133,068	(526,009)	-
At revalued amount as at 30 June 2017 (unaudited)	19,346,251	202,792,965	14,500,150	97,628,816	147,967,150	87,562,172	16,032,332	43,403,941	629,233,777
Accumulated depreciation and impairment as at 31 December 2016 (audited)	-	(5,664,218)	(797,704)	(2,026,280)	(7,868,018)	(199,540)	(1,838,562)	(57,681)	(18,452,003)
Foreign currency translation	-	-	(6,824)	(5,154)	(9,977)	-	(570)	-	(22,525)
Depreciation charge	-	(7,607,766)	(1,047,573)	(3,052,484)	(10,282,830)	-	(2,241,670)	-	(24,232,323)
Disposals	-	25,140	1,680	8,714	48,839	199,540	37,475	-	321,388
Impairment (through expenses)	-	(369)	-	-	(64)	-	-	-	(433)
Impairment (revaluation reserve)	-	(3,701)	-	-	(253)	-	-	-	(3,954)
Transfers and reclassifications	-	73	-	(8,147)	8,578	-	(504)	-	-
Accumulated depreciation and impairment as at 30 June 2017 (unaudited)	-	(13,250,841)	(1,850,421)	(5,083,351)	(18,103,725)	-	(4,043,831)	(57,681)	(42,389,850)

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

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
As at 30 June 2017 (unaudited)									
At revalued amount	19,346,251	202,792,965	14,500,150	97,628,816	147,967,150	87,562,172	16,032,332	43,403,941	629,233,777
Accumulated depreciation and impairment	-	(13,250,841)	(1,850,421)	(5,083,351)	(18,103,725)	-	(4,043,831)	(57,681)	(42,389,850)
Net book value (unaudited)	19,346,251	189,542,124	12,649,729	92,545,465	129,863,425	87,562,172	11,988,501	43,346,260	586,843,927
As at 31 December 2016 (audited)									
At revalued amount	19,803,815	202,402,253	14,258,143	96,958,727	145,295,540	88,061,076	15,398,884	40,428,912	622,607,350
Accumulated depreciation and impairment	-	(5,664,218)	(797,704)	(2,026,280)	(7,868,018)	(199,540)	(1,838,562)	(57,681)	(18,452,003)
Net book value (audited)	19,803,815	196,738,035	13,460,439	94,932,447	137,427,522	87,861,536	13,560,322	40,371,231	604,155,347

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 30 June 2017 construction in progress mainly includes the following production projects:

- Construction and reconstruction realized as a part of interstate “Kazakhstan-China” oil pipeline construction project;
- Reconstruction of main oil pipelines “Kalamkas-Karazhanbas-Aktau” on the “Karazhanbas-Aktau” route;
- Reconstruction of the WPS-5 to increase the supply of water for the water pipeline “Astrakhan-Mangyshlak”;
- Construction of acceptance points at 1,235 km of the oil pipeline “Uzen Atyrau-Samara” construction of nonperforming automated communication centers, upgrade of hardware for automation and instrumentation systems, modernization of the existing fiber-optic network, reconstruction of firefighting systems and others.

As at 30 June 2017:

- The initial cost and corresponding accumulated depreciation of fully depreciated property, plant and equipment were 1,296,283 thousand Tenge (31 December 2016: 1,482,726 thousand Tenge);
- The volume of oil in pipelines, included in property, plant and equipment, amounted to 2,460 thousand tons (31 December 2016: 2,460 thousand tons);
- Construction in progress included materials and spare parts in the amount of 3,071,941 thousand Tenge (as at 31 December 2016: 2,432,369 thousand Tenge), which were acquired for construction works.

The amount of depreciation for six months ended 30 June 2017 included in the cost of construction in progress was 18,598 thousand Tenge (for six months ended 30 June 2016: 8,293 thousand Tenge).

4. INTANGIBLE ASSETS

Intangible assets as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	Licenses	Software	Right for land use	Other	Total
Net book value as at 31 December 2016 (audited)					
	152,886	1,088,171	4,991,673	27,871	6,260,601
Additions	12,177	12,345	-	-	24,522
Amortization charge	(23,398)	(158,611)	(81,903)	(1,778)	(265,690)
Transfers and reclassifications from property, plant and equipment (Note 3)	11,221	24,686	-	-	35,907
Transfers and reclassifications	(16)	16	-	-	-
Foreign currency translation	(969)	-	309,382	-	308,413
Net book value as at 30 June 2017 (unaudited)	151,901	966,607	5,219,152	26,093	6,363,753
As at 30 June 2017 (unaudited)					
At cost	693,042	4,572,949	8,544,330	85,022	13,895,343
Accumulated amortization and impairment	(541,141)	(3,606,342)	(3,325,178)	(58,929)	(7,531,590)
Net book value (unaudited)	151,901	966,607	5,219,152	26,093	6,363,753
As at 31 December 2016 (audited)					
At cost	672,215	4,535,902	8,036,273	85,022	13,329,412
Accumulated amortization and impairment	(519,329)	(3,447,731)	(3,044,600)	(57,151)	(7,068,811)
Net book value (audited)	152,886	1,088,171	4,991,673	27,871	6,260,601

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	KCP	MunaiTas	Total
As at 31 December 2016 (audited)	–	15,728,257	15,728,257
Share in income of joint ventures	6,325,185	1,148,133	7,473,318
Unrecognised share in income of joint venture	(836,291)	–	(836,291)
Share in other comprehensive loss of joint venture	(58,524)	–	(58,524)
As at 30 June 2017 (unaudited)	5,430,370	16,876,390	22,306,760

Investments in joint ventures as at 30 June 2016 and 31 December 2015 are presented as follows:

