JSC RG BRANDS AND ITS SUBSIDIARIES

Consolidated Financial Statements
For the year ended 31 December 2018
and Independent Auditor's Report

JSC RG BRANDS AND ITS SUBSIDIARIES

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JSC RG BRANDS AND ITS SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Joint Stock Company RG Brands ("the Company") and its subsidiaries ("the Group") as at 31 December 2018, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

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

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- aDesigning, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose, with reasonable accuracy at any time, the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation of the Republic of Kazakhstan and IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2018 were approved by management on 8 April 2019.

On behalf of the Group's management:

Kaltaev T. S.
Chief Executive Officer

8 April 2019

Алматы қаласы город Алматы Акционерное общество Қазақстан Республикасы Республика Казахстан акционерлік қоғамы
RG BRANDS

Idyrova U. B.
Chief Accountant

8 April 2019

Deloitte LLP
36 Al Farabi Ave.,
Almaty, 050059,
Republic of Kazakhstan
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Joint Stock Company RG Brands:

Opinion

We have audited the consolidated financial statements of JSC RG Brands and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Compliance with loan covenants	
As discussed in Note 20 to the consolidated financial statements, as at 31 December 2018, outstanding borrowings amounted to 22,817,031 thousand tenge. The Group entered into various loan agreements, many of which contain different covenant clauses covering performance indicators of the Group. In case of a covenant breach, the loan become repayable immediately upon request of the lender. We determined compliance with loan covenants as a key audit matter as there is a risk of incorrect classification of borrowings as non-current liabilities rather than current liabilities if there is a breach of a loan agreement covenants.	We obtained an understanding of the internal processes and control procedures related to monitoring of compliance with conditions included in the loan agreements. We reviewed the outstanding loan agreements as at 31 December 2018 and obtained an understanding of the terms of the agreements, including financial covenants that the Group must comply with. We reviewed minutes of board of directors meeting in order to verify completeness of loan agreements with covenant clauses. Further, we recalculated the financial covenants and compared the results with those prepared by the Group. We ensured that the classification of the loans as at 31 December 2018 was correct.

Revaluation of property, plant and equipment

As discussed in Note 3 to the consolidated financial statements, subsequent to initial recognition, land, buildings and construction, machinery and equipment are carried at revalued amounts being their fair value at the date of the revaluation.

The valuation of the Group's land, buildings and construction was performed by an independent appraiser as at 1 July 2018. As a result the Group recognized a gain on revaluation of land, buildings and construction of 2,473,163 thousand tenge net of the deferred tax liability effect of 494,633 thousand tenge in other comprehensive income. Given the subjectivity involved in valuing these assets we have identified these issue as a key audit matter.

Our procedures in relation to management's revaluation of property, plant and equipment included the following:

We evaluated the external independent appraiser's competence, capabilities and objectivity;

With the assistance of our internal valuation expert we reviewed the report prepared by the independent appraiser and assessed the appropriateness of appraiser's valuation methodology. The valuation was determined by reference to (a) the cost approach and (b) the market for similar or comparable assets, adjusted for differences with the asset under valuation. Discounted cash flow (DCF) method to check for the economic depreciation of the Group's assets as a Cash Generating Unit was performed. We ensured that the valuation methods conform to International Valuation Standards and the methods previously used by the Group.

We challenged the appropriateness key assumptions, including WACC at 14.62%, and found that the assumptions were supported by the available evidence.

Further, we ensured that the results of the revaluation were correctly accounted for and accurately and completely disclosed in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, which constitute the key audit matters included herein.

Olga Belonogova
Engagement Partner
Certified Public Accountant
Oregon State, USA
License No. 10687
dated 2 December 2003

Nurlan Bekenov
General Director
Deloitte LLP
State license for audit activities in the Republic of Kazakhstan No.0000015, type MFU-2, issued by the Ministry of Finance of the Republic of Kazakhstan
dated 13 September 2006

Ivan Mudrichenko
Auditor-performer
Qualification certificate
No. MF-0000415
dated 13 January 2017

8 April 2019
Almaty, Republic of Kazakhstan

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of Tenge, unless otherwise stated)

	Note	2018	2017
Revenue	5	52,969,385	52,430,945
Cost of sales	6	(33,188,044)	(30,699,232)
Gross profit		19,781,341	21,731,713
Selling expenses	7	(10,363,132)	(12,578,658)
General and administrative expenses	8	(4,862,685)	(4,189,241)
OPERATING PROFIT		**4,555,524**	**4,963,814**
Finance costs, net	9	(1,849,634)	(1,651,110)
Foreign exchange gain/(loss), net		781,957	(499,163)
Investment income, net		183,829	44,616
Other income/(expenses), net		964,377	(245,970)
Profit before tax		4,636,053	2,612,187
Income tax expense	10	(951,970)	(617,165)
PROFIT FOR THE YEAR		**3,684,083**	**1,995,022**
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property, plant and equipment	12	1,978,530	-
		1,978,530	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		128,822	14,003
		128,822	14,003
Other comprehensive income for the year, net of income tax		2,107,352	14,003
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,791,435**	**2,009,025**
Earnings per share			
Basic and diluted earnings per common share, in tenge	11	1,170	634

Signed on behalf of Group's management:

Kaltaev T. S.
Chief Executive Officer

8 April 2019

Idyrova U. B.
Chief Accountant

8 April 2019

RG BRANDS

The notes on pages 13 to 49 form an integral part of these consolidated financial statements.

JSC RG BRANDS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(in thousands of Tenge, unless otherwise stated)

	Note	31 December 2018	31 December 2017
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	12	24,825,119	21,356,758
Investment property		611,443	607,493
Advances paid	13	34,808	105,179
Goodwill		68,026	68,026
Intangible assets		78,788	75,647
Total non-current assets		**25,618,184**	**22,213,103**
CURRENT ASSETS:			
Inventories	14	7,476,055	7,296,966
Trade accounts receivable	15	2,087,561	1,680,479
Advances paid	13	921,983	894,645
Other financial assets	16	9,605,000	2,990,970
Other current assets	16	1,401,745	822,878
Bank deposits		591,035	513,652
Cash and cash equivalents	17	6,239,260	5,236,437
Assets classified as held for sale		1,929	1,929
Total current assets		**28,324,568**	**19,437,956**
TOTAL ASSETS		**53,942,752**	**41,651,059**
EQUITY AND LIABILITIES			
EQUITY:			
Issued capital	18	2,787,696	2,787,696
Treasury shares	18	(149,709)	(149,709)
Preferred shares, held within the Group	18	(947,400)	(947,400)
Reserves	19	4,260,845	2,956,227
Retained earnings		11,824,340	8,855,542
Total equity		**17,775,772**	**13,502,356**
NON-CURRENT LIABILITIES:			
Borrowings	20	8,114,318	8,165,380
Accounts payable	21	743,095	-
Deferred tax liabilities	10	3,689,062	2,915,726
Total non-current liabilities		**12,546,475**	**11,081,106**
CURRENT LIABILITIES:			
Accounts payable	21	7,677,786	6,590,459
Borrowings	20	14,702,713	9,391,163
Corporate income tax payable		45,678	-
Taxes payable	22	759,674	650,624
Other accounts payable and accrued liabilities		434,654	435,351
Total current liabilities		**23,620,505**	**17,067,597**
TOTAL EQUITY AND LIABILITIES		**53,942,752**	**41,651,059**

Signed on behalf of Group's management:

Kaltaev T. S.	**Idyrova U. B.**
Chief Executive Officer	**Chief Accountant**
8 April 2019	8 April 2019

RG BRANDS

The notes on pages 13 to 49 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of Tenge, unless otherwise stated)

	Issued capital	Treasury shares	Preferred shares, held within the Group	Property, Plant & Equipment revaluation reserve	Foreign currency translation reserve	Retained earnings	Total equity
As at 1 January 2017	2,787,696	(149,709)	(947,400)	4,015,099	(386,839)	6,639,484	11,958,331
Profit for the year	-	-	-	-	-	1,995,022	1,995,022
Other comprehensive income, net of income tax	-	-	-	-	14,003	-	14,003
Total comprehensive income for the year	-	-	-	-	14,003	1,995,022	2,009,025
Dividends declared (Note 18)	-	-	-	-	-	(465,000)	(465,000)
Transfer to retained earnings	-	-	-	(686,036)	-	686,036	-
As at 31 December 2017	**2,787,696**	**(149,709)**	**(947,400)**	**3,329,063**	**(372,836)**	**8,855,542**	**13,502,356**
Impact of adopting IFRS 9	-	-	-	-	-	(22,024)	(22,024)
Restated opening balance under IFRS 9	**2,787,696**	**(149,709)**	**(947,400)**	**3,329,063**	**(372,836)**	**8,833,518**	**13,480,332**
Profit for the year	-	-	-	-	-	3,684,083	3,684,083
Other comprehensive income, net of income tax	-	-	-	1,978,530	128,822	-	2,107,352
Total comprehensive income for the year	-	-	-	1,978,530	128,822	3,684,083	5,791,435
Dividends declared (Note 18)	-	-	-	-	-	(1,495,995)	(1,495,995)
Transfer to retained earnings	-	-	-	(802,734)	-	802,734	-
As at 31 December 2018	**2,787,696**	**(149,709)**	**(947,400)**	**4,504,859**	**(244,014)**	**11,824,340**	**17,775,772**

Signed on behalf of Group's management:

Kaltaev T. S.
Chief Executive Officer

8 April 2019

Idyrova U. B.
Chief Accountant

8 April 2019

The notes on pages 13 to 49 form an integral part of these consolidated financial statements.

