



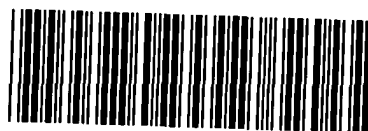
KAZPHOSPHATE LIMITED

Consolidated Financial Statements and Independent Auditor's Report

For the year ended 31 December 2017

Company registration number: 06007551

WEDNESDAY



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31/10/2018 #196
COMPANIES HOUSE

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KAZPHOSPHATE LIMITED **STRATEGIC REPORT OF THE DIRECTORS**

The directors present their strategic report with the audited financial statements of the Group for the year ended 31 December 2017.

STRATEGY AND BUSINESS MODEL

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

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

Kazphosphate LLC is a unique company operating a full cycle from mining and processing of phosphate rock to the final products using its own railway-transportation complex. The Company has a large supply of phosphates with proven reserves of 1.6 billion tons, including 0.42 billion tons that can be extracted through surface mining. The Company operates in Jambyl Region and South Kazakhstan Region, including the single-industry towns of Karatau, Chulaktau, Stepnogorsk, and provides employment opportunities to 6,000 people. Currently, the Company produces 20 product types. The products are sold in 27 countries. The production facilities, sales and markets are presented below:

Sales and Markets



Europe and CIS

- Yellow Phosphorus, Sodium Tripolyphosphate, Sodium hexametaphosphate, Monoammonium Phosphate (MAP), Tricalcium Phosphate, Terephthalic acid, Raw Phosphate, Slag, Errophoshorus

Asia

- Monoammonium Phosphate (MAP), Ferrophosphorus, Sodium Tripolyphosphate, Raw Phosphate, Terephthalic acid

North America

- Yellow Phosphorus, Sodium hexametaphosphate

The management team is committed to the following business strategy channels:

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

KAZPHOSPHATE LIMITED

STRATEGIC REPORT OF THE DIRECTORS (Continued)

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

Ecology

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

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

Health and Safety

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

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

High product quality and sustainable environment

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

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

Environmental matters

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

Employees

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

Social responsibility

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

KAZPHOSPHATE LIMITED
STRATEGIC REPORT OF THE DIRECTORS (Continued)

BUSINESS REVIEW

Revenues in 2017 increased by 29% (2016: decrease of 32%) from \$227m in 2016 to \$293m in 2017. This was mainly due to higher exports to Europe of the Company's main products - yellow phosphorous and ammophos. Gross profit fell by 20% (2016: increase of 36%) from \$105m in 2016 to \$84m in 2017 due to an increase in cost of extracting raw materials and electricity costs. Overall return on equity fell by 13% from 23% in 2016. Net assets increased by 11% from \$198m to \$219m due to the profit made during the year. The net decrease in cash flows of \$5.4m (2016: increase of \$10m) was largely due to repayment of loans and borrowings.

Investment projects in Kazakhstan

During 2017, the reconstructed EFK-1 Department ammophos workshop was commissioned with an increased capacity of P2O5 production of 500 thousand tons per year.

The group also completed the following projects in 2017:

- Novodzhambul Phosphorus plant with the aim to increase storage capacity at enclosures VM no3 and VM no 57;
- Replacement of SKTSN 34 cyclones with modern dust-cleaning system
- Construction of a plant to produce dry Phosphate Pentoxide
- Modernisation of arsenic-removal facilities at D1 and D2 to improve product quality and expand sales to the markets
- Construction of arsenic-removal facilities at D4 and D5 to increase production capacity
- Upgrade of fertiliser production with a view to increasing 10 – 46 grade Monoammonium Phosphate production to 480,000 tons per year.

KEY PERFORMANCE INDICATORS

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

	2017	2016
Reserves	1.6bln tons	1.6bln tons
Number of product types	20	20
Number of countries we sell to	27	27
Average No of employees	6,028	5,979
Fixed assets investments	\$16m	\$35m
Provisions for community development	\$1.14m	\$1.15m

Financial risk

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

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

KAZPHOSPHATE LIMITED
STRATEGIC REPORT OF THE DIRECTORS (Continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Political matters

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

Foreign exchange and inflation

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

FUTURE DEVELOPMENTS

The Company has developed an operating program with projected investments into mining complexes from 2017 to 2040 amounting to \$132 million.

The investments will be channelled into:

- Purchase of modern mining equipment;
- Improvement of the production management system;
- Introduction of energy-efficiency and other environmental measures;
- Support and development of social services in mining;
- Construction of a flotation dressing mill and modernization of the slurry dressing mill;
- Construction of a furnace gas recovery system and a computerized process control system in Shops No. 7,8 at the Novodzhambul Phosphorus Plant;
- Reconstruction of the fertilizer plant feed phosphates production line with the aim of production of phosphates with increased nutritional content (granulated tricalcium phosphate);
- Design and construction of a facility for the production of ethanol using furnace gas, as part of energy-efficiency measures;
- Feasibility study for the construction of a Monoammonium Phosphate and Diammonium Phosphate plant.
- Reconstruction of the existing Mineral Fertilizers Plant at the Taraz Branch of Kazphosphate LLP that shall produce up to 1 million tons of mineral fertilizers in 2020.