<i>In thousands of Tenge</i>	KCP	MunaiTas	Total
As at 31 December 2015 (audited)	–	13,918,006	13,918,006
Share in income of joint ventures	3,419,584	1,075,113	4,494,697
Unrecognised share in income of joint venture	(3,419,584)	–	(3,419,584)
Share in other comprehensive (loss)/income of joint ventures	(372,581)	17,338	(355,243)
Unrecognized share in other comprehensive loss of joint venture	372,581	–	372,581
Dividends	–	(1,487,160)	(1,487,160)
As at 30 June 2016 (unaudited)	–	13,523,297	13,523,297

The following tables below show summarized financial information about joint ventures, including the Group's proportionate share:

<i>In thousands of Tenge</i>	KCP			
	30 June 2017 (unaudited)		31 December 2016 (audited)	
	50%	100%	50%	100%
Assets and liabilities of joint ventures				
Current assets	11,095,815	22,191,630	8,302,354	16,604,708
Non-current assets	106,882,049	213,764,098	110,886,209	221,772,418
Current liabilities	(21,328,038)	(42,656,076)	(20,275,079)	(40,550,158)
Non-current liabilities	(91,219,456)	(182,438,912)	(99,421,809)	(198,843,618)
Net assets/(liabilities)	5,430,370	10,860,740	(508,325)	(1,016,650)
Unrecognised accumulated comprehensive loss	–	–	508,325	1,016,650
Net book value of investment	5,430,370	10,860,740	–	–
Additional information				
Cash and cash equivalents	6,850,273	13,700,546	6,259,460	12,518,920
Short-term financial liabilities, net of trade and other payables	(15,618,413)	(31,236,826)	(16,270,055)	(32,540,110)
Long-term financial liabilities	(87,766,952)	(175,533,904)	(97,898,723)	(195,797,446)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INVESTMENTS IN JOINT VENTURES (continued)

<i>In thousands of Tenge</i>	MunaiTas			
	30 June 2017 (unaudited)		31 December 2016 (audited)	
	51%	100%	51%	100%
Assets and liabilities of joint ventures				
Current assets	7,249,422	14,214,553	5,808,421	11,389,061
Non-current assets	12,987,149	25,464,998	13,464,948	26,401,859
Current liabilities	(585,625)	(1,148,284)	(706,488)	(1,385,271)
Non-current liabilities	(2,774,556)	(5,440,306)	(2,838,624)	(5,565,929)
Net assets	16,876,390	33,090,961	15,728,257	30,839,720
Unrecognised accumulated comprehensive loss	-	-	-	-
Net book value of investment	16,876,390	33,090,961	15,728,257	30,839,720
Additional information				
Cash and cash equivalents	6,976,502	13,679,416	5,641,461	11,061,688
Short-term financial liabilities, net of trade and other payables	-	-	-	-
Long-term financial liabilities	-	-	-	-
KCP				
For the six months ended 30 June (unaudited)				
<i>In thousands of Tenge</i>	2017		2016	
	50%	100%	50%	100%
Information on profit or loss and other comprehensive income of joint ventures for the period				
Revenue	15,185,940	30,371,880	14,178,520	28,357,040
Income from continuing operations for the period	6,325,185	12,650,370	3,419,584	6,839,168
Unrecognised income	(836,291)	(1,672,582)	(3,419,584)	(6,839,168)
Income/(loss) from discontinuing operations for the period	-	-	-	-
Other comprehensive loss	(58,524)	(117,048)	(372,581)	(745,162)
Unrecognised other comprehensive loss	-	-	372,581	745,162
Total comprehensive income	5,430,370	10,860,740	-	-
Dividends	-	-	-	-
Additional information				
Depreciation and amortization	(3,608,399)	(7,216,798)	(3,585,642)	(7,171,284)
Interest income	38,562	77,124	34,554	69,108
Interest expense	(3,047,792)	(6,095,584)	(2,831,686)	(5,663,372)
Income on exchange rate differences	3,704,910	7,409,820	184,609	369,218
Income tax expense	(1,641,317)	(3,282,634)	(93,145)	(186,290)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)**
5. INVESTMENTS IN JOINT VENTURES (continued)

<i>In thousands of Tenge</i>	KCP			
	For the three months ended 30 June (unaudited)			
	2017		2016	
	50%	100%	50%	100%
Information on profit or loss and other comprehensive income of joint ventures for the period				
Revenue	7,902,503	15,805,006	6,170,519	12,341,038
Income from continuing operations for the period	8,469	16,938	2,528,726	5,057,452
Unrecognised income	-	-	(2,528,726)	(5,057,452)
Income/(loss) from discontinuing operations for the period	-	-	-	-
Other comprehensive loss	(386,490)	(772,980)	-	-
Total comprehensive loss	(378,021)	(756,042)	-	-
Dividends	-	-	-	-
Additional information				
Depreciation and amortization	(1,804,182)	(3,608,364)	(1,779,476)	(3,558,953)
Interest income	14,646	29,292	19,867	39,735
Interest expense	(1,506,222)	(3,012,444)	(1,383,431)	(2,766,863)
(Expenses)/income on exchange rate differences	(2,531,925)	(5,063,850)	1,761,355	3,522,710
Income tax benefit	84,360	168,720	-	-
Information on profit or loss and other comprehensive income of joint ventures for the period				
Revenue	2,417,263	4,739,731	2,624,637	5,146,347
Income from continuing operations for the period	1,148,133	2,251,241	1,075,113	2,108,065
Income/(loss) from discontinuing operations for the period	-	-	-	-
Other comprehensive income	-	-	17,338	33,996
Total comprehensive income	1,148,133	2,251,241	1,092,451	2,142,061
Dividends	-	-	(1,487,160)	(2,916,000)
Additional information				
Depreciation and amortization	(505,016)	(990,227)	(528,766)	(1,036,796)
Interest income	269,172	527,788	191,809	376,096
Interest expense	-	-	-	-
Income tax expense	(288,533)	(565,751)	(309,045)	(605,971)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INVESTMENTS IN JOINT VENTURES (continued)