JSC RG BRANDS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of Tenge, unless otherwise stated)

	Note	2018	2017
OPERATING ACTIVITIES:			
Profit before tax		4,636,053	2,612,187
Adjustments for:			
Depreciation and amortization	6, 7, 8	2,207,313	2,127,523
Finance costs	9	1,849,634	1,651,110
Foreign exchange(gain)/loss, net		(781,957)	499,163
Loss from disposal of property, plant and equipment		3,359	27,577
Reimbursement of selling expenses incurred without cash settlement		(142,811)	(528,764)
Investment income, net		(183,829)	(44,616)
Waste goods write-off and write-off of materials	7, 8	312,322	241,986
Provision for slow-moving and obsolete inventory	8	-	4,347
Employee vacation and other accrued expenses		28,681	10,593
Provision for allowance of doubtful debts	7, 8	59,904	241,296
Other gain		(911,665)	(89,495)
Operating cash flows before movements in working capital		7,077,004	6,752,907
Change in inventories		(1,081,612)	(427,816)
Change in trade accounts receivable		(480,844)	224,362
Change in advances paid		(34,715)	(464,513)
Change in other current assets		(382,519)	(190,972)
Change in accounts payable		2,397,868	(2,140,312)
Change in taxes payable		109,050	(352,787)
Change in other accounts payable and accrued liabilities		81,303	(76,242)
Cash from operations		7,685,535	3,324,627
Interest paid		(1,807,796)	(1,651,778)
Income tax paid		(627,589)	(606,861)
Net cash generated by operating activities		5,250,150	1,065,988
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment and intangible assets		(2,740,904)	(2,094,208)
Proceeds on sale of other financial assets		32,610,333	13,319,788
Purchase of other financial assets		(37,861,499)	(16,231,868)
Proceeds on disposal of property, plant and equipment, intangible assets and assets, classified as held for sale		62,642	92,708
Money withdrawn from bank deposit		6,178,000	-
Money placed to bank deposit		(6,178,000)	(420,743)
Net cash used in investing activities		(7,929,428)	(5,334,323)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)
(in thousands of Tenge, unless otherwise stated)

	Note	2018	2017
FINANCING ACTIVITIES:			
Proceeds from borrowings	20	25,855,103	12,373,709
Repayment of borrowings	20	(20,675,395)	(17,446,582)
Dividends paid	18	(1,495,995)	(465,000)
Net cash generated by/(used in) financing activities		3,683,713	(5,537,873)
NET CHANGE IN CASH AND CASH EQUIVALENTS		1,004,435	(9,806,208)
CASH AND CASH EQUIVALENTS, at the beginning of the year	17	5,236,437	15,552,359
Effect of changes in foreign exchange rates in relation to cash		(1,612)	(509,714)
CASH AND CASH EQUIVALENTS, at the end of the year	17	**6,239,260**	**5,236,437**

Signed on behalf of Group's management:

Kaltaev T. S.
Chief Executive Officer

8 April 2019

Idyrova U. B.
Chief Accountant

8 April 2019

The notes on pages 13 to 49 form an integral part of these consolidated financial statements.

(in thousands of Tenge, unless otherwise stated)

1. GENERAL INFORMATION

The principal activity of JSC RG Brands and its subsidiaries ("the Group") is the production, sale and distribution of juices, carbonated soft drinks, milk, bottled drinking water, chips, as well as the packing, sale and distribution of tea. The Group's operations are primarily in the Republic of Kazakhstan.

Ownership of the Company

The holding company, JSC RG Brands ("RG Brands" or "the Company") was initially registered on 22 June 1998 as a limited liability partnership. The Company was re-registered as a joint stock company on 27 March 2001.

Shareholders and ultimate owners of the Company as at 31 December 2018 and 2017 are disclosed in Note 18.

Group structure and operations

The Group includes the Company and the following subsidiaries:

	Ownership interest		Voting power	
	2018	2017	2018	2017
LLP RG Brands Kazakhstan	100%	100%	100%	100%
LLP Uni Commerce Ltd.	100%	100%	100%	100%
LLC RG Brands Kyrgyzstan	100%	100%	100%	100%
LLC RG Brands Tashkent	100%	100%	100%	100%
LLP PRG Bottlers Kazakhstan	100%	100%	100%	100%
LLC RG Brands Sever	100%	100%	100%	100%

RG Brands carries out the management functions in terms of organization of the activities of its subsidiaries.

LLP RG Brands Kazakhstan ("RG Brands Kazakhstan") performs the following types of activity:

- production of juices under trademarks "Gracio", "Da-Da", "Da-Da Dacha" and "Nektar Solnechnyi";
- production of carbonated soft drinks under trademarks "Pepsi", "Seven -Up", "Mirinda" and "Nektar Solnechnyi Gazirovannyi";
- packing, distribution and sale of tea under brand "Piala" processed from imported raw tea;
- production of ultra-pasteurized milk under the "Moye" trademark;
- processing of agricultural products, into, among others, potato chips under "Grizli" trademark;
- production of bottled drinking water under trademark "A'SU";
- production of drinks contained juice and cold tea under trademarks "Da-Da Day", "Piala Ice Tea" and "Lipton Ice Tea";
- production of energetic drink "Yeti";
- sale and distribution on the territory of the Republic of Kazakhstan and close-bordering countries products of the Group.

The principal activity of LLP Uni Commerce Ltd. is the management of the Group's investment portfolio.

LLC RG Brands Tashkent ("RG Brands Tashkent") and LLC RG Brands Kyrgyzstan ("RG Brands Kyrgyzstan") perform sales and distribution of the Group's products in the Republic of Uzbekistan and the Kyrgyz Republic, respectively.

LLC RG Brands Sever ("RG Brands Sever") was established in 2016 in Novosibirsk oblast of the Russian Federation for the purpose of performing sales and distribution of the Group's products in the Russian Federation.

(in thousands of Tenge, unless otherwise stated)

All subsidiaries, other than RG Brands Kyrgyzstan, RG Brands Tashkent, RG Brands Sever, which are registered in the Kyrgyz Republic, the Republic of Uzbekistan and the Russian Federation, are registered in the Republic of Kazakhstan.

The group's head office is located in Almaty and its production facilities are located in Almaty city, Almaty region and Kostanay city, all in the Republic of Kazakhstan. The Group also has sales and distribution operations in Kyrgyz Republic and the Russian Federation.

Legal address:	212 B, Raimbek ave., Almaty, the Republic of Kazakhstan
Ownership status:	Private

As at 31 December 2018 and 2017, the number of employees was 1,284 and 1,450 respectively.

Bottling agreements with Pepsi and Seven-Up International

The Group operates its carbonated soft drinks production and distribution under an exclusive bottling appointment agreement, concluded between RG Brands Kazakhstan and Pepsico Inc. and between RG Brands Kazakhstan and Seven-Up International. Under these agreements, RG Brands Kazakhstan received the rights for bottling, sale and distribution of PepsiCo and Seven-Up products in Kazakhstan until 21 July 2010 with automatic prolongation for 5 years and subsequently for 5 years at the end of each 5-year period.

The rights for distribution of Pepsico Inc., Pepsi Lipton International Limited and Seven-Up products in Kyrgyz Republic are provided under agreements concluded with these companies till 31 December 2019, inclusive.

2. ADOPTION OF NEW AND REVISED STANDARDS

Amendments to IFRS and the new Interpretations that are mandatory effective for the current period

In the current year, the following new and revised Standards and Interpretations have been adopted in these consolidated financial statements:

- *IFRS 15 Revenue from Contracts with Customers;*
- *IFRS 9 Financial Instruments;*
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration;*
- *Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions;*
- *Amendments to IAS 40 - Transfers of Investment Property;*
- *Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;*
- *Annual Improvements to IFRSs 2014-2016 Cycle.*

The adoption of the above mentioned Standards and Interpretations has not led to any changes in the Group's accounting policies and did not materially affect the consolidated financial statements of the Group, with the exception of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments as follows.

IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments that is mandatorily effective for an accounting period that begins on or after 1 January 2018. In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. In the current year, the Group changed incurred credit loss model to expected credit loss model, although the effect was not material.

Corresponding information was not restated for the effect of IFRS 9 adoption, as the modified retrospective approach was applied on transition, which allows recognition of differences in the opening retained earnings at the beginning of the period. The adjustment to the retained earnings as at 1 January 2018 was caused by the effect of change. Due to immaterial nature of the resulting adjustment, the notes to the consolidated financial statements do not contain separate disclosure of the impacts of IFRS 9 adoption on the consolidated statement of financial position, statement of comprehensive income and statement of cash flows.

IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers that is mandatorily effective for an accounting period that begins on or after 1 January 2018. The Group applied this standard using the modified retrospective method with recognition of the cumulative effect of the initial application 1 January 2018.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The main impact of adoption of IFRS 15 relates to consideration payable to a customer. Consideration payable to a customer includes cash amounts that the Group pays, or expects to pay, to the customer (or to other parties that purchase the Group's goods from the customer). The Group accounts for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group. Under IAS 18, consideration payable to a customer related to promotion of goods sold by the Group was recognised as selling expenses as part of advertising campaigns and market research. Under IFRS 15, the Group accounts consideration payable to a customer as a reduction of revenue unless the payment to the customer was in exchange for the distinct good or service.