Payment policy

The Group does not have a formal code that it follows with regard to payments to suppliers. Members of the Group generally agree payment terms with their suppliers when they enter into binding contracts for the supply of goods and services. Suppliers are in that way made aware of these terms. Group companies seek to abide by these payment terms when they are satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions. At 31 December 2017 the amount of trade payables shown in the Group balance sheet represented 57 days (2016: 55 days) of purchases.

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


ON BEHALF OF THE BOARD:

S H Landes – Director

Date: -

23 / 10 / 18

KAZPHOSPHATE LIMITED **REPORT OF THE DIRECTORS**

The directors present their report with the audited financial statements of the Group for the year ended 31 December 2017.

DIRECTORS

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

Y Nurgozhayev
S H Landes

REGISTERED OFFICE

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

RESULTS AND DIVIDENDS

The consolidated statement of comprehensive income for the period is set out on page 10.

The directors recommended on 20 July and 28 September 2018 dividend of Tenge 7,656,705,000 and Tenge 2,170,920,000 for the year ended 31 December 2017.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

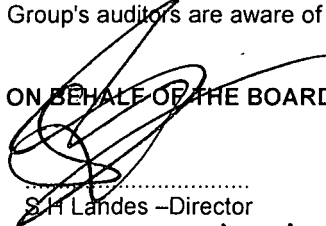
MATTERS COVERED IN THE STRATEGIC REPORT

The company has chosen to include several items in the strategic report which would otherwise be required to be disclosed in the Directors' report. These include future developments and information on financial risk.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

ON BEHALF OF THE BOARD:


S H Landes – Director

Date: -

23 / 10 / 18

KAZPHOSPHATE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS
OF KAZPHOSPHATE LIMITED

OPINION

We have audited the financial statements of Kazphosphate Limited for the year ended 31 December 2017, which comprise the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Statements of Cash Flows, the Group and Parent Company Statement of Changes in Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

- give a true and fair view of the state of the Company and Group's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted for the use in the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR QUALIFIED OPINION

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

As at 31 December 2017 and 2016 loans with a carrying value of USD 39,445 thousand and USD 35,503 thousand, respectively, made to Bloomtrade International Limited, a related party, were included in non-current financial assets in the Group Statement of Financial Position. The Group also recognised an impairment loss in profit and loss for the year of USD 23,220 thousand and USD 23,153 thousand on those loans for the years ended 31 December 2017 and 31 December 2016, respectively. We were unable to satisfy ourselves as to the recoverability of the carrying value of those loans as we could not obtain access to certain financial information in respect of this related party. As a result, we were unable to determine whether adjustments might have been found necessary in respect of relevant elements making up the Group Statement of Financial Position as at 31 December 2017 and 2016 and related elements making up the Group Statement of Comprehensive Income and Changes in Equity for the year then ended. Our opinion on the Group financial statements as at 31 December 2017 and for the year ended 31 December 2016 was modified accordingly.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

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

We have nothing to report in this regard.

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

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

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

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

RESPECTIVE RESPONSIBILITIES OF DIRECTOR AND AUDITORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

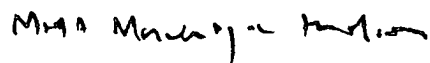
KAZPHOSPHATE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS
OF KAZPHOSPHATE LIMITED (CONTINUED)

OTHER MATTERS

The Group was not in compliance with certain covenants under the credit facility agreement with Halyk Bank of Kazakhstan JSC as at 31 December 2016. Therefore, as at 31 December 2016 the Group did not have unconditional right to defer settlement of those loans for at least 12 months after the reporting date, and those loans should have been classified as a current liability. Had those loans been classified as current liabilities, the effect would have been to decrease non-current loans and borrowings and increase current loans and borrowings by USD 20,603 thousand as at 31 December 2016. As at 31 December 2017 the Group was not in default of the loan covenants and the bank did not exercise their right to demand repayment due to the previous breach.

USE OF OUR REPORT

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



Yogan Patel FCA (Senior Statutory Auditor)