<i>In thousands of Tenge</i>	MunaiTas			
	For the three months ended 30 June (unaudited)			
	2017		2016	
	51%	100%	51%	100%
Information on profit or loss and other comprehensive income of joint ventures for the period				
Revenue	1,208,724	2,370,047	1,211,158	2,374,819
Income from continuing operations for the period	562,955	1,103,833	420,249	824,018
Income/(loss) from discontinuing operations for the period	-	-	-	-
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive income	562,955	1,103,833	420,249	824,018
Dividends	-	-	(1,487,160)	(2,916,000)
Additional information				
Depreciation and amortization	(252,149)	(494,409)	(264,268)	(518,172)
Interest income	133,747	262,249	141,715	277,872
Interest expense	-	-	-	-
Income tax expense	(141,788)	(278,016)	(143,905)	(282,167)

6. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

Advances to suppliers for property, plant and equipment as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Advances to third parties for property, plant and equipment and construction services	2,041,919	1,717,166
Advances to related parties for property, plant and equipment and construction services (Note 31)	274,531	14,695
	2,316,450	1,731,861
Less: allowance for doubtful debts	(53,258)	(53,258)
Total	2,263,192	1,678,603

7. INVENTORIES

Inventories as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Spare parts	2,375,711	1,511,168
Fuel	1,753,510	1,580,081
Construction materials	917,530	517,552
Chemical reagents	721,788	62,220
Overalls	324,421	144,234
Goods	80,717	133,548
Other	443,312	450,232
Total	6,616,989	4,399,035

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade and other accounts receivable of the Group as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Trade accounts receivable from third parties	5,171,242	5,151,952
Trade accounts receivable from related parties (Note 31)	5,039,291	3,030,762
Other accounts receivable from third parties	577,055	672,111
Other accounts receivable from related parties (Note 31)	788	509
	10,788,376	8,855,334
Less: allowance for doubtful debts	(2,336,800)	(2,378,382)
Total	8,451,576	6,476,952

Movement in allowance for doubtful debts related to trade and other accounts receivable for the three and six months ended 30 June 2017 and 2016 is presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June	
	2017	2016	2017	2016
At the beginning of the period	2,341,100	789,425	2,378,382	759,853
Reversal for the period	(54,611)	(42,020)	(30,564)	(31,294)
Write-off of accounts receivable	-	(1,351)	-	(1,351)
Foreign currency translation	50,311	(615)	(11,018)	18,231
At the end of the period (unaudited)	2,336,800	745,439	2,336,800	745,439

Trade and other accounts receivable of the Group as at 30 June 2017 and 31 December 2016 are denominated as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Tenge	6,923,687	5,192,550
US Dollars	1,491,466	977,206
Russian Ruble	1,618	1,569
Other currency	34,805	305,627
Total	8,451,576	6,476,952

9. ADVANCES TO SUPPLIERS

Advances to suppliers as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Advances to third parties	1,704,984	117,504
Advances to related parties (Note 31)	842,137	257,916
	2,547,121	375,420
Less: allowance for doubtful debts	(1,265)	(38)
Total	2,545,856	375,382

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. VAT RECOVERABLE AND OTHER PREPAID TAXES

VAT recoverable and other prepaid taxes as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
VAT recoverable	5,686,854	6,072,444
Withholding tax at the source of payment	30,810	31,585
Property tax	6,602	231,808
Other taxes prepaid	243,183	110,541
Total	5,967,449	6,446,378

11. OTHER CURRENT ASSETS

Other current assets as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Due for oil transportation coordination services	4,835,823	5,551,741
Prepaid insurance	857,208	31,629
Due from employees	75,068	24,252
Deferred expenses from third parties	17,930	31,547
Deferred expenses from related parties (Note 31)	3,135	5,791
Other	27,011	82,169
Total	5,816,175	5,727,129

12. BANK DEPOSITS

Bank deposits as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Short-term bank deposits – US Dollar	20,517,169	14,498,115
Restricted bank deposits – US Dollar	1,357,079	–
Short-term bank deposits – Tenge	–	1,000,000
Long-term bank deposits – Tenge	3,931,444	4,182,770
Accrued interest on deposits – US Dollar	78,970	80,788
Accrued interest on deposits – Tenge	56,115	96,715
Total	25,940,777	19,858,388

As at 30 June 2017 bank deposits comprised of the following:

- US Dollar denominated short-term bank deposits placed with Kazakhstani banks with maturity from 3 to 12 months, with interest from 0.6% to 2% per annum (as at 31 December 2016: from 1% to 2% per annum), maturing mainly in July and December 2017 (as at 31 December 2016: maturing in July and August 2017);
- Restricted deposits:
 - short-term bank deposit in the amount of 4,211 thousand US Dollar (equivalent to 1,357,079 thousand Tenge) placed with a foreign bank with a 4% interest rate per annum, maturing in February 2018, arranged as collateral for a bank guarantee in favor of “Georgian Railways” JSC to get a discount on tariff for the railway services.
 - long-term bank deposits comprise restricted deposits with interest from 2% to 3.5% per annum maturing in 2029 and in 2027, respectively (as at 31 December 2016: from 2% to 3.5% per annum maturing in 2029 and 2026, respectively), arranged for the purpose of preferential lending rates for the Company’s employees for the purchase of residential property.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Time deposits with banks – Tenge	25,278,771	52,590,424
Time deposits with banks – US Dollar	–	10,699,446
Current accounts with banks – Tenge	1,917,734	285,255
Current accounts with banks – US Dollar	1,319,334	5,370,006
Current accounts with banks – Lari	171,125	268,298
Current accounts with banks – Euro	29,327	59,992
Current accounts with banks – Russian Ruble	5,250	4,999
Other current accounts with banks	9,428	15,127
Cash in transit	853,490	52
Cash on hand	1,340	830
Total	29,585,799	69,294,429

As at 30 June 2017 most current accounts and time deposits with maturity less than 3 months in Tenge placed with Kazakhstani banks carried interest ranging from 0.5% to 9.43% per annum (as at 31 December 2016: from 0.5% to 10.50% per annum).