(in thousands of Tenge, unless otherwise stated)

The following table shows the impact of adoption of IFRS 15 on the presentation of figures in the statement of profit or loss and other comprehensive income for the year ended 31 December 2018:

	2018 under IAS 18[1]	Effect of transition to IFRS 15	2018 under IFRS 15
Revenue	56,522,893	(3,553,508)	52,969,385
Cost of sales	(33,188,044)	-	(33,188,044)
Gross profit	**23,334,849**	**(3,553,508)**	**19,781,341**
Selling expenses	(13,916,640)	3,553,508	(10,363,132)
General and administrative expenses	(4,862,685)	-	(4,862,685)
OPERATING PROFIT	**4,555,524**	**-**	**4,555,524**
Finance costs, net	(1,849,634)	-	(1,849,634)
Foreign exchange gain, net	781,957	-	781,957
Investment income, net	183,829	-	183,829
Other income, net	964,377	-	964,377
Profit before tax	4,636,053	-	4,636,053
Income tax expense	(951,970)	-	(951,970)
PROFIT FOR THE YEAR	**3,684,083**	**-**	**3,684,083**
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property, plant and equipment	1,978,530	-	1,978,530
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	128,822	-	128,822
Other comprehensive income for the year, net of income tax	2,107,352	-	2,107,352
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**5,791,435**	**-**	**5,791,435**
Earnings per share			
Basic and diluted earnings per common share, in tenge	1,170		1,170

[1] Amounts using previous accounting policy applicable up to 31 December 2017

Adoption of IFRS 15 did not have a material impact on the consolidated Statement of Financial Position and consolidated Statement of Cash Flows.

(in thousands of Tenge, unless otherwise stated)

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

	Effective for annual periods beginning on or after
IFRS 16 Leases	1 January 2019*
IFRS 17 Insurance Contracts	1 January 2021*
IFRIC 23 Uncertainty Over Income Tax Treatments	1 January 2019*
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	a date to be determined*
Amendments to IFRS 9 - Prepayment Features With Negative Compensation and modifications of financial liabilities	1 January 2019*
Amendments to IAS 28 - Long-Term Interests in Associates and Joint Ventures	1 January 2019*
Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019*

*with earlier application permitted

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The management of the Group anticipates that the application of this standard may have an impact on the Group's consolidated financial statements. The Group is currently assessing an impact of the new standard on the financial results. The Group is reviewing their agreements that may contain lease and evaluating the disclosure requirements of the new guidance.

Management anticipates that the adoption of other standards will not have a material impact on the consolidated financial statements of the Group in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments and land, buildings and constructions, machinery and equipment, which are measured at fair value or at revalued amounts, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when assesing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs - are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs - are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs - are unobservable inputs for the asset or liability.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of the Group's assets and discharge of its liabilities in the normal course of business within the foreseeable future.

The principal accounting policies are set out below

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (and its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Segmental reporting

Based on the information contained in the internal reports, which are reviewed by key management responsible for decision making on operational activity for the purpose of allocation of resources to segments and assessment of operational results, the Group identifies the following operating segments, which are: own brands: juices and beverages; own brands: packed tea, packed milk and food products; and wholesale activity.

The Group monitors multiple profitability such as: profit before tax, profit for the year and gross profit. Despite this, profit for the year is the measure reported to the operating decision makers for the purposes of resource allocation and assessment of segment performance.

Foreign currencies

The consolidated financial statements are expressed in Kazakhstani tenge ("tenge" or "KZT"), which is the functional currency of the Company and its subsidiaries in Kazakhstan and the presentation currency for these consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency, tenge, are recorded at the rates of exchange prevailing at the transaction dates. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items measured at historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise, except for exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings.

For the purpose of preparing consolidated financial statements, the financial statements of RG Brand Kyrgyzstan, RG Brands Tashkent and RG Brands Sever (the Group's foreign operations) were translated from Kyrgyz Som, Uzbek Sum and Russian Roubles, the functional currency of these entities, into tenge using the following exchange rates:

- assets and liabilities were translated using exchange rates at the reporting date;
- revenue and expenses were translated at the average exchange rate for the period provided that exchange rate has not substantially changed during the annual period, otherwise the exchange rate as of the transaction date is applied; and
- gain/(loss) arising from this translation is recorded as foreign exchange differences arising on translation of foreign operations in other comprehensive income/(loss).

As at 31 December 2018, the principal rate of exchange was US Dollar ("USD") 1 = tenge 384.2 (31 December 2017: USD 1 = tenge 332.33), and for the year ended 31 December 2018 average rate of exchange USD 1 = tenge 344.71 (2017: USD 1 = tenge 326.08).

Revenue recognition

The Group recognises as revenue the amount of the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods to a customer, excluding amounts collected on behalf of third parties (for example, value added taxes).

The consideration promised in a contract with a customer may include fixed amounts and/or variable amounts. If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which the Group will be entitled in exchange for transferring the promised goods or services to a customer. An amount of consideration can vary because of discounts, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items. The promised consideration also varies if the Group's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event.

The Group recognises revenue when the entity satisfies a performance obligation by transferring a promised good to a customer, an asset is transferred when the customer obtains control of that asset. The performance obligation is satisfied at a point in time, at which all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group combines two or more contracts entered into at or near the same time with the same customer (or related parties of the customer) and accounts for the contracts as a single contract if one or more of the following criteria are met: 1) the contracts are negotiated as a package with a single commercial objective; 2) the amount of consideration to be paid in one contract depends on the price or performance of the other contract; or 3) the goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Retirement benefit costs

In accordance with the legislative requirements of the Republic of Kazakhstan, the Group pays an amount equivalent to 10% of each employee's wage into a accumulation pension fund. However, in accordance with Kazakhstan legislation, from 1 January 2018, the contribution per employee should not exceed 212,130 tenge tenge per month. Prior to this date, the maximum monthly contribution per employee was 183,443 tenge. These amounts are expensed when they are incurred. Pension fund payments are withheld from employees' salaries and included with other payroll costs in profit or loss.

Income taxes

The income tax expense represents the sum of tax currently payable and deferred income tax.

Current tax

Tax currently payable is based on taxable income for the year. Taxable income differs from net profit as reported in the consolidated statement of profit or loss and other comprehensive income as it excludes income or expense items that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates effective at the reporting date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements, and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if a temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit not accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Earnings per share

Basic earnings per share is calculated by dividing net profit attributable to the equity holders of the Group for the period by the weighted average number of issued common stocks, while diluted earnings per share is calculated considering the weighted average number of diluting share options in addition to the number of issued common stocks.

Property, plant and equipment

Land and buildings and constructions, machinery and equipment

Subsequent to initial recognition, land, buildings and construction, machinery and equipment are carried at revalued amounts being their fair value at the date of the revaluation.

Revaluations are made with sufficient regularity such that the carrying amount of property, plant and equipment does not differ materially from that which would be determined using estimated fair values at the reporting date. Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation surplus is recognized in other comprehensive income, except to the extent it reverses a revaluation decrease of the carrying amount of the same asset previously recognized in profit or loss. In this case a surplus is credited within the amount of expenses previously recognized. A revaluation deficit is recognized in profit or loss, except when a deficit directly decreases a previous surplus on the same asset. In such cases a deficit decreases the reserve amount for the assets recognized in other comprehensive income.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation charged to the revalued assets and depreciation charged to the assets' original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Property, plant and equipment, other than land, buildings and constructions, machinery and equipment

Items of property, plant and equipment other than land, buildings and constructions, machinery and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labor costs and an appropriate proportion of construction related overheads. Interest is capitalized in accordance with the accounting policy in respect of borrowings and borrowing costs outlined below. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Construction-in-progress

Capital construction-in-progress includes costs incurred on specific assets that have not been completed or placed into service. When such assets are completed and are ready for their intended use, they are transferred to the relevant property, plant and equipment category and depreciated on the basis described below.

Assets received on free of charge basis

Assets received free of charge or for which a partial rebate is received are recognized as items of property, plant and equipment at the fair market value of the asset received. Such assets are subsequently depreciated over the useful life of a typical asset of that class. The value of the portion of the asset which was received free of charge through a rebate is recognized as deferred income and amortized over the useful life of the asset received.
Assets acquired with deferred payment

Assets acquired with payment deferred beyond normal credit term are recognized as items of property, plant and equipment at the amount of cash or cash equivalents paid or at the fair value of the other consideration given to acquire an asset at the time of its acquisition. The difference between the cost of acquisition and the total payment is recognized as interest over the period of credit unless such interest is capitalized on the basis of the policy on borrowings described below.

Subsequent expenditures

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalized at the present value of the component being depreciated. Other subsequent expenditure is capitalized only when it increases the future economic benefits of the item of property, plant and equipment. All other expenditure is recognized in the consolidated statement of profit or loss and other comprehensive income as an expense when incurred.

Depreciation other than depreciation of production assets

Depreciation is charged and recorded in profit or loss on a straight-line basis over the estimated useful lives of the individual assets.

Depreciation starts from the date of acquisition or, in respect of internally-constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The following average useful economic lives are used:

Buildings and constructions	13 to 20 years
Machinery and equipment	5 to 14 years
Vehicles	7 to 14 years
Other	3 to 14 years

The estimated useful life and depreciation methodology are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Leasehold improvements are depreciated over the lesser of useful life and the lease term of the relevant asset.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the relevant lease term.

Depreciation of production assets

Production method of depreciation is used in production divisions of the Group, and is applied to property, plant and equipment directly involved into production of finished goods of the Group. Depreciation is charged and recorded in profit or loss on units of production method, assessed based on technical life of the asset and its relative efficiency.

Disposal of property, plant and equipment

An item of property, plant and equipment is derecognized after it is disposed of or when the receipt of future economic benefits from its use or disposal is no longer expected. Any income or expenses arising upon derecognition of an asset (calculated as a difference between the net proceeds from the disposal and carrying value of the asset) are included into the consolidated statement of profit or loss and other comprehensive income in the reporting period in which the asset is derecognized.