for and on behalf of
MHA MacIntyre Hudson

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

Date: 23 October 2018

KAZPHOSPHATE LIMITED
CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

	Note	Group 31 December 2017	Company 31 December 2017	Group 31 December 2016	Company 31 December 2016
<i>In thousands of US dollars</i>					
ASSETS					
Property, plant and equipment	5	251,392	-	270,614	-
Intangible assets	6	26,479	-	31,228	-
Investments in associate & joint venture	7	1,158	-	1,302	-
Other non-current assets	8	2,228	-	8	-
Restricted cash	8	429	-	309	-
Investments	9	-	143,504	-	143,504
Loans receivable	12	39,445	-	35,503	-
Total non-current assets		321,131	143,504	338,964	143,504
Current assets					
Inventories	10	71,756	-	66,947	-
Trade and other receivables	11	36,689	75	27,723	72
Prepayments		1,793	-	1,079	-
Taxes receivable	13	10,756	-	6,871	-
Current income tax prepaid		390	-	-	-
Cash and cash equivalents	14	7,870	8	12,691	-
Total current assets		129,254	83	115,311	72
TOTAL ASSETS		450,385	143,587	454,275	143,576
LIABILITIES AND EQUITY					
Called up share capital	15	98	98	98	98
Retained earnings		349,373	75,350	327,749	44,597
Foreign exchange translation reserve		(152,580)	-	(152,210)	-
Other reserves	18	(565)	-	(565)	-
Revaluation surplus		22,704	-	22,704	-
TOTAL EQUITY		219,030	75,448	197,776	44,695
LIABILITIES					
Non-current liabilities					
Borrowings	19	115,967	57,787	70,663	-
Deferred income tax liability	16	47,798	-	54,297	-
Provision for asset retirement obligations	17	3,729	-	3,577	-
Provision for social development of the region	32	998	-	1,044	-
Employee benefits	18	209	-	296	-
Total non-current liabilities		168,701	57,787	129,877	-
Current liabilities					
Borrowings	19	21,628	10,223	99,365	98,772
Trade and other payables	20	33,090	19	20,017	18
Advances received		2,340	-	1,438	-
Accruals		110	110	91	91
Provision for unused vacation & bonuses		1,564	-	1,567	-
Employee benefits	18	97	-	78	-
Current corporate income tax payable		-	-	1,580	-
Provision for social development	32	138	-	110	-
Other taxes payable	21	3,687	-	2,376	-
Total current liabilities		62,654	10,352	126,622	98,881
TOTAL LIABILITIES		231,355	68,139	256,499	98,881
TOTAL LIABILITIES AND EQUITY		450,385	143,587	454,275	143,576

The financial statements were authorised for issue on 23/10/18 and signed on its behalf.


G. H. Landes- Director

Company registration number: 06007551

The notes on pages 13 to 57 form an integral part of these financial statements.

KAZPHOSPHATE LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of US dollars</i>	Note	2017	2016
CONTINUING OPERATIONS			
Revenue	22	293,235	227,757
Cost of sales	23	(210,184)	(123,158)
Impairment of property, plant and equipment	5	761	-
Gross profit		83,812	104,599
Other operating income	24	324	346
Distribution costs	25	(29,050)	(21,175)
General and administrative expenses	26	(21,484)	(21,328)
Other operating expenses	27	(797)	(145)
Operating profit		32,805	62,297
Finance income	28	5,842	5,372
Finance costs	28	(9,297)	(11,650)
Share of profit /(loss) of joint ventures	7	(151)	354
Profit before income tax		29,199	56,373
Income tax expense	29	(7,575)	(11,745)
Profit for the year		21,624	44,628
Other comprehensive income for the year:			
Land devaluation		-	(1,774)
Foreign exchange translation		(370)	3,625
Other comprehensive income/(loss) for the year		(370)	1,851
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		21,254	46,479

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

KAZPHOSPHATE LIMITED
CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

In thousands of US Dollars

GROUP	Share Capital	Foreign exchange translation reserve	Actuarial gains/ losses on pension liability	Revaluation reserve on property plant & equipment	Retained earnings	Total equity
Balance 1 January 2016	98	(155,835)	(565)	24,478	283,121	151,297
Profit for the year	-	-	-	-	44,628	44,628
Other comprehensive income/(loss)	-	3,625	-	(1,774)	-	1,851
Total comprehensive income/(loss) for the year	-	3,625	-	(1,774)	44,628	46,479
Balance 31 December 2016	98	(152,210)	(565)	22,704	327,749	197,776
Profit for the year	-	-	-	-	21,624	21,624
Other comprehensive income/(loss)	-	(370)	-	-	-	(370)
Total comprehensive income/(loss) for the year	-	(370)	-	-	21,624	21,254
Balance 31 December 2017	98	(152,580)	(565)	22,704	349,373	219,030
COMPANY				Share capital	Retained earnings	Total equity
Balance at 1 January 2016				98	32,837	32,935
Total comprehensive Income				-	11,760	11,760
Balance as at 31 December 2016				98	44,597	44,695
Total comprehensive income				-	30,753	30,753
Balance at 31 December 2017				98	75,350	75,448