Interest for current accounts and time deposits with maturity less than 3 months placed in US Dollars ranged from 0.25% to 4% per annum (as at 31 December 2016: from 0.25% to 4% per annum).

14. EQUITY

Share capital

As at 30 June 2017 and 31 December 2016 the Company's share capital comprised of 384,635,600 common shares authorized, issued and fully paid in the amount of 62,503,284 thousand Tenge, except for 1 share, which was authorized but not issued and not paid.

As at 30 June 2017 and 31 December 2016 the share capital was equal to 61,937,567 thousand Tenge, net of consulting costs related to the issuance of shares in the amount of 565,717 thousand Tenge.

Asset revaluation reserve

Revaluation reserve was formed based on a revaluation and impairment of property, plant and equipment of the Group and share in the asset revaluation reserve of the joint ventures.

<i>In thousands Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Asset revaluation reserve of the Group	196,011,344	207,642,414
Share in the asset revaluation reserve of the joint ventures	21,776,373	22,704,244
Total	217,787,717	230,346,658

Foreign currency translation reserve

As at 30 June 2017 foreign currency translation reserve was equal to 32,928,681 thousand Tenge (as at 31 December 2016: 32,918,111 thousand Tenge). Change in foreign currency translation reserve is due to the translation of the operations of the foreign subsidiaries.

Other capital reserves

As at 30 June 2017, other capital reserves comprised a loss of 846,135 thousand Tenge (as at 31 December 2016: 695,389 thousand Tenge). The change in other capital reserves is due to the write-off of deferred tax assets related to long-term liabilities for employee benefits in the amount of 150,746 thousand Tenge.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. EQUITY (continued)

Dividends

On 30 June 2017 the Company accrued and paid dividends as the result of 2016 year to the shareholders based on the decision of the shareholders meeting dated 25 May 2017 in the amount of 59,617,355 thousand Tenge based on 155 Tenge per 1 share (as at 31 December 2016: 51,156,535 thousand Tenge based on 133 Tenge per 1 share), including 53,656,666 thousand Tenge related to KMG (as at 31 December 2016: 46,040,881 thousand Tenge) and 5,960,689 thousand Tenge related to minority shareholders (as at 31 December 2016: 5,115,654 thousand Tenge).

Earnings per share

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

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

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

<i>In thousands Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2017	2016	2017	2016
Net profit for the period attributable to ordinary equity holders of the Parent of the Group	15,612,646	18,715,782	32,734,098	38,522,890
Weighted average number of ordinary shares for the period for basic earnings per share	384,628,099	384,633,099	384,628,099	384,634,349
Basic earnings per share, in relation to profit for the period attributable to ordinary equity holders of the Company, as a Parent company of the Group (in Tenge)	41	49	85	100

Book value per ordinary share

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

<i>In thousands Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Total assets	706,093,641	744,975,997
Less: intangible assets (Note 4)	(6,363,753)	(6,260,601)
Less: total liabilities	(145,718,034)	(157,000,715)
Net assets for calculation of book value per ordinary share	554,011,854	581,714,681
Number of ordinary shares	384,628,099	384,628,099
Book value per ordinary share (in Tenge)	1.440	1.512

15. EMPLOYEE BENEFIT LIABILITIES

The Company has employee benefit liabilities, mainly consisting of additional payments for pensions and jubilee obligations, applicable to all employees. These payments are unfunded.

Employee benefit liabilities as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Current portion of employee benefit liabilities	501,908	543,418
Non-current portion of employee benefit liabilities	12,814,609	11,994,599
Total	13,316,517	12,538,017

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. EMPLOYEE BENEFIT LIABILITIES (continued)

Changes in the present value of employee benefit liabilities for the three and six months ended 30 June 2017 and 2016 are as follows:

<i>In thousands Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June	
	2017	2016	2017	2016
At the beginning of the period	12,916,204	15,849,058	12,538,017	15,533,710
Current services cost (Notes 23, 24)	279,266	267,499	559,272	534,999
Interest cost (Note 28)	277,390	208,086	555,516	416,171
Benefits paid	(156,343)	(117,958)	(336,288)	(278,195)
At the end of the period (unaudited)	13,316,517	16,206,685	13,316,517	16,206,685

16. DEFERRED INCOME

As at 30 June 2017 deferred income represents advances in the amount of 7,375,645 thousand Tenge (31 December 2016: 7,731,328 thousand Tenge), which are represented by the Group from "Batumi International Container Terminal" LLC based on agreement for operating lease of land.

17. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Accounts payable to third parties for goods and services	5,066,057	13,330,438
Accounts payable to related parties for goods and services (Note 31)	812,394	1,947,068
Other accounts payable to third parties	122,668	106,515
Other accounts payable to related parties (Note 31)	773	777
Total	6,001,892	15,384,798

As at 30 June 2017 trade and other accounts payable included payables to related and third parties for property, plant and equipment, for works and services related to the construction-in-progress in the amount of 2,187,966 thousand Tenge (as at 31 December 2016: 11,769,003 thousand Tenge).