Impairment of property, plant and equipment

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less selling costs, and value in use. In assessing value in use, 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately as loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. The Group apply fair value model for the measurement after recognition. The fair value of investment property on the basis of a valuation by an independent appraiser. A gain or loss arising from a change in the fair value of investment property is recognised in profit or loss for the period in which it arises.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Inventory

Inventory is stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labor costs and those overheads which have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out ("FIFO") method. Net realizable value represents the estimated selling price less all estimated costs to complete production and costs to be incurred in marketing, selling and distribution. The Group creates provisions for slow moving and obsolete inventory based on inventory turnover ratios and current marketing plans.

Financial instruments

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through profit or loss (FVTPL). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);

All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

Financial assets at amortized cost or at FVTOCI

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset.

For an asset to be classified and measured at amortized cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

At initial recognition, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination.

Financial assets at FVTPL

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognized in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including payables and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate.

An allowance for impairment of receivables is established based on an expected credit loss model. The Group accounts expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. The primary factors that the Group considers whether a receivable is impaired is its overdue status, collection history and forward looking macro-economic factors.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in banks and fixed-term deposits with an original maturity of three months or less. Where restricted for use, cash and cash equivalents are disclosed appropriately in the notes to the consolidated financial statements.

Other financial assets

Other financial assets include coupon bonds of Bank Julius Bär & Co. that are acquired to be sold in the near future and has a pattern of short-term profit making. They are classified as financial assets at FVTPL.

Provisions

Provisions are recognized when the Group has a present obligation (legal or implied) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation as at the date of the consolidated statement of financial position, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of an economic benefit required to settle a provision is expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Provisions for restructuring costs are recognized when the Group has a detailed formal restructuring plan which has been notified to the parties concerned. A restructuring provision measures only the direct expenditure arising from the restructuring, including those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the date of the consolidated statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision for doubtful debts and obsolete inventories

Management's determination of provisions for doubtful debt and for slow-moving and obsolete inventories requires the management to make assumptions based on their best estimates of the Group's ability to realise these assets. Management may, as a result of changes in the general economic or other similar circumstances subsequent to the date of the consolidated statement of financial position, draw conclusions which could be different to those made in preparing these consolidated financial statements.

Revaluation of property, plant and equipment

The Group's land, buildings and constructions, machinery and equipment are carried at a revalued amount.

(in thousands of Tenge, unless otherwise stated)

The valuation of the Group's land, buildings and constructions was performed by an independent appraiser as at 1 July 2018. The valuation, which conforms to International Valuation Standards, was determined by reference to (a) the cost approach and (b) the market for similar or comparable assets, adjusted for differences with the asset under valuation. Discounted cash flow (DCF) method to check for the economic depreciation of the Group's assets as a Cash Generating Unit was performed.

The valuation of the Group's machinery and equipment was performed by an independent appraiser as at 1 February 2016. An independent valuation of the fair value of machinery and equipment was carried out in accordance with International Valuation Standards. The appraisal value was determined using the income and cost methods. The description of the methods are disclosed in Note 12.

The Management of the Group believes that fair value of land, buildings and constructions, machinery and equipment does not significantly differ from its carrying value as at 31 December 2018.

Useful lives of property, plant and equipment

As described in Note 3, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. The assessment of the useful life of an asset is dependent upon factors such as economic use, repair and maintenance programs, technological advancements and other business conditions. Management's assessment of the useful lives of property, plant and equipment reflects relevant information available to them as at the date of these consolidated financial statements.

5. REVENUE

	2018	**2017**
Sales of carbonated soft drinks and juice containing drinks	35,640,242	33,892,764
Sales of packed tea, packed milk and food products	17,243,960	18,377,093
Sales of wholesale products	85,183	161,088
	52,969,385	**52,430,945**

6. COST OF SALES

	2018	**2017**
Raw and other materials	29,578,072	27,417,438
Depreciation and amortization	1,411,242	1,174,499
Payroll and related taxes	798,466	766,163
Repairs	521,466	546,815
Utilities	426,504	490,664
Cost of sales of wholesale products	265,351	227,850
Other costs	186,943	75,803
	33,188,044	**30,699,232**

(in thousands of Tenge, unless otherwise stated)

7. SELLING EXPENSES

	2018	2017
Transportation	3,612,034	3,133,096
Sales agents expenses	2,610,112	2,217,319
Advertising campaigns and market research	1,684,516	3,532,621
Payroll and related taxes	907,262	917,634
Depreciation of marketing equipment	678,947	848,314
Taxes, other than income tax	15,318	816
Lease of vehicles, warehouses and office premises	558,177	550,846
Advertising and promotional materials	498,280	1,315,019
Business trip expenses	25,041	20,416
Write-off of materials	9,474	26,014
Provision for doubtful debts	139	160,192
Reimbursement of selling expenses	(868,824)	(528,764)
Other selling expenses	632,656	385,135
	10,363,132	**12,578,658**

8. GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
Payroll and related taxes	2,409,701	1,994,258
Consulting services	349,871	314,228
Waste goods write-off	302,848	215,972
Repairs	255,012	185,766
Taxes, other than income tax	239,879	249,147
Legal services	131,655	70,199
Bank charges	125,148	183,746
Insurance	123,082	25,680
Depreciation and amortization	117,124	104,710
Transportation expenses	116,528	96,169
Business trip expenses	87,427	159,428
Representative expenses	85,875	65,081
Utilities	76,089	58,102
Provision for doubtful debts	59,765	81,104
Security services	50,081	39,633
Communication services	44,942	38,807
Training	20,822	34,719
Rent	19,231	16,500
Penalties and fines	6,776	4,754
Provision for slow-moving and obsolete inventory	-	4,347
Others	240,829	246,891
	4,862,685	**4,189,241**

9. FINANCE COSTS, NET

	2018	2017
Interest on borrowings	2,001,315	1,651,110
Long-term accounts payable discount	(172,307)	-
Other	20,626	-
	1,849,634	**1,651,110**

10. TAXATION

	2018	2017
Current income tax expense	673,267	491,521
Deferred income tax expense	278,703	125,644
Total income tax expense	**951,970**	**617,165**

(in thousands of Tenge, unless otherwise stated)

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred income tax assets and liabilities are calculated at the rate expected to apply in the period when assets are realized or liabilities are settled.

The tax effect on the major temporary differences that give rise to deferred tax assets and liabilities as at 31 December 2018 and 2017 are presented below:

	31 December 2018	31 December 2017
Deferred tax assets:		
Provision for doubtful debt	62,106	44,460
Provision for unused vacation and bonuses	40,035	36,461
Provision for slow-moving and obsolete inventory	11,070	7,710
Taxes	2,708	3,501
	115,919	**92,132**
Deferred tax liabilities:		
Property, plant and equipment and intangible assets	(3,770,520)	(3,007,858)
Other	(34,461)	-
	(3,804,981)	(3,007,858)
Deferred tax liabilities, net	**(3,689,062)**	**(2,915,726)**

In 2018 and 2017 the statutory tax rate effective in the Republic of Kazakhstan, the location of the majority of the Group's entities, was 20%.

Below is a reconciliation of theoretical income tax at 20% to the actual tax expense recorded in the Group's consolidated statement of profit or loss and other comprehensive income:

	2018	2017
Profit before tax	4,636,053	2,612,187
Income tax at the statutory tax rate of 20%	927,211	522,437
Effect of other permanent differences	24,759	94,728
Income tax expense	**951,970**	**617,165**

The change in deferred tax was presented as follows:

	1 January 2018	Recognised in profit and loss	Recognised in other comprehensive income	31 December 2018
Provision for unused vacation and bonuses	36,461	3,574	-	40,035
Provision for doubtful debt	44,460	17,646	-	62,106
Taxes	3,501	(793)	-	2,708
Provision for slow-moving and obsolete inventory	7,710	3,360	-	11,070
Other	-	(34,461)	-	(34,461)
Property, plant and equipment and intangible assets	(3,007,858)	(268,029)	(494,633)	(3,770,520)
	(2,915,726)	**(278,703)**	**(494,633)**	**(3,689,062)**

(in thousands of Tenge, unless otherwise stated)

	1 January 2017	Recognised in profit and loss	Recognised in other comprehensive income	31 December 2017
Provision for unused vacation and bonuses	53,311	(16,850)	-	36,461
Provision for doubtful debt	12,126	32,334	-	44,460
Taxes	4,597	(1,096)	-	3,501
Provision for slow-moving and obsolete inventory	6,672	1,038	-	7,710
Property, plant and equipment and intangible assets	(2,866,788)	(141,070)	-	(3,007,858)
	(2,790,082)	**(125,644)**	**-**	**(2,915,726)**

11. EARNINGS PER SHARE AND BOOK VALUE PER SHARE

Earnings per share is calculated as the profit for the year attributable to equity holders divided by the weighted average number of common shares issued and outstanding during the year, as shown below.

	2018	2017
Calculation of basic and diluted earnings per share		
Profit for the year	3,684,083	1,995,022
Weighted average number of common shares	3,148,271	3,148,271
Basic and diluted earnings per share, in tenge	**1,170**	**634**

As at 31 December 2018 and 2017, there are no dilutive financial instruments or other financial instruments that may require the Group to issue common shares.