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

KAZPHOSPHATE LIMITED
CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

<i>In thousands of US Dollars</i>	Group 2017	Company 2017	Group 2016	Company 2016
Cash flow from operating activities				
Proceeds from sales	292,109	-	229,153	-
Value added tax refund	10,101	(15)	8,562	(1)
Refund from suppliers	505	-	175	-
Other	283	(93)	1,966	-
Payments to suppliers and contractors	(187,968)	-	(120,437)	(141)
Wages and salaries paid	(18,910)	-	(17,114)	-
Payment of other taxes	(20,007)	-	(14,116)	-
Payments to other state funds	(14,540)	-	(3,354)	-
Interest paid	(3,833)	-	(7,694)	-
Rebates for undelivered goods	(6,390)	-	(1,324)	-
Others	(2,024)	-	(4,375)	-
Corporate income tax payment	(3,129)	-	(5,493)	-
Net Cash received / (used in) from operating activities	46,197	(108)	65,949	(142)
Cash flow from investing activities				
Dividend received	-	30,879	-	11,752
Acquisition of property, plant and equipment	(19,483)	-	(21,239)	-
Loan disbursed and financial aid provided by related parties	(30)	-	(59)	-
Return on loan issued	8,721	-	-	-
Proceeds from loan receipts	3	-	3	-
Restricted cash	(121)	-	(71)	-
Net Cash (used in) / received from investing activities	(10,910)	30,879	(21,366)	11,752
Cash flow from financing activities				
Proceeds from loans and borrowings	54,230	89	53,307	80
Sales of securities	2,974	-	3,979	-
Purchase of securities	(2,811)	-	(3,912)	-
Repayment of loans and borrowings	(95,096)	(30,852)	(87,870)	(11,752)
Net cash received (used in) / from financing activities	(40,703)	(30,763)	(34,496)	(11,672)
Net increase / (decrease) in cash and cash	(5,416)	8	10,087	(62)
Cash and cash equivalents at the beginning of the year	12,691	-	2,291	62
Exchange loss on currency movement	595	-	313	-
Cash and cash equivalents at the end of the year	7,870	8	12,691	-

The notes on pages 13 to 57 form an integral part of these financial statements.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

1. The Group and its Operations

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

2. Basis of Preparation and Significant Accounting Policies

Basis of preparation

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

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") "As adopted by the EU" under the historical cost convention, as modified by revaluation of some financial instruments and land. The main accounting policies used in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to all the periods presented unless stated otherwise. All amounts have been rounded to the nearest \$1,000 except as otherwise indicated.

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

The following amendments to standards and interpretations became effective on 1 January 2017 and onwards:

- IFRS 9 Financial Instruments.
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 15 Revenue from Contracts with Customers & IFRS 16 Leases
- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
- Amendments to IFRS10, IFRS 12 and IAS 27 Investment Entities
- Amendments to IAS 19: Defined Benefit Plans: Employee contributions (issued on 21 November 2013)
- Annual Improvements to IFRSs 2010-2012 Cycle (issued on 12 December 2013)
- Annual Improvements to IFRSs 2011-2013 Cycle (issued on 12 December 2013)
- Amendments to IAS 27 Equity Method in Separate Financial Statements (issued on 12 August 2014)
- Amendments to IAS 1 Disclosure initiative (issued on 18 December 2014)
- Annual improvements to IFRSs 2012-2014 Cycle (issued on 25 September 2014)
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of depreciation and amortisation
- Amendments to IFRS11 Accounting for acquisitions of interest in joint Operations (issued on 6 May 2016)
- Amendments to IAS 16 and IAS 41: Bearer Plants (issued on 30 June 2014)
- Amendments to IAS 28: Long-term interests in Associates and Joint Venture (effective 1 January 2019)
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective 1 January 2018)

The application of these standards and amended standards had no significant impact on the Group's or parent's financial statements.

Basis of consolidation

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

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

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

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

Functional and presentation currency

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

Foreign currency transactions

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

Foreign operations

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

Associates

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

Joint ventures

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

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

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

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

Disposals of subsidiaries, associates or joint ventures.

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

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

Property, plant and equipment

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

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

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

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

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

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

Land revaluation

Land is subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for land in equity is transferred directly to retained earnings on the retirement or disposal of the asset.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

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

Depreciation

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

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

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

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Impairment of assets

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

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

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

Intangible assets

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

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

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

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

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

Stripping costs

Stripping costs incurred to access the mineral resources prior to the commencement of commercial production are amortised over the period of production using a unit-of-production method.

Stripping costs, incurred during the production are capitalised only if they result in future benefits from access to reserves, the amount of such additional reserves may be reliably measured and such costs can be improved exactly determined and correlated with additional reserves. Such stripping assets are subsequently amortised using a unit-of- production method during production of additional reserves, to which the access has been obtained as a result of stripping works. If it is not practically possible to separate exactly the stripping works into the works related to current production and those related to the improvement of the access to specific components of an ore body, such costs are allocated on the basis of the expected stripping rate of the remaining reserves. The stripping assets subsequently are amortised using unit-of- production method over the period of production of the remaining reserves.

Inventories

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

Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, cash and cash equivalents and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and issued debt securities receivables and deposits on the date that they are originated/issued. All other financial assets and liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss category if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (Note 12). Loans and receivables category comprises the following classes of financial assets: trade and other receivables as presented in Note 11 and cash and cash equivalents as presented in Note 14.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value. Restricted cash balances are excluded from cash and cash equivalents for the purpose of statement of cash flows. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, which were intentionally classified to the specified category or which were classified to none of the above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see Note 11), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss. Unquoted equity instruments whose fair value cannot reliably be measured are carried at cost.

Non-derivative financial liabilities - measurement

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise loans and borrowings, and trade and other payables.

Finance income and finance costs

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

Trade payables

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

Share capital

Assets contributed to share capital are recognised at fair value at the date of contribution. Any excess of the fair value of contributed assets over the par value of contribution to share capital at the legal registration is recorded as share premium in equity.