Trade and other accounts payable as at 30 June 2017 and 31 December 2016 are denominated in the following currencies:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Tenge	5,300,393	14,755,776
US Dollar	350,952	113,875
Euro	2,578	20,135
Russian Ruble	884	44,737
Other currency	347,085	450,275
Total	6,001,892	15,384,798

18. ADVANCES RECEIVED

Advances received as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Advances received from related parties (Note 31)	10,783,636	10,407,356
Advances received from third parties	6,816,626	6,037,076
Total	17,600,262	16,444,432

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. OTHER TAXES PAYABLE

Other taxes payable as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Personal income tax	3,241,986	2,833,115
Withholding tax at the source of payment to non-residents	1,177,252	1,172,181
VAT payable	525,920	8,650
Social tax	461,769	530,575
Property tax	69,610	162,122
Other taxes	284,222	349,023
Total	5,760,759	5,055,666

20. PROVISIONS

Short-term provisions as at 30 June 2017 included tax provisions in the amount of 176,604 thousand Tenge and other provisions in the amount of 41,125 thousand Tenge (as at 31 December 2016: 166,978 thousand Tenge and 41,125 thousand Tenge, respectively).

Long-term provisions

Asset retirement and land reclamation obligation

As at 30 June 2017 the Group revised the long-term provisions considering current best estimate, which was based on the discount rate of 8.32% (as at 31 December 2016: 8.72%). As at 30 June 2017 and 31 December 2016 the inflation rate was 5.58%.

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June	
	2017	2016	2017	2016
At the beginning of the period	14,797,210	18,276,981	15,022,086	21,999,701
Charge for the period (Note 3)	-	-	-	41,661
Net income/(loss) from revision of estimates and write-off of provision through profit and loss (Note 25)	17,788	(395,556)	(260,173)	(1,316,196)
Revision of estimates through revaluation reserve	907,649	(902,324)	643,329	(4,107,092)
Unwinding of discount (Note 28)	316,797	369,742	634,202	730,769
At the end of the period (unaudited)	16,039,444	17,348,843	16,039,444	17,348,843

21. OTHER CURRENT LIABILITIES

Other current liabilities as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Accounts payable for oil transportation coordination services to related parties (Note 31)	5,717,075	5,656,284
Salaries and other compensations	4,751,198	9,506,279
Accounts payable for oil transportation coordination services to third parties	4,418,978	5,067,651
Current portion of deferred income from third parties	504,158	460,940
Payable to pension fund	486,403	580,524
Other	869,404	1,241,923
Total	16,747,216	22,513,601

Salaries and other compensations include current salary payable and vacation payments payable.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. REVENUE

Revenue for the three and six months ended 30 June 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2017	2016	2017	2016
Crude oil transportation	44,998,801	42,110,272	89,883,100	87,121,037
Pipeline operation services	2,465,788	2,320,423	4,927,127	4,602,809
Oil reloading and railway shipment	1,756,805	1,545,839	4,265,666	4,538,804
Water transportation	1,837,880	1,829,021	3,558,868	3,493,077
Seaport services	1,055,966	1,262,555	2,177,927	2,689,508
Fees for undelivered oil volumes	1,173,285	421,982	1,995,246	512,782
Oil transportation coordination services	168,985	166,495	330,296	353,896
Oil storage services	28,046	14,685	61,499	38,326
Other	201,852	85,075	437,827	1,067,755
Total	53,687,408	49,756,347	107,637,556	104,417,994

During the six months ended 30 June 2017 the revenue from three major customers amounted to 24,532,176 thousand Tenge, 12,379,752 thousand Tenge and 6,850,070 thousand Tenge (for the six months ended 30 June 2016: 26,037,455 thousand Tenge, 11,979,836 thousand Tenge and 6,842,689 thousand Tenge, respectively).

23. COST OF SALES

Cost of sales for the three and six months ended 30 June 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2017	2016	2017	2016
Depreciation and amortization	11,795,359	8,768,185	23,869,934	18,000,827
Personnel costs	10,882,050	9,743,215	22,410,535	19,957,062
Taxes other than income tax	1,904,464	1,442,542	3,823,561	3,105,761
Electric energy	1,742,965	1,584,635	3,624,448	3,390,060
Materials and fuel	1,773,634	1,446,975	3,082,852	2,588,967
Repair and maintenance	1,385,491	1,218,862	2,239,001	2,096,671
Security services	1,066,541	1,006,896	2,129,501	2,009,453
Gas expenses	570,323	639,437	1,494,444	1,754,048
Railway services	480,939	(30,915)	1,328,937	1,116,139
Air services	396,108	379,675	671,043	745,621
Post-employment benefits (Note 15)	263,198	251,121	527,088	502,242
Business trip expenses	251,839	251,737	413,275	395,870
Insurance	159,921	161,981	317,505	323,677
Operational rent expenses	82,329	55,551	136,856	121,378
Communication services	62,998	67,735	125,093	128,108
Environmental protection	67,636	60,585	97,471	105,088
Diagnostics of pipelines	21,613	48,394	22,033	50,475
Other	729,950	587,251	1,310,285	927,140
Total	33,637,358	27,683,862	67,623,862	57,318,587

Increase in personnel costs is due to the indexation of salaries of operating personnel made starting from 1 January 2017 and accrual of premiums on statutory holidays.