According to the requirements of the Kazakhstan Stock Exchange ("KASE"), the Group has calculated its book value per share, which was calculated based on the number of common shares outstanding as at the reporting date. The book value per share as at 31 December 2018 and 31 December 2017 is presented below:

	31 December 2018	31 December 2017
Calculation of book value per common share		
Net assets, excluding intangible assets as at 31 December	17,696,984	13,426,709
Number of issued common shares (Note 18)	3,148,271	3,148,271
Book value per common share, in tenge	**5,621**	**4,265**

The book value per one preferred share is presented below:

	31 December 2018	31 December 2017
Calculation of book value per preferred share		
Outstanding balance of preferred shares held within the Group as at 31 December	947,400	947,400
Number of issued preferred shares (Note 18)	789,500	789,500
Book value per preferred share, in tenge	**1,200**	**1,200**

(in thousands of Tenge, unless otherwise stated)

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and constructions	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Cost or revalued amount							
As at 1 January 2017	1,252,319	7,138,048	16,050,581	283,496	928,988	88,030	25,741,462
Additions	200	-	1,141,471	10,999	105,333	813,190	2,071,193
Internal transfers	-	80,213	236,633	-	12,635	(329,481)	-
Disposals	-	-	(91,284)	(48,858)	(35,291)	(60,383)	(235,816)
As at 31 December 2017	**1,252,519**	**7,218,261**	**17,337,401**	**245,637**	**1,011,665**	**511,356**	**27,576,839**
Additions	-	11,775	2,571,606	15,989	225,020	426,701	3,251,091
Internal transfers	(68,685)	88,989	699,482	(13,918)	36,930	(742,798)	-
Revaluation increase	425,511	2,047,652	-	-	-	-	2,473,163
Elimination of accumulated depreciation due to revaluation	-	(2,470,293)	-	-	-	-	(2,470,293)
Disposals	-	-	(97,133)	(45,574)	(31,219)	(9,818)	(183,744)
As at 31 December 2018	**1,609,345**	**6,896,384**	**20,511,356**	**202,134**	**1,242,396**	**185,441**	**30,647,056**
Accumulated depreciation							
At 1 January 2017	-	(1,690,949)	(1,564,726)	(202,429)	(757,631)	-	(4,215,735)
Charge for the year	-	(561,479)	(1,409,662)	(27,200)	(111,429)	-	(2,109,770)
Disposals	-	-	44,968	44,671	15,785	-	105,424
As at 31 December 2017	**-**	**(2,252,428)**	**(2,929,420)**	**(184,958)**	**(853,275)**	**-**	**(6,220,081)**
Charge for the year	-	(609,579)	(1,454,946)	(20,379)	(103,058)		(2,187,962)
Elimination of accumulated depreciation due to revaluation	-	2,470,293	-	-	-	-	2,470,293
Internal transfers	-	-	(44,876)	-	44,876	-	-
Disposals	-	-	50,245	44,483	21,085	-	115,813
As at 31 December 2018	**-**	**(391,714)**	**(4,378,997)**	**(160,854)**	**(890,372)**	**-**	**(5,821,937)**
Net book value							
As at 31 December 2018	**1,609,345**	**6,504,670**	**16,132,359**	**41,280**	**352,024**	**185,441**	**24,825,119**
As at 31 December 2017	**1,252,519**	**4,965,833**	**14,407,981**	**60,679**	**158,390**	**511,356**	**21,356,758**

(in thousands of Tenge, unless otherwise stated)

As at 31 December 2018 and 2017, property, plant and equipment with a carrying value of 13,255,077 thousand tenge and 10,637,731 thousand tenge, respectively, has been pledged to secure borrowings (Note 20). The Group is not allowed to pledge these assets as security for other borrowings or to sell them.

The valuation of the Group's land, buildings and constructions was performed by an independent appraiser as at 1 July 2018. As a result, the Group recognized a gain on revaluation of land, buildings and construction of 2,473,163 thousand tenge less the deferred tax effect of 494,633 thousand tenge in other comprehensive income. The valuation, which conforms to International Valuation Standards, was determined by reference to (a) the cost approach and (b) the market for similar or comparable assets, adjusted for differences with the asset under valuation that is an estimate of the Level 3 fair value in the fair value hierarchy. The discounted cash flow (DCF) method to check for the economic depreciation of the Group's assets as a Cash Generating Unit was used. WACC at 14.62% was used as a discount rate in the model. Revenue, operational costs, sales costs and administrative costs forecasts were based on Group's average historical results adjusted for inflation.

The valuation of the Group's machinery and equipment was performed by an independent appraiser as at 1 February 2016. An independent valuation of the fair value of machinery and equipment was carried out in accordance with International Valuation Standards. The appraisal value was determined using the income and cost methods.

Had the Group's land and buildings and constructions, machinery and equipment been measured on a historical cost basis, their carrying amount as at 31 December 2018 and 2017 would have been 19,741,515 thousand tenge and 17,228,585 thousand tenge, respectively.

13. ADVANCES PAID

	31 December 2018	31 December 2017
Non-current:		
Advances paid for property, plant and equipment	25,203	70,831
Other	9,605	34,348
	34,808	**105,179**
Current:		
Advances paid for services and inventory	1,054,974	1,024,824
Less: Provision for doubtful debts	(132,991)	(130,179)
	921,983	**894,645**

14. INVENTORIES

	31 December 2018	31 December 2017
Finished goods	2,875,535	3,229,882
Raw materials	3,014,238	2,799,687
Packing materials	870,930	697,382
Spare parts	337,441	256,380
Other	433,263	353,311
Less: Provision for slow-moving and obsolete inventory	(55,352)	(39,676)
	7,476,055	**7,296,966**

As at 31 December 2018, inventories with an assessed value of 3,972,963 thousand tenge (31 December 2017: 3,950,000 thousand tenge) have been pledged to secure borrowings (Note 20).

(in thousands of Tenge, unless otherwise stated)

15. TRADE ACCOUNTS RECEIVABLE

	31 December 2018	31 December 2017
Trade accounts receivable	2,249,021	1,792,015
Less: provision for doubtful debts	(161,460)	(111,536)
	2,087,561	**1,680,479**

As at 31 December 2018, trade accounts receivable were denominated in the following currencies:

	31 December 2018	31 December 2017
In Tenge	1,576,915	1,464,624
In Russian Roubles	363,846	119,826
In Kyrgyz Soms	146,506	95,391
In US Dollars	294	638
	2,087,561	**1,680,479**

The following table details the risk profile of trade receivables based on the Group's provision matrix:

	Trade accounts receivables – days past due			
	Not past due and less than 180 days	180-360 days	over 360 days	Total
Expected credit loss rate	-1.94%	-50%	-100%	
Gross carrying amount	2,122,764	12,118	114,139	**2,249,021**
Lifetime ECL	(41,262)	(6,059)	(114,139)	**(161,460)**

In determining the recoverability of trade accounts receivable, the Group considers whether a receivable is impaired, its overdue status, collection history and forward looking macro-economic factors. The concentration of credit risk is limited due to the existence of a large customer base, not related with the Group.

16. OTHER ASSETS

As at 31 December 2018 and 2017 other current assets are presented below:

	31 December 2018	31 December 2017
Other receivables from related parties (Note 25)	352,834	274,912
Other receivables	315,196	37,993
Receivables from employees	313,096	91,953
Other taxes receivable	229,614	231,396
Prepaid expenses	204,448	202,380
Less: Provision for doubtful debts	(13,443)	(15,756)
	1,401,745	**822,878**

As at 31 December 2018 and 2017, other current assets were denominated in tenge.

Other financial assets include coupon bonds of Bank Julius Bär & Co. with an interest rate of 2.64% per annum in the amount of 9,605,000 thousand tenge as at 31 December 2018. As at 31 December 2017 other financial assets included coupon bonds of Bank Julius Bär & Co.with interest rates of 1.05%-1.22% per annum for amount of 2,990,970 thousand tenge. As at 31 December 2018 and 2017 other financial assets were presented in USD dollars.

(in thousands of Tenge, unless otherwise stated)

17. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash on bank accounts in foreign currency	1,389,846	4,519,690
Cash on bank accounts in tenge	819,522	464,309
Cash in transit	93,698	227,493
Petty cash	10,130	3,973
Cash on broker's account (Note 25)	66,646	4,813
Cash on other bank accounts	3,859,418	16,159
	6,239,260	**5,236,437**

As at 31 December, cash and cash equivalents were denominated in the following currencies:

	31 December 2018	31 December 2017
In US Dollars	5,011,200	3,477,953
In Tenge	963,830	675,658
In Russian Roubles	127,992	123,352
In Kyrgyz Soms	119,283	137,221
In Uzbek Sums	15,545	16,389
In Euro	1,406	805,861
Other	4	3
	6,239,260	**5,236,437**

As at 31 December 2018, cash and cash equivalents includes cash in Bank Julius Bär & Co. of 4,009,866 thousand tenge (31 December 2017: 3,359,988 thousand tenge). The rating from Moody's credit rating agency of the bank was Aa2 on May 2018.

18. CAPITAL

The Company's registered and issued share capital as at 31 December 2018 and 2017 is 2,787,696 thousand tenge. As at 31 December 2018 and 2017, share capital was fully paid.

Issued share capital as at 31 December 2018 and 2017 consisted of 1,800,000 common shares with a par value of 1,000 tenge each, 1,642,092 common shares with a par value of 1 tenge each and 10,638 common shares at a par value of 3,633.54 tenge each and 789,500 preferred shares at a par value of 1,200 tenge each.

(in thousands of Tenge, unless otherwise stated)

As at 31 December 2018 and 2017, the shareholders of the Group were as follows:

Shareholder	Ownership		Number of common shares		Amount	
	2018	2017	2018	2017	2018	2017
Mazhibayev K.K.	61.77%	61.77%	1,944,771	1,944,771	944,726	944,726
Koshkinbayev Y.Z.	35.65%	26.76%	1,122,352	842,384	656,699	397,751
LLP Successful Investment Trust	0.00%	8.89%	-	279,968	-	258,948
Kaltayev T.S.	0.95%	0.95%	30,000	30,000	33,400	33,400
Bayazerov R.D.	0.90%	0.90%	28,355	28,355	30,481	30,481
Agybaev A.E.	0.72%	0.72%	22,655	22,655	24,780	24,780
Khalyapin A.V.	0.01%	0.01%	138	138	501	501
	100%	**100%**	**3,148,271**	**3,148,271**	**1,690,587**	**1,690,587**

As at 31 December 2018 and 2017, treasury shares amounted to 149,709 thousand tenge or 304,459 common shares.