Impairment of financial instruments

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss, including the participation interest in investees, accounted by equity accounting method, is assessed to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

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

Impairment of financial instruments (continued)

Objective evidences of financial assets impairment (including equity securities) may include:

- failure to pay or other failure to perform the liabilities by the debtors, debt restructuring to the group on the terms, which otherwise would not be considered by the group,
- the evidences of future bankruptcy of the debtor or issuer,
- negative changes of the borrower's payment status or group's issuers,
- economic terms, correlated with defaults,
- disappearing of the active market for any security, or
- observable data, showing measurable decrease of expected cash flows from the group of financial assets.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets at amortised cost

The Group considers evidence of such assets at both an individual asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. An impairment loss is calculated as the difference between its carrying amount of an asset, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an impairment allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Equity accounted investments

Impairment with respect to equity accounted investments is assessed by comparing the recoverable cost of investments and its carrying amount. Impairment losses are recognised in profit or loss and reversed if there has been a favourable change in the estimates used to determine the recoverable amount. The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

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

Non-financial assets

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

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

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

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

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

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

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

Prepayments

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

Provision for asset retirement and site restoration obligations

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

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

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

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

Provision for asset retirement and site restoration obligations (continued)

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

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

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

Loans and borrowings

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

Capitalisation of borrowing costs

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

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

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

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

Operating leases

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

Value added tax (VAT)

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

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

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

Income tax

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

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

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

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

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

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions of the Group's were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Excess profit tax

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

Revenue recognition

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

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

Revenues are shown net of VAT and discounts.

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

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

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

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

Payroll expenses and related charges

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

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

Employee benefits

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

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

Finance income and finance costs

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

Provisions for liabilities and charges

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

Regional social development liabilities

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

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include:

Useful lives of property, plant and equipment

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

Subsurface use contracts

The Group has several subsurface use contracts that expire during 2020-2040. The Group complies with contractual obligations and believes that extension of the subsurface use contracts are probable and mining operations will continue in the long run. In 2015-2016 the Group was inspected by the state authorities for compliance with the subsurface use contract requirements. No material violations were detected. Subsurface use contract term is considered when determining useful lives of property, plant and equipment and when estimating provision for asset retirement and site restoration obligations.

Provisions for asset retirement and site restoration obligations

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

At December 31, 2017, the carrying amount of the provision for assets retirement and restoration of phosphate ore fields was USD 3,332 thousand (2016: US Dollars 3,205 thousand) (Note 17).

At December 31, 2017, the carrying amount of the provision for assets retirement and restoration of groundwater fields was USD 397 thousand (2016: US Dollars 372 thousand) (Note 17).

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

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

Revaluation of land

As at 31 December 2017 and 31 December 2016 the fair value of land in amounts of USD 43,692 thousand and USD 43,566 thousand, respectively, was categorised to Level 2 based on quotations of similar assets in the active markets (method of comparable sales) or quotations on identical or similar assets in the non-active markets (method of the normative (cadastral) value). The cadastral value, in its turn, represents the historic data on property valuation performed by the state authorities for a certain period of time for all lands of the territory of the Republic of Kazakhstan. As at December 31, 2016 the fair value of land of the Company was revalued with the involvement of independent appraisers of Scot Holland LLP.

Related party transactions

In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties.

Employee benefits

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

Measurement of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer of the Group. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

For the significant issues, related to the assessment, the valuation team reports to the management of the Group.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Any further information on the assumptions, made during the assessment of the fair value is contained in the (Note 5) property, plant and equipment.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

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

Assessment of deferred tax

Assessment of deferred tax depends on the effective EPT rate that would be applied during the periods when deductible and taxable temporary differences are refunded or settled. As the EPT rate to be applied in future depends on the rate of return on the subsurface use operations, the assessment of an effective EPT rate as at reporting date requires professional judgment with relation of assessment of future taxable income and respective deductions on the subsurface use operations; expected mechanism of capex amortisation; expected useful lives of the items of property, plant and equipment and other assumptions affecting the estimates of amounts and periods during which the deductible and taxable temporary differences existing as at the reporting date shall be refunded and settled.

4. Adoption of new and revised International Financial Reporting Standards

Standards and Interpretations, adopted in current year

The Company adopted the following new and revised standards effective from 1 January 2017, during the reporting year:

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative;
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses;
- Annual Improvements Cycle - 2014-2016 - Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12.

Adoption of the abovementioned standards does not have significant effect on the individual financial statements.

New and revised IFRS – issued but are not yet effective

The Company did not adopt the following new and revised IFRS and Interpretations (issued, but not yet effective):

- IFRS 9 "Financial instruments"¹
- IFRS 15 "Revenue from Contracts with Customers"¹;
- IFRS 16 "Leases"²;

¹ Effective for annual periods beginning on or after January 1, 2018, with permission of early adoption.

² Effective for annual periods beginning on or after January 1, 2019, with permission of early adoption.