The increase in depreciation and amortization expenses and taxes (except for income tax) is primarily associated with a significant commissioning of objects of construction in progress as well as a significant revaluation of property, plant and equipment during 2016.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three and six months ended 30 June 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2017	2016	2017	2016
Personnel costs	1,770,996	1,869,095	3,748,809	3,598,960
Depreciation and amortization	303,635	225,535	609,481	444,204
Consulting services	148,268	118,818	318,261	242,899
Office maintenance	128,072	120,035	243,929	222,685
Taxes other than income tax	78,445	55,206	207,118	131,272
Business trip expenses	99,503	78,723	145,670	144,119
Repair and technical maintenance	87,688	59,499	134,270	105,776
Training	43,753	30,100	73,186	52,245
Operational rent expense	48,441	10,243	69,728	19,960
Insurance and security	33,100	36,643	66,156	70,388
Bank costs	26,019	24,544	59,232	51,724
Information expenses	30,153	24,757	50,545	44,127
Communication services	23,178	23,920	47,528	49,350
Social sphere expenses	17,103	5,525	45,421	5,658
Write-off of VAT recoverable	9,949	15,514	44,702	57,579
Post-employment benefits (Note 15)	16,068	16,378	32,184	32,757
Advertisement expenses	31,366	16,319	31,794	23,915
Materials and fuel	7,342	10,561	23,056	26,319
Charity expenses	10,412	81,529	19,759	90,086
Reversal of provision for allowance for doubtful debts, net	(53,397)	(42,031)	(29,299)	(31,294)
Other	81,178	132,191	240,626	301,887
Total	2,941,272	2,913,104	6,182,156	5,684,616

25. OTHER OPERATING INCOME

Other operating income for the three and six months ended 30 June 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2017	2016	2017	2016
Net (loss)/income from revision of estimates and provision on asset retirement and land reclamation obligation (Note 20)	(17,788)	395,556	260,173	1,316,196
Income from fines and penalties	156,619	88,630	227,155	189,432
Income from disposal of inventories	203,486	23,247	224,381	26,014
Other income	21,813	315,959	250,770	370,101
Total	364,130	823,392	962,479	1,901,743

26. OTHER OPERATING EXPENSES

Other operating expenses for the three and six months ended 30 June 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2017	2016	2017	2016
Net loss on disposal of property, plant and equipment and intangible assets	30,874	68,652	434,711	87,833
Loss on disposal of inventories	202,354	14,250	202,354	15,462
Other expenses	15,514	53,948	49,723	90,355
Total	248,742	136,850	686,788	193,650

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. FINANCE INCOME

Finance income for the three and six months ended 30 June 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2017	2016	2017	2016
Interest income on bank deposits and current accounts	1,579,637	1,725,336	2,929,723	2,473,311
Unwinding of discount on loans to employees	1,325	2,439	3,480	6,011
Unwinding of discount on interest free loan (Note 31)	-	642,790	-	1,264,921
Other finance income from third parties	3,795	9,055	6,373	17,612
Total	1,584,757	2,379,620	2,939,576	3,761,855

28. FINANCE COSTS

Finance costs for the three and six months ended 30 June 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2017	2016	2017	2016
Unwinding of discount on asset retirement and land reclamation obligation (Note 20)	316,797	369,742	634,202	730,769
Interest cost on employee benefit liabilities (Note 15)	277,390	208,086	555,516	416,171
Other finance costs	-	9,324	-	9,324
Total	594,187	587,152	1,189,718	1,156,264

29. INCOME TAX EXPENSE

Income tax expense for the three and six months ended 30 June 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2017	2016	2017	2016
Current income tax expense	4,549,717	5,374,926	8,073,729	10,202,541
Deferred income tax (benefit)/expense	(881,195)	(2,983,466)	626,047	(2,938,708)
Income tax expense	3,668,522	2,391,460	8,699,776	7,263,833

Movement in deferred income tax liabilities for the three and six months ended 30 June 2017 and 2016 was presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June	
	2017	2016	2017	2016
At the beginning of the period	62,566,851	41,371,123	60,856,513	40,682,643
Charged to profit and loss	(881,195)	(2,983,466)	626,047	(2,938,708)
Charged to other comprehensive (income)/loss	(181,779)	(684,739)	21,317	(43,532)
Foreign currency translation	-	(62,419)	-	(59,904)
At the end of the period (unaudited)	61,503,877	37,640,499	61,503,877	37,640,499

The accrual of deferred income tax expense for the six-month period ended 30 June 2017 is mainly attributable to the Company's revision of estimates in respect of the deductibility of employee benefits expenses for the purpose of determination of taxable income.

The recognition of the deferred income tax benefit for the six-month period ended 30 June 2016 is mainly attributable to the write-off of the book value of the deferred tax liability for the BOT group in connection with a change in the tax legislation of Georgia providing for a change in the taxable base for the calculation of CITs from resident entrepreneurs.

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

30. SEGMENT INFORMATION

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**30. SEGMENT INFORMATION (continued)**

Information on revenue, profit, assets and liabilities of the Group's segments for the three months ended 30 June 2017 and 2016 respectively:

<i>In thousands Tenge</i>	For the three months ended 30 June 2017 (unaudited)				For the three months ended 30 June 2016 (unaudited)			
	Oil transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Other	Total segments	Oil transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Other	Total segments
Revenue								
External customers	50,712,329	2,007,972	967,107	53,687,408	46,896,587	1,636,733	1,223,027	49,756,347
Total revenue	50,712,329	2,007,972	967,107	53,687,408	46,896,587	1,636,733	1,223,027	49,756,347
Financial results								
Impairment of property, plant and equipment through profit and loss	(297)	-	-	(297)	(78)	-	-	(78)
Depreciation and amortization	(11,505,259)	(395,692)	(198,043)	(12,098,994)	(8,292,894)	(580,887)	(119,939)	(8,993,720)
Interest income	1,577,775	(1,006)	6,663	1,583,432	1,713,108	10,914	10,369	1,734,391
Share in income of joint ventures	571,424	-	-	571,424	420,249	-	-	420,249
Income tax (expense)/benefit	(3,664,093)	(3,791)	(638)	(3,668,522)	(4,889,850)	1,849,189	649,201	(2,391,460)
Segment profit/(loss) for the period	15,826,399	(16,303)	(197,450)	15,612,646	16,179,958	1,421,325	1,114,499	18,715,782

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**31. RELATED PARTY TRANSACTIONS**

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

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

The following tables provide the total amount of transactions, which have been entered into with related parties during six months ended 30 June 2017 and 30 June 2016 and the related balances as at 30 June 2017 and 31 December 2016.