In 2010, the shareholders authorized for issue 1,200,000 preferred shares with cumulative mandatory annual dividends of 240 tenge per share. 789,500 shares were placed during 2010 at 1,200 tenge each. There were no issues of preferred shares during 2018 and 2017. As at 31 December 2018, preferred shares were placed in subsidiary company, LLP RG Brands Kazakhstan.

In 2018, the shareholders authorized dividends based on the results of 2017 of 1,495,995 thousand tenge. In 2017, the shareholders authorized dividends based on the results of 2016 of 465,000 thousand tenge.

19. RESERVES

	31 December 2018	31 December 2017
Revaluation of property, plant and equipment	4,504,859	3,329,063
Foreign currency translation	(244,014)	(372,836)
	4,260,845	**2,956,227**

20. BORROWINGS

	31 December 2018	31 December 2017
Borrowings:		
Long-term loans	8,114,318	8,165,380
Short-term bank loans and current portion of long-term loans	14,337,010	9,165,787
	22,451,328	**17,331,167**
Interest payable	365,703	225,376
Total borrowings	**22,817,031**	**17,556,543**

As at 31 December 2018 and 2017, the borrowings are subject to repayment as follows:

	31 December 2018	31 December 2017
On demand or within one year	14,702,713	9,391,163
In the second to fifth year inclusive	8,114,318	8,165,380
	22,817,031	**17,556,543**

Long-term loans

As at 31 December 2018, the outstanding principal amount of the loans under the loan agreements with the European Bank of Reconstruction and Development ("EBRD") was 6,210,696 thousand tenge. The purpose of the loan is to replenish working capital. The loan facility is repayable semiannually, till December 2020. Interest rate is 10.25% and interest is payable quarterly. The fixed assets of the Group with a carrying value of 3 885 920 thousand tenge and inventories with an assessed value of 3,972,963 thousand tenge have been pledge as collateral for these loans.

As at 31 December 2018, the outstanding principal amount of the loan under loan agreement with the International Finance Corporation of the non-revolving line of credit amount to 2,005,867 thousand tenge. The purpose of the loan is to replenish working capital and purchase fixed assets. The principal amount is repaid twice a year till 2022 and bears an interest rate of 9.2%. Interest is payable on a semiannual basis. The fixed assets of the Group with a carrying value of 4,750,335 thousand tenge have been pledged as collateral for this loan.

As at 31 December 2018, the outstanding principal amount of the loan under loan agreement with JSC Alfa Bank was 300,000 thousand tenge. Interest rate is 13.4% per annum. The purpose of the loan agreement is to replenish working capital. The principal amount is to be repaid twice a year till 2019.

In 2017, the Group signed and irrevocable credit line agreement with JSC ATF Bank for purposes of refinancing existing loans of the Group for the amount of 750,000 thousand tenge. As at 31 December 2018, the outstanding principal amount was 555,334 thousand tenge. Interest rate is 5.5%. The principal amount is repaid twice a year till 2019.

In 2017, the Group signed an irrevocable credit line agreement with JSC Bank Center Credit for 60 months for the amount of 280,000 thousand tenge with a purpose of purchasing production equipment. Interest rate was 6%. As at 31 December 2018, the outstanding principal amount was 181,518 thousand tenge. The fixed assets of the Group with a carrying value of 308,730 thousand tenge have been pledged as collateral for this loan.

In 2017, the Group signed a credit line agreement with the Eurasian Bank of Development ("EBD") for the amount of 1,270,000 thousand Russian rubles with an interest rate of 10.1%. The purpose of the loan is to finance operational activities. The principal amount is repaid till May 2020. As at 31 December 2018, the outstanding principal amount was 1,058,566 thousand Russian rubles. The fixed assets of the Group with a carrying value of 2,756,933 thousand tenge have been pledged as collateral for this loan.

In 2017, the Group signed a loan agreement with the South Korean JSC Shinhan Bank Kazakhstan. The Group received the first tranche for the amount of 700,000 thousand tenge with the interest rate 9%. The purpose of the loan is to replenish working capital. The principal amount to be repaid in 3 years till October 2020 and interest is payable monthly. In 2018, under the financial support program of the Ministry of Agriculture of the Republic of Kazakhstan, the subsidized interest rate is 6% resulting in a final interest rate for the Group of 3% in tenge per annum. As at 31 December 2018, the outstanding principal amount was 466,667 thousand tenge. The fixed assets of the Group with a carrying value of 513,180 thousand tenge have been pledged as collateral for this loan.

Short-term bank loans

In 2017, the Group signed a credit line agreement with the Development Bank of Kazakhstan ("DBK") in the amount of 1,980,000 thousand tenge for replenishment of working capital. The maturity of the credit line is 2 years, maturity of tranches within this credit line is from 1 month till 12 months. Interest rate is 8.35%. Also the Group signed a credit line agreement in 2015 in amount of 3,000,000 thousand tenge. Interest rate is 6%. The total amount of the credit lines in the bank is 4,980,000 thousand tenge. The fixed assets of the Group with a carrying value of 1,039,979 thousand tenge have been pledged as collateral for this loan.

(in thousands of Tenge, unless otherwise stated)

In 2018 the Group signed a revocable credit line agreement with Altyn Bank (subsidiary of China Citic Bank Corporation Ltd) in the amount of 3,000,000 thousand tenge for replenishment of working capital. Credit line is open for 36 months, tranches within the credit line are provided for 12 months with interest rates of 9.4% and 11.4%. The outstanding principal amount was 1,977,880 thousand tenge as at 31 December 2018.

As at 31 December 2018 and 2017, the weighted average interest rates of the Group's bank loans were 9.14% and 8.70% per annum, respectively.

Long-term loan agreements with ATF Bank and EBRD Bank contain covenant clauses covering performance indicators of the Group. As at 31 December 2018, the Group complied with all of the required covenants (Note 27).

As at 31 December, borrowings were denominated in the following currencies:

	31 December 2018	31 December 2017
In Tenge	15,837,432	15,427,220
In Russian Roubles	6,979,599	2,129,323
	22,817,031	**17,556,543**

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2018	Financing cash flows (i)	Other changes (ii)	31 December 2018
Borrowings, principal amount	17,331,167	5,179,708	(59,547)	22,451,328

(i) The cash flows from borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the consolidated statement of cash flows.
(ii) Other changes include foreign exchange gain.

In 2017, JSC RG Brands, issued notes in the amount of 56,700 thousand tenge with the maturity date 1 July 2020. Interest rate was equal to 7.5%, the notes were denominated in Kazakhstani tenge. As at 31 December 2018, the notes were placed in subsidiary RG Brands Kazakhstan, accordingly, notes payable were eliminated on consolidation.

21. ACCOUNTS PAYABLE

	31 December 2018	31 December 2017
Raw materials	5,323,655	4,507,904
Packing materials	2,519,969	1,091,865
Services	559,827	808,625
Property, plant and equipment	3,314	141,260
Goods	14,116	40,805
	8,420,881	**6,590,459**
Less: long-term accounts payable	(743,095)	-
	7,677,786	**6,590,459**

(in thousands of Tenge, unless otherwise stated)

As at 31 December, accounts payable were denominated in the following currencies:

	31 December 2018	31 December 2017
In US Dollars	4,447,571	3,997,549
In Tenge	2,622,537	1,874,104
In Russian Roubles	841,993	168,217
In Euro	464,197	453,208
In Chinese yuans	30,698	11,775
In Kyrgyz Soms	13,745	85,585
In Uzbek Sums	140	21
	8,420,881	**6,590,459**

22. TAXES PAYABLE

	31 December 2018	31 December 2017
Value added tax	688,453	565,792
Other taxes	71,221	84,832
	759,674	**650,624**

23. BUSINESS AND GEOGRAPHICAL SEGMENTS

Juices and beverages - production, distribution and sale of beverages under the Group's brand name, including the juices "Gracio", "Da-Da", "Da-Da Dacha", "Nektar Solnechnyi", juice-containing drink "DaDa Day", water "A'SU" and "Piala Ice Tea", "Nektar Solnechniyi Gazirovannyi" and energetic drink "Yeti"; franchise - production, distribution and sale of products with franchised trademarks, including carbonated soft drinks "Pepsi", "Mirinda", "Seven-Up" and "Lipton Ice Tea";

Packed tea, packed milk and food products: milk - production, distribution and sale of milk under the Group's brand name "Moye"; as well as production, distribution and sale of weighing and packaged tea under the Group's brand name "Piala"; production, distribution and sale of production under the brand name "Grizli".

	Juices and beverages	Packed tea, packed milk and food products	Wholesale activity	Consolidated
2018				
Revenue	35,640,242	17,243,960	85,183	52,969,385
Profit before tax	3,119,382	1,509,248	7,423	4,636,053
Income tax expense	(640,536)	(309,910)	(1,524)	(951,970)
Profit for the year	2,478,846	1,199,338	5,899	3,684,083
Depreciation and amortization	1,485,197	718,581	3,535	2,207,313
Acquisition of property, plant and equipment	2,187,506	1,058,379	5,206	3,251,091
2017				
Revenue	33,892,764	18,377,093	161,088	52,430,945
Profit before tax	1,688,588	915,574	8,025	2,612,187
Income tax expense	(398,952)	(216,317)	(1,896)	(617,165)
Profit for the year	1,289,636	699,257	6,129	1,995,022
Depreciation and amortization	1,375,288	745,699	6,536	2,127,523
Acquisition of property, plant and equipment	1,338,874	725,955	6,364	2,071,193

(in thousands of Tenge, unless otherwise stated)

Revenue reported above represents revenue generated from third parties. There were no inter-segment sales during the years ended 31 December 2018 and 2017. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment. This is the measure reported to the operating decision makers for the purposes of resource allocation and assessment of segment performance.