IFRS 16 Leases was issued in January 2016. IFRS 16 will replace IAS 17 Leases and its related interpretations. IFRS 16 is applicable from the period beginning on or after January 1, 2019, with the possibility of early application in case IFRS 15 Revenue from Contracts with Customers. The new standard combines the accounting of lessees into a single accounting model and eliminates the differences between financial and operating leases. The accounting for lessors remains largely unchanged and keeps the differences between financial and operating leases.

The Group management believes that the application of IFRS 16 Leases in the future may have a significant effect on the amounts recognized as assets and liabilities of the Company. However, to assess the impact of application of IFRS 16 Leases without conducting a detailed analysis is not possible.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

4. Adoption of new and revised International Financial Reporting Standards (continued)

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

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

IFRS 15 was issued in May 2014 and amended in April 2016. The standard set universal complex model on revenue from contracts with customer's recognition. IFRS 15 will replace the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

5-step model includes the following:

- identify the contract with the customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to performance obligations in the contracts;
- recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the performance obligation is transferred to the customer. Far more prescriptive guidance has been added in standard to deal with specific scenarios, the accounting for variable compensation, costs associated with the conclusion and execution of contracts and other. Furthermore, extensive disclosures are required.

The group's management believes that the application of IFRS 15 in the future will not have a significant impact on the financial position and equity.

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NOTES TO THE FINANCIAL STATEMENTS- 31 DECEMBER 2017

5. Property, Plant and Equipment

GROUP

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

<i>In thousands of US Dollars</i>	Land	Buildings and constructions	Machinery and equipment	Other assets	Construction in progress	Total
Cost or revalued amount at 1 January 2016	45,009	261,683	131,585	31,762	13,054	483,093
Additions	-	127	285	341	33,998	34,751
Disposals	-	-	(60)	(810)	-	(870)
Foreign currency differences	775	1,087	1,657	512	(8)	4,023
Land revaluation	(2,218)	-	-	-	-	(2,218)
Transfer to intangible asset	-	-	-	-	(51)	(51)
Transfers	-	16,494	23,933	2,103	(42,530)	-
Balance at 31 December 2016	43,566	279,391	157,400	33,908	4,463	518,728
Accumulated depreciation at 1 January 2016	-	119,213	79,164	18,171	(51)	216,497
Depreciation	-	16,488	11,559	3,368	-	31,415
Disposals	-	-	(36)	(779)	-	(815)
Transfer	-	1	(1)	-	-	-
Foreign currency differences	-	177	560	280	-	1,017
Accumulated depreciation at 31 December 2016	-	135,879	91,246	21,040	(51)	248,114
Net Carrying amount at 31 December 2016	43,566	143,512	66,154	12,868	4,514	270,614
Cost or revalued amount at 1 January 2017	43,566	279,391	157,400	33,908	4,463	518,728
Additions	-	107	350	644	15,290	16,391
Disposals	-	(1)	(256)	(795)	(642)	(1,694)
Foreign currency differences	126	121	24	6	28	305
Reversal of Impairment	-	2	1	-	758	761
Transfers	-	1,738	10,584	3,935	(16,257)	-
Balance at 31 December 2017	43,692	281,358	168,103	37,698	3,640	534,491
Accumulated depreciation at 1 January 2017	-	135,879	91,246	21,040	(51)	248,114
Depreciation	-	17,066	15,690	3,330	-	36,086
Disposals	-	(1)	(212)	(786)	-	(999)
Foreign currency differences	-	(21)	(76)	(5)	-	(102)
Accumulated depreciation at 31 December 2017	-	152,923	106,648	23,579	(51)	283,099
Net Carrying amount at 31 December 2017	43,692	128,435	61,445	14,119	3,691	251,392

KAZPHOSPHATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

5. Property, Plant and Equipment (continued)

Additions of property, plant and equipment during 2017, in the amount of USD 16,391 thousand (in 2016: USD 34,751 thousand) represent primarily purchases under the Group's investment program oriented at production capacity maintenance and equipment replacement, as well as current production modernisation.

As at 31 December 2017 machinery and equipment includes cost of mining assets related to site restoration with the present value of USD 1,118 thousand (2016: USD 884 thousand) upon initial recognition.

As at 31 December 2017 the Group had fully depreciated but still used property, plant and equipment with the initial cost of USD 23,396 thousand (2016: USD 18,880 thousand).

As at 31 December 2017 in accordance with the terms and conditions of the contract with Halyk Bank of Kazakhstan JSC (Note 19), the property, plant and equipment with a carrying amount of USD 84,898 thousand were subject to a registered debenture (2016: USD 100,296 thousand).

Depreciation in the amount of USD 30,839 thousand (2016: USD 24,787 thousand) was charged to the cost of sales, the amount of USD 220 thousand (2016: USD 151 thousand) to distribution costs, and USD 574 thousand (2016: USD 702 thousand) to administrative expenses and also USD 4,449 (2016: USD 5,772) thousand as part of production suspension expenses in administrative expenses.

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

As at December 31, 2017, revaluation of land was not performed. As at December 31, 2017 book value was approximately equal to market value.

As of December 31, 2017, if the land would have been valued at historical cost, its carrying value would have been USD 307 thousand (2016: USD 301 thousand).