Advances given to related parties for property, plant and equipment are as follows:

<i>In thousands of Tenge</i>	Notes	30 June 2017 (unaudited)	31 December 2016 (audited)
Advances given to related parties for property, plant and equipment and construction services			
Advances given to entities under common control of KMG		15,139	14,695
Advances given to entities under common control of Samruk-Kazyna Group		259,392	-
Total advances given to related parties for property, plant and equipment and construction services	6	274,531	14,695

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

<i>In thousands Tenge</i>	Notes	30 June 2017 (unaudited)	31 December 2016 (audited)
Trade and other accounts receivable from related parties			
Trade accounts receivable from joint ventures		4,359,859	2,218,268
Trade accounts receivable from entities under common control of KMG		677,582	812,058
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		1,850	436
Total trade accounts receivable from related parties	8	5,039,291	3,030,762
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group	8	788	509
Total trade and other accounts receivable from related parties		5,040,079	3,031,271

Advances provided to related parties are as follows:

<i>In thousands Tenge</i>	Notes	30 June 2017 (unaudited)	31 December 2016 (audited)
Advances paid to related parties			
Advances paid to entities under common control of KMG		483,299	140,560
Advances paid to entities under common control of Samruk-Kazyna Group		358,838	117,356
Total advances paid to related parties	9	842,137	257,916

Deferred expenses on transactions with related parties are as follows:

<i>In thousands of Tenge</i>	Notes	30 June 2017 (unaudited)	31 December 2016 (audited)
Deferred expenses from related parties			
Deferred expenses from entities under common control of Samruk-Kazyna Group		3,135	5,791
Total deferred expenses from related parties	11	3,135	5,791

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**31. RELATED PARTY TRANSACTIONS (continued)**

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

<i>In thousands Tenge</i>	Notes	30 June 2017 (unaudited)	31 December 2016 (audited)
Accounts payable to related parties for goods and services			
Accounts payable to entities under common control of KMG		474,308	668,777
Accounts payable to entities under common control of Samruk-Kazyna Group		338,086	1,278,291
Total accounts payable to related parties for goods and services	17	812,394	1,947,068
Other payable to related parties			
Other payable to entities under common control of Samruk-Kazyna Group	17	773	777
Total trade and other accounts payable to related parties		813,167	1,947,845

Advances received from related parties are as follows:

<i>In thousands Tenge</i>	Notes	30 June 2017 (unaudited)	31 December 2016 (audited)
Advances received from related parties			
Advances from entities under common control of KMG		10,430,828	9,990,855
Advances from entities under common control of Samruk-Kazyna Group		352,805	416,492
Advances from joint ventures		3	9
Total advances received from related parties	18	10,783,636	10,407,356

Other current liabilities to related parties are as follows:

<i>In thousands Tenge</i>	Notes	30 June 2017 (unaudited)	31 December 2016 (audited)
Accounts payable for oil transportation coordination to related parties			
Accounts payable for oil transportation coordination to entities under common control of KMG		5,717,075	5,656,284
Total accounts payable for oil transportation coordination to related parties	21	5,717,075	5,656,284
Employee benefit obligations of key management personnel			
Employee benefit obligations of key management personnel		267,266	43,840
Total employee benefit obligations of key management personnel		267,266	43,840
Total other current liabilities to related parties		5,984,341	5,700,124

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**31. RELATED PARTY TRANSACTIONS (continued)****Transactions with related parties**

The following tables provide the total amount of transactions, which have been entered into with related parties during the three and six months ended 30 June 2017 and 2016:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2017	2016	2017	2016
Sales to related parties				
Revenue from main activities with entities under common control of KMG	28,529,299	28,425,147	57,122,671	57,536,620
Revenue from main activities with joint ventures	2,095,849	1,974,500	4,189,790	3,953,166
Revenue from main activities with entities under common control of Samruk-Kazyna Group	978,841	1,076,348	1,969,989	2,336,424
Revenue from other activities with entities under common control of KMG	65,077	18,975	66,955	21,057
Revenue from other activities with entities under common control of Samruk-Kazyna Group	279	1,338	279	1,338
Total	31,669,345	31,496,308	63,349,684	63,848,605

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

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2017	2016	2017	2016
Purchases from related parties				
Purchases of services from entities under common control of KMG	1,918,865	2,181,575	3,914,352	4,806,728
Purchases of services from entities under common control of Samruk-Kazyna Group	759,876	683,232	1,543,176	1,391,521
Purchases of property, plant and equipment and intangible assets from entities under common control of Samruk-Kazyna Group	185,996	-	732,053	-
Purchases of inventory from entities under common control of KMG	440,612	373,793	765,051	639,083
Purchases of property, plant and equipment and intangible assets from entities under common control of KMG	113,331	122,531	170,564	237,891
Purchases of inventory from entities under common control of Samruk-Kazyna Group	-	17,106	-	17,362
Purchases of services from joint ventures	-	-	-	4,877
Total	3,418,680	3,378,237	7,125,196	7,097,462