	Juices and beverages	Packed tea, packed milk and food products	Wholesale activity	Consolidated
As at 31 December 2018				
Segment assets	36,295,535	17,560,835	86,382	53,942,752
Total assets	36,295,535	17,560,835	86,382	53,942,752
Segment liabilities	21,852,860	10,573,050	52,008	32,477,918
Deferred income tax liabilities	2,482,196	1,200,958	5,908	3,689,062
Total liabilities	24,335,056	11,774,008	57,916	36,166,980
As at 31 December 2017				
Segment assets	27,073,187	14,423,761	154,111	41,651,059
Total assets	27,073,187	14,423,761	154,111	41,651,059
Segment liabilities	16,401,434	8,738,179	93,364	25,232,977
Deferred income tax liabilities	1,895,222	1,009,716	10,788	2,915,726
Total liabilities	18,296,656	9,747,895	104,152	28,148,703

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to reportable segments. General corporate assets and assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Revenue of the Group from sales to external customers by countries is presented below:

	Revenue from sales to external customers	
	2018	**2017**
Republic of Kazakhstan	43,622,823	43,576,538
Kyrgyz Republic	6,597,377	5,959,134
Russian Federation	2,713,621	2,871,620
China	20,178	-
Tajikistan	15,386	5,381
Luxembourg	-	17,469
Turkmenistan	-	16
Mongolia	-	787
	52,969,385	**52,430,945**

24. EMPLOYEE BENEFITS

In accordance with the Law of the Republic of Kazakhstan "On Pensions in the Republic of Kazakhstan" effective 1 January 1998, and replacing the previous unified system of pension provisioning, employees have the right to receive guaranteed pension benefits provided they have recorded working time from 1 January 1998 in proportion to the historical data. They also have the right to receive pension payments from savings pension funds generated from individual pension savings accounts provided by compulsory pension contributions amounting to 10% of their salary.

As at 31 December 2018 and 2017, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

(in thousands of Tenge, unless otherwise stated)

25. RELATED PARTIES

The Group's related parties include the companies controlled by and associated with Mazhibayev K.K. and Koshkinbayev Y.Z., being the major shareholders of the Group (Note 18).

Transactions between the Group and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and its related parties are disclosed below.

Transactions with related parties include:

- sales/purchase of other inventories, property, plant and equipment and securities; and
- services on supporting marketing activities.

Trading transactions

	Sales		Purchases	
	Year ended 31 December 2018	**Year ended 31 December 2017**	**Year ended 31 December 2018**	**Year ended 31 December 2017**
LLP RESMI Direct investments	10,211	8,479	236,803	233,524
Entities under common control	-	62	3,273	5,329
	10,211	**8,541**	**240,076**	**238,853**

Other current assets

The following balances were outstanding at the end of the reporting period as a result of the above transactions:

	Amounts owed by related parties	
	As at 31 December 2018	**As at 31 December 2017**
Entities under common control:		
- Due from broker (Note 16)	-	57,593
- Cash in broker's account (Note 17)	66,646	4,813
- Trading and other operations (Note 16)	352,834	217,319
	419,480	**279,725**

Outstanding amounts due to/from related parties will be settled by cash transactions. No expense has been recognized in the reporting period for bad debts in respect of amounts owed by related parties.

Compensation of key management personnel

Key management compensation is set at shareholders' meetings according to human resource policies, staff schedules, individual labor agreements, shareholders' resolutions and bonus accrual orders.

Total compensation paid to the Group's key management personnel during the years ended 31 December 2018 and 2017, amounted to 399,688 thousand tenge and 433,000 thousand tenge, respectively.

(in thousands of Tenge, unless otherwise stated)

26. FINANCIAL INSTRUMENTS

Capital management

Businesses in fast-moving consumer goods and food packaging industries are subject to risks related to rapid changes in markets and customer demands. It is the Group's policy to maintain a strong financial position as this provides the best balance of risk and reward for the shareholders. The Board of Directors reviews the Group's capital structure regularly taking into account available cash balances and credit lines, trends in markets and investment opportunities generally, but especially in the development of new products to enhance the existing portfolio, and the development of new distribution channels and geographical markets. The Group's overall strategy remains unchanged from 2017.

Significant accounting policies

Information regarding significant accounting policies and accepted methods, including recognition criteria, estimation basis, and basis for gain and losses recognition related to each class of financial assets, financial liabilities, and securities are disclosed in Note 3.

General risk management principles

The Group's overall risk management concept is based on visibility of the key risks preventing the Group from reaching its business objectives. This covers all risks areas; strategic, operational, financial and hazard risks. The Group's risk management is a systematic and pro-active process to analyze, review and manage all opportunities, threats and risks related to the Group's objectives.

The principles documented in the Group's Risk Policy and accepted by the Audit Committee of the Board of Directors require risk management and its elements to be integrated into business processes. One of the main principles is that the business unit or function owner is also the risk owner.

Key risks are reported to business unit and Group level management to create assurance on business risks and to enable prioritization of risk management implementation in the Group. In addition to general principles there are specific risk management policies covering, for example, treasury and customer finance risks.

Categories of financial instruments

As at 31 December 2018 and 2017, financial instruments were as follows:

	31 December 2018	31 December 2017
Financial assets		
Other financial assets	9,605,000	2,990,970
Receivables and other current assets, excluding prepaid expenses and other taxes receivable (Notes 15, 16)	3,055,243	2,069,581
Cash and cash equivalents (Note 17)	6,239,260	5,236,437
Bank deposits	591,035	513,652
Financial liabilities		
Accounts payable (Note 21)	7,677,786	6,590,459
Borrowings (Note 20)	22,817,031	17,556,543
Long-term accounts payable (Note 21)	743,095	-
Other accounts payable and accrued liabilities (excluding advances received)	423,241	420,989

(in thousands of Tenge, unless otherwise stated)

Financial risk management objectives

The key financial targets for the Group are stable and profitable growth, generation of cash flows, operational efficiency and a strong balance. The objectives for the Group's treasury function are twofold: to guarantee cost efficient funding for the Group at all times and to identify, evaluate and hedge financial risks in close cooperation with the business groups. There is a strong focus in the Group on creating shareholder value. The Treasury function supports this aim by minimizing the adverse effects caused by fluctuations in the financial markets on the profitability of the underlying businesses and by managing the balance sheet structure of the Group.

The treasury policy provides principles for overall financial risk management and determines the allocation of responsibilities for financial risk management in the Group. Operating policies cover specific areas such as foreign currency risk, interest rate risk as well as liquidity and credit risk. The Group has detailed Standard Operating Procedures supplementing Treasury Policy in financial risk management related issues.

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign currency risk

The Group undertakes transactions denominated in foreign currencies, which lead to exposures to exchange rate fluctuations. The Group reduced this exposure by decreasing foreign currency operations share, using of hedge and concluding of forward contracts.

As at 31 December 2018 and 2017, the carrying value of monetary assets and liabilities of the Group was as follows:

	Assets		Liabilities	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
In US Dollars	14,616,494	6,469,561	4,447,571	3,997,549
In Russian Roubles	491,838	243,178	7,821,592	2,297,540
In Kyrgyz Soms	265,789	232,612	13,745	85,585
In Uzbek Sums	15,545	16,389	140	21
In Euro	1,406	805,861	464,197	453,208
Other	4	3	30,698	11,775

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 20% increase and decrease in tenge against the relevant foreign currencies. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the tenge strengthens 20% against the relevant currency. For a 20% weakening of the tenge against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

(in thousands of Tenge, unless otherwise stated)

	Impact of US Dollars (i)		Impact of Rub (ii)	
	2018	2017	2018	2017
Profit/(loss) before tax	2,033,784	494,402	(1,465,951)	(410,872)

(i) This is mainly attributable to the exposure on the Group's cash in US Dollars bank accounts and coupon bonds of Bank Julius Bär & Co in US Dollars as at year ended 31 December 2018 and US Dollars denominated accounts payable as at year ended 31 December 2018.

(ii) This is mainly attributable to the exposure on Russian Rubles denominated loans as at year end.

Interest rate risk

The Group is exposed to interest rate risk either through market value fluctuations of balance sheet items (i.e. price risk) or through changes in interest income or expenses (i.e. re-investment risk). Interest rate risk mainly arises through interest-bearing liabilities and assets. Estimated future changes in cash flows and balance sheet structure also expose the Group to interest rate risk.

Treasury is responsible for monitoring and managing the interest rate exposure of the Group. Due to the current balance sheet structure of the Group, emphasis is placed on managing the interest rate risk in relation to borrowings. In 2018 all the loans of the Group have fixed interest rates.

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2018 would decrease/increase by 18,496 thousand tenge (in 2017: decrease/increase by 16,511 thousand tenge).

Credit risks

Customer Finance Credit Risk

The Group has maintained a financing policy aimed at close cooperation with banks, financial institutions and other agencies to support distributors and selected customers in their financing of working capital investments, mainly for purchase of the Group's products. The Group monitors closely the extent of the borrowings in relation to the turnover of the key customers.