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

6. Intangible Assets

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

In thousands of US dollars

	Software	Licenses and Other	Mining rights	Rent entitlements	Total
Cost					
Balance at 1 January 2016	334	1,554	74,464	1,701	78,053
Additions	4	7	-	-	11
Transfer	50	-	-	-	50
Foreign currency differences	7	30	-	-	37
Balance at 31 December 2016	395	1,591	74,464	1,701	78,151
Accumulated amortisation at 1 January 2016	133	530	39,675	1,360	41,698
Amortisation	19	58	4,965	170	5,212
Foreign currency differences	6	7	-	-	13
Accumulated amortisation	158	595	44,640	1,530	46,923
Net carrying amount at 31 December 2016	237	996	29,824	171	31,228
Cost at 1 January 2017	395	1,591	74,464	1,701	78,151
Additions	5	488	-	-	493
Disposal	(5)	(1)	-	-	(6)
Foreign currency differences	2	(5)	-	-	(3)
Balance at 31 December 2017	397	2,073	74,464	1,701	78,635
Accumulated amortisation at 1 January 2017	158	595	44,640	1,530	46,923
Amortisation	30	73	4,965	170	5,238
Disposals	(6)	(1)	-	-	(7)
Foreign currency differences	1	1	-	-	2
Accumulated amortisation at 31 December 2017	183	668	49,605	1,700	52,156
Net carrying amount at 31 December 2017	214	1,405	24,859	1	26,479

The software includes capitalised costs for the purchase of EPR SAP software with right of use and other products required for the group operations. Amortisation of USD 5,135 thousand (2016: USD 5,135 thousand) has been charged to general and administrative expenses. As at 31 December 2016 other intangible assets include capitalized costs on social program financing on the amount of USD 1,443 thousand (2016: USD 1,135 thousand) according to the phosphoric ore and ground water extraction contracts. Amortisation expense in the amount of USD 89 thousand (2016: USD 62 thousand) were charged to the cost of sales, USD 15 thousand (2016: USD 15 thousand) – to administrative expenses.

7. Investments in joint venture

In thousands of US dollars

	Joint venture
Carrying value at 1 January 2016	921
Exchanges differences	27
Share of profit in 2016	354
Carrying value 31 December 2016	1,302
Carrying value at 1 January 2017	1,302
Exchanges differences	7
Share of profit /(loss) in 2017	(151)
Carrying value 31 December 2017	1,158

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

7. Investments in associate and joint venture (continued)

In thousands of US dollars

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

The following table presents summarised financial information of Kazphos LLP as it is presented in the enterprise's own financial statements as at 31 December 2017:-

<i>In thousands of US dollars</i>	Total assets	Total liabilities	Revenue	Profit
Kazphos LLP	2,718	269	2,933	(303)
As at 31 December 2016				
<i>In thousands of US dollars</i>	Total assets	Total liabilities	Revenue	Profit
Kazphos LLP	2,829	224	4,816	709

Associated Companies

The Group has a share in individually insignificant associate Nitrophos LLP. The Group's share in the capital is 49%. The group came to a conclusion that it has a significant influence over the enterprise as it can block any decision, which was not agreed with the Company. According to the decision of the specialised regional economic court of Zhambyl oblast the claims of the Company against Nitrophos LLP for the recovery of the debt in the amount USD 241 thousand and state duty in the amount of USD 7 thousand were satisfied. The property of Nitrophos LLP was seized by private bailiff. The estimated value of the property of Nitrophos LLP amounted to USD 182 thousand. Private bailiff issued decree about transfer of the property of Nitrophos LLP to the Kazphosphate LLC as at 31 December 2016.

As at 31 December 2017 and 31 December 2016 the carrying value of the group's investments in Nitrophos LLP has been impaired by 100%.

8. Other Non-current Assets

<i>In thousands of US dollars</i>	31 December 2017	31 December 2016
Prepayments for property, plant and equipment and related services	2,228	67
Less: reserve for impairment	-	(59)
Restricted deposits	429	309
Total other non-current assets	2,657	317

The changes in the reserve for impairment are presented below:

<i>In thousands of US dollars</i>	31 December 2017	31 December 2016
Balance as at January 1	59	-
Reclassification from allowance for trade receivable and advance given (note 11)	-	57
Allowance write –off	(60)	-
Translation reserve	1	2
Balance as at December 31	-	59

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

9. Investments in subsidiary

<i>In thousands of US dollars</i>	Shares in subsidiary undertakings
Cost	
1 January 2016	143,504
Additions	-
Balance 31 December 2016	143,504
1 January 2017	143,504
Additions	-
Balance 31 December 2017	143,504
Carrying amount	
At 31 December 2017	143,504
At 31 December 2016	143,504

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

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

Company name	Country of incorporation	Nature of business	Class of shares	Holding %	
				2017	2016
Nitrophos LLC	Kazakhstan	Production of industrial explosives and drilling	Ordinary	49	49
Kazphos LLP	Kazakhstan	Production of hexametaphosphate and other salts of phosphorus	Ordinary	50	50