Finance income of the Group from transactions with related parties is as follows:

<i>In thousands of Tenge</i>	Notes	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
		2017	2016	2017	2016
Finance income from related parties					
Discounting of interest free loans provided to KMG		-	642,790	-	1,264,921
Total	27	-	642,790	-	1,264,921

Total accrued compensation to key management personnel for the six months ended 30 June 2017 amounts to 124,170 thousand Tenge (for the six months ended 30 June 2016: 321,835 thousand Tenge). Payments to key personnel consist primarily of payroll costs and remuneration established by contracts and Company's internal regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. CONTRACTUAL LIABILITIES AND COMMITMENTS

Information on contractual liabilities and commitments of the Group is disclosed in the consolidated financial statements for the year ended 31 December 2016. During six months ended 30 June 2017 there were no significant changes, except for the following:

Contractual commitments

As at 30 June 2017 the Group had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 37,454,346 thousand Tenge (31 December 2016: 25,628,294 thousand Tenge). Given contractual obligations are part of investment program (*Note 1*).

Share of the Group as at 30 June 2017 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services for the amount of 428,698 thousand Tenge (31 December 2016: 147,419 thousand Tenge).

Tax commitments of Georgian entities

In 2015 Georgian Tax Authorities (hereinafter – “GTA”) additionally accrued taxes and fines in the amount of 3,026 million US Dollars (equivalent to 975,189 thousand Tenge) as a result of tax inspections of BSP for the period of 2009-2014. BSP did not agree with the decision of GTA and filed an appeal.

As a result, within 6 months of 2017, the accrued taxes were reduced to 2,396 thousand Dollars (equivalent to 772,159 thousand Tenge) by the decision of the revenue service audit department. BSP is going to file another appeal to the Board of Dispute Resolution under the Georgia Revenue Service.

At the moment, the work on the resolution of disputes by the decision of the audit department of the Revenue Service is at the stage of execution.

In 2016 based on the analysis of local tax legislation and current practice related to similar tax cases in Georgia management of BTL Group recognized tax liabilities in the amount of 939 thousand Dollars (equivalent to 302,612 thousand Tenge). The remaining amount of 1,457 thousand US Dollars (equivalent to 469,547 thousand Tenge) is not recognized as an additional liability as the management believes that an appeal of BSP will be successful and assesses probability of outflow of economic benefits as a remote.

Legal proceedings BOT

On 19 December 2016 the proposal from the law enforcement agencies of Georgia on the implementation of the court ruling was received, which contains the order that BOT should not use its dominant position in the market, as well as the requirements on conclusion of the agreement on services. According to this definition, the court decided to arrest the property owned by BOT – the land plot (c. Batumi) and buildings and constructions located on it. As at 30 June 2017 the total cost of the arrested property is 53.2 million US Dollars (equivalent to 17,145 million Tenge). This arrest restricts the alienation of the arrested property, but does not affect the operational and economic activities of BOT. On 23 December 2016, BOT appealed the above decision in the Tbilisi City Court.

On 15 February 2017, BOT received a statement of claim according to which the plaintiff (Vibro Diagnostic) requires the court to oblige BOT to enter into a service contract on the terms specified at the claimant’s claim, and also compensate the plaintiff for damages in amount of 2,500 thousand US Dollars (equivalent to 805,675 thousand Tenge) and, additionally from 1 December 2016 until the execution of the court decision, a monthly amount of 280 thousand US Dollars (equivalent to 90,236 thousand Tenge). On 24 February 2017 the plaintiff and the court sent a response to the statement of claim with the position of the BNT in this case.

As at 30 June 2017, the Group did not recognize any additional obligations due to the opinion of BOT management, the plaintiff’s claims against BOT are not supported.

Expropriation of the BSP assets

In accordance with BSP Management Right agreement between BOT and the Georgia Government, the Georgian Government has the right for expropriation of the BSP’s assets, in case the BSP in the course of 2 years does not meet its obligations on minimum volume of transshipment, which is 4 million tons per year. As for 30 June 2017, the Group’s management considers BSP not exposed risk of asset expropriation from the Government of Georgia, as actual volumes of transshipment through Port as at 30 June 2017 were 2.91 million tons. The management of the Group expects that the transshipment volumes will be met and expropriation of the assets are unlikely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. CONTRACTUAL LIABILITIES AND COMMITMENTS (continued)**Commercial warranty of PTL**

In accordance with the Agreement of 18 November 2016 between Georgian Transit Ltd (hereinafter referred to as GTL) and PTL, PTL was obliged to transport a minimum volume of 2 million tons of oil products per year for the purpose of obtaining a preferential tariff for railway services by the Group. Also to get discount on railway tariffs, the Group provides the performance guarantee to the Georgian Railway (GR) on behalf of GTL on transshipment of 3.2 mln tons, out of which 2 mln should be transported by PTL as noted above. Also, in accordance with the terms of the agreement, PTL is required to provide a bank guarantee in favor of JSC Georgian Railways to ensure a minimum volume of transportation of oil products per year. The total amount of the bank guarantee for the period from 17 September 2016 to 17 September 2017 will be 6.5 million US Dollars (equivalent to 2,095 million Tenge). As at 30 June 2017, PTL provided a guarantee for the amount of 4,211 thousand US Dollars (equivalent to 1,357,079 thousand Tenge) in favor of JSC "Georgian Railways" (*Note 12*). In the period from 17 September 2016 to 30 June 2017, PTL transported 1,440 thousand tons and the total volumes transferred by GR Transit during the same period amount to 2,780 thousand tons and the Group expects that the minimum volume will be transported during the contract year.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Fair value of financial instruments

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