Credit risks related to customer financing are systematically analyzed, monitored and managed by the Group's Credit Manager, reporting to the Head of Financial Control. Significant changes to credit risks are approved by the Group's Credit Committee along principles defined in the Group's credit policy and according to the credit approval process. The Credit Committee consists of the Head of Financial Control, Credit Manager and representatives of Sales department.

As at 31 December 2018, the Group's customer finance credit risk exposure of trade accounts receivable totaled 2,249,021 thousand tenge (31 December 2017: 1,792,015 thousand tenge).

Financial credit risk

Financial instruments contain an element of risk that its counterparties would be unable to meet their obligations. This risk is measured and monitored by the treasury function. The Group minimizes financial credit risk by limiting its counterparties to a sufficient number of major banks and financial institutions. Rating of the Bank Julius Bär & Co., where other financial assets for amount of 9,605,000 thousand tenge (Note 16) and cash and cash equivalents for amount of 4,009,866 thousand tenge (Note 17) are placed, was Aa2 on May, 2018 in accordance with rating agency Moody's.

(in thousands of Tenge, unless otherwise stated)

Direct credit risk represents the risk of loss resulting from counterparties' default in relation to the items of the consolidated statement of financial position. Decision on investments to the fixed income instruments and short-term debt securities are based on strict creditworthiness criteria. The outstanding investments are also constantly monitored by the treasury function. The Group does not expect the counterparties to default given their credit quality. The carrying amount of financial assets recognized in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

Liquidity risk

The Group guarantees sufficient liquidity at all times by efficient cash management and by investing in liquid interest bearing securities. Due to the dynamic nature of the underlying business, Treasury also aims at maintaining flexibility in funding by keeping credit lines available. The credit facilities are intended to be used for working capital and capital investment funding purposes.

The Group's international creditworthiness facilitates the efficient use of international capital and loan markets. In 2018 the rating of the Group has been confirmed by the credit rating agency Moody's on the level of B2/stable.

Table on liquidity risk

The following table presents contractual maturity of non-derivative financial assets and liabilities of the Group based on the undiscounted cash flows of financial assets and liabilities (both interest and principal cash flows) based on the earliest date on which (a) the Group expects to receive payments; and (b) the Group can be required to pay.

2018	**Weighted average interest rate**	**Within 1 year**	**1-5 years**	**Over 5 years**	**Total**
Financial assets:					
Trade accounts receivable	-	2,087,561	-	-	2,087,561
Other financial assets	1.8%-2.64%	9,605,000	-	-	9,605,000
Other current assets, excluding prepaid expenses and other taxes receivable	-	652,486	-	-	652,486
Bank deposits	1.0%	591,035	-	-	591,035
Cash and cash equivalents	-	6,239,260	-	-	6,239,260
		19,175,342	**-**	**-**	**19,175,342**
Financial liabilities:					
Accounts payable	-	7,677,786	-	-	7,677,786
Long-term Accounts payable	11.20%	-	915,402	-	915,402
Borrowings	9.14%	16,300,826	8,812,299	-	25,113,125
Other accounts payable and accrued liabilities	-	423,241	-	-	423,241
		24,401,853	**9,727,701**	**-**	**34,129,554**

(in thousands of Tenge, unless otherwise stated)

2017	Weighted average interest rate	Within 1 year	1-5 years	Over 5 years	Total
Financial assets:					
Trade accounts receivable	-	1,680,479	-	-	1,680,479
Other financial assets	1.05%-1.22%	2,990,970	-	-	2,990,970
Other current assets, excluding prepaid expenses and other taxes receivable	-	389,102	-	-	389,102
Bank deposits	1.0%	513,652	-	-	513,652
Cash and cash equivalents	-	5,236,437	-	-	5,236,437
		10,810,640	-	-	10,810,640
Financial liabilities:					
Accounts payable	-	6,590,459	-	-	6,590,459
Borrowings	3.9%-12.5%	10,587,077	9,261,545	-	19,848,622
Other accounts payable and accrued liabilities	-	420,989	-	-	420,989
		17,598,525	**9,261,545**	**-**	**26,860,070**

The Group has access to funds, as described below, amounting to 12,826,986 thousand tenge as at 31 December 2018 (31 December 2017: 16,037,063 thousand tenge).

Unsecured short-term borrowings with different maturities till 2019	**2018**
Amount used	2,833,214
Amount unused	7,063,986
	9,897,200
Secured short-term borrowings with different maturities till 2019	
Amount used	4,980,000
Amount unused	-
	4,980,000
Secured long-term borrowings with different maturities till 2021	
Amount used	14,708,032
Amount unused	5,763,000
	20,471,032

As at 31 December 2018 and 2017, the Group also had authorized for issue but not placed 410,500 preferred shares at 1,200 tenge each at a total amount of 492,600 thousand tenge.

Fair value of financial instruments carried at amortized cost

For assets and liabilities maturing within twelve months, the carrying value approximates fair value due to the relatively short-term maturity of these financial instruments.

The management believes that the carrying value of financial assets and liabilities carried at amortized cost in the consolidated financial statements approximates their fair value.

	31 December 2018		31 December 2017	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial liabilities:				
Loans	22,817,031	22,817,031	17,556,543	17,556,543

The fair values of the financial liabilities included in the level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

(in thousands of Tenge, unless otherwise stated)

Hierarchy as at 31 December 2018

	Level 1	Level 2	Level 3	Total
Financial liabilities at amortized cost				
Borrowings	-	22,817,031	-	22,817,031
Totals	**-**	**22,817,031**	**-**	**22,817,031**

	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets FVTPL	9,605,000	-	-	9,605,000
Totals	**9,605,000**	**-**	**-**	**9,605,000**

	Level 1	Level 2	Level 3	Total
Other assets				
Investment property	-	-	611,443	611,443
Land and buildings, machinery and equipment	-	-	24,246,374	24,246,374
Totals	**-**	**-**	**24,857,817**	**24,857,817**

Hierarchy as at 31 December 2017

	Level 1	Level 2	Level 3	Total
Financial liabilities at amortized cost				
Loans	-	17,556,543	-	17,556,543
Totals	**-**	**17,556,543**	**-**	**17,556,543**

	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets FVTPL	2,990,970	-	-	2,990,970
Totals	**2,990,970**	**-**	**-**	**2,990,970**

	Level 1	Level 2	Level 3	Total
Other assets				
Investment property	-	-	607,493	607,493
Land and buildings, machinery and equipment	-	-	20,626,333	20,626,333
Totals	**-**	**-**	**21,233,826**	**21,233,826**

	Valuation technique(s) and key input(s)
Financial liabilities	
Loans	Level 2: Discounted cash flow at a discount rate that reflects the issuer's current borrowing rate at the end of the reporting period.
Financial assets	
Other financial assets	Level 1: Quoted bid prices in an active market
Other assets	
Investment property, land and buildings	Level 3: Cost approach and market for similar or comparable assets, adjusted for differences with the assets under valuation. Adjustment of the prices of similar or comparable assets requires analysis of such factors as location, size, functional use and condition of the asset.
Machinery and equipment	Level 3: Income approach and cost approach. Income approach included determination of the value of property, plant and equipment based on discounting of cash flows. In construction of cash flow projections, the appraiser considered the general state of the world economy and the economy of the Republic of Kazakhstan. The forecast figures for inflation and GDP growth were adopted from GlobalInsight data. The discounting rate of 14.06% was applied. Cost approach included determination of value of property, plant and equipment on depreciated replacement cost. Within the cost approach, the fair value of machinery and equipment was calculated using indices of increase in value of fixed assets based on the data of Agency on Statistics of the Republic of Kazakhstan. The calculation made by the appraiser indicate the results of valuation of the fair value of machinery and equipment determined within the income approach are higher than the fair value determined within the cost approach. Therefore, the fair value of the assets was accepted according to the value determined within the cost approach.

Hazard risk

The Group strives to ensure that all financial, reputation, and other losses of the Group and its customers are minimized through preventive risk management measures or purchase of insurance. Insurance is purchased for risks, which cannot be internally managed. The Group's Economic Security function's objective is to ensure that Group's hazard risks, whether related to physical assets (e.g. buildings) or intellectual assets (e.g. "RG Brands" brand) or potential liabilities (e.g. product liability) are properly insured.

27. COMMITMENTS AND CONTINGENCIES

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2016 and then in the first quarter of 2016, the oil price decreased significantly, which led to a significant decrease in national export revenue. On 20 August 2015, the Government and the National Bank of Kazakhstan announced a transition to a new monetary policy based on a free floating tenge exchange rate, and cancelled the currency corridor. In 2015 and in the first quarter of 2016, the tenge depreciated significantly against major foreign currencies.

Management of the Group is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Group's business in the foreseeable future. However, the impact of further economic developments on future operations and the financial position of the Group is at this stage difficult to determine.

Tax and regulatory environment

The government of the Republic of Kazakhstan continues to reform the business and commercial infrastructure in its transition to a market economy. As a result, laws and regulations affecting businesses continue to change rapidly. These changes are characterized by poor drafting, different interpretations and arbitrary application by the authorities.

The tax period remains open for audit by tax authorities within five calendar years; however, in certain conditions, the tax period may be extended. Consequently, the Group may be subject to additional tax liabilities, which may arise as a result of tax audits. The Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation.

Compliance with loan covenants

Some of the Group's loan agreements are subject to covenant clauses, whereby the Group is required to meet certain key performance indicators. The Group complied with all covenants of loan agreements with lenders as at 31 December 2018.

Legal issues

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which have had, individually or in the aggregate, a material adverse impact on the Group. Management believes that the resolution of all such matters will not have a material impact on the Group's consolidated statement of financial position or consolidated operating results.

28. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized for issue by the Group's management on 8 April 2019.