10. Inventories

Group

<i>In thousands of US dollars</i>	2017	2016
Raw materials	16,649	9,370
Work in progress	26,334	24,777
Finished products	20,150	30,055
Goods for resale	1,159	306
Goods in transit	7,784	2,807
Less: provisions for obsolete and slow-moving inventory	(320)	(368)
Total inventories	71,756	66,947

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

11. Trade and Other Receivables

GROUP

<i>In thousands of US dollars</i>	2017	2016
Financial assets		
Trade receivables	34,985	26,935
Trade receivable due from related parties (Note 31)	371	305
Less: provision for impairment loss	(194)	(588)
Total	35,162	26,652
Advances paid for inventory and services	1,394	920
Other receivables	185	210
Less: provision for impairment loss	(52)	(59)
Total	1,527	1,071
Total trade and other receivables	36,689	27,723

The ageing analysis of trade receivables classified as financial assets as of 31 December 2017 and 31 December 2016 is as follows:

<i>In thousands of US dollars</i>	2017	2016
Current and not impaired	12,698	11,523
<i>Past due but not impaired</i>		
- 30 to 90 days overdue	17,902	9,919
- 91 to 180 days overdue	2,032	4,005
- 181 to 360 days overdue	1,982	1,062
- over 360 days overdue	548	143
Total past due but not impaired	22,464	15,129
<i>Individually determined to be impaired (gross)</i>		
- not overdue	-	10
- less than 360 days overdue	-	44
- over 360 days overdue	194	534
Total individually impaired	194	588
Total trade receivables	35,356	27,240
Less: impairment loss provision	(194)	(588)
Total trade receivables net	35,162	26,652

Non-impaired trade receivable represent debtors with good solvency and reputation and low risk of non-payment, therefore the management believes that they shall not be impaired.

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

<i>In thousands of US dollars</i>	2017	2016
US Dollars	25,917	21,159
Tenge	6,539	4,782
Russian Roubles	854	711
Euro	1,852	-
Total trade and other receivables	35,162	26,652

KAZPHOSPHATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017****11. Trade and Other Receivables (continued)**

As at December 31, 2017, the cash to be received under the contract No. 1661/9-SB between the Company and LANXESS Deutschland GmbH is considered to be collateral for obligations on loans issued by Halyk Bank of Kazakhstan JSC, the cash to be received under the contract No. 2331/14-SB between the Company and Fosfa akciova spolosenost and contract No. 2203/14-SB with Alwernia Invest Sp. Z.o.o. are considered to be collateral for obligations on loans granted by Development Bank of Kazakhstan JSC.

Changes in the impairment provisions for trade and other receivables are as follows:

<i>In thousands of US dollars</i>	Financial assets		Other	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Balance at 1 January	588	566	59	103
Accrual of allowance	(9)	75	42	12
Reclassification to provision for other non-current assets	-	-	(49)	(57)
Writing off allowance	(394)	(64)	-	-
Translation allowance	9	11	-	1
Balance at 31 December	194	588	52	59

Information about the Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 33.

COMPANY

<i>In thousands of US dollars</i>	2017	2016
VAT	13	6
Other receivables	7	11
Called up share capital not paid	55	55
Total trade and other receivables	75	72

12. Loans Receivable

Presented below are carrying amounts of loans:

<i>In thousands of US dollars</i>	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loans issued:-				
Bloomtrade International Limited	62,665	62,665	58,656	58,656
Bloomtrade International Limited- (bad debt reverse)	(23,220)	(23,220)	(23,153)	(23,153)
Total loans receivable	39,445	39,445	35,503	35,503

On 15 October 2012 the Group signed an agreement with Bloomtrade International Limited (related party) for a loan in the amount of USD 50,000 thousand. During 2013 the Group signed a number of addendums to the agreement and as at 31 December 2013 the loan shall be repaid on 30 August 2014. During 2013 the Group signed an addendum, under which the loan should be repaid in tranches until 25 August 2019. The agreement does not specify the interest rate on the loans; however, the total amount of interest payable was agreed for the entire term of the loan use as USD 27,605 thousand and that is repayable before 25 August 2019. Information about the Group's exposure to credit and currency risks and impairment losses related to loans issued is disclosed in Note 33.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

13. Taxes Receivable

GROUP

<i>In thousands of US dollars</i>	2017	2016
VAT refund	10,487	6,610
Other	269	261
Total taxes receivable	10,756	6,871

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

14. Cash and Cash Equivalents

GROUP

<i>In thousands of US dollars</i>	2017	2016
Cash in bank, Tenge	232	131
Cash on hand	12	10
Cash in bank accounts in Russian Rubles	-	50
Bank deposits	7,626	12,500
Total cash and cash equivalents	7,870	12,691

COMPANY

<i>In thousands of US dollars</i>	2017	2016
Cash in bank, USD	8	-
Total cash and cash equivalents	8	-

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

15. Company called up share capital

Allotted and issued:

GROUP AND COMPANY

<i>In thousands of US dollars</i>			2017	2016
Number	Class	Nominal value		
50,000	Ordinary Share	£1	98	98

As at 31 December 2017 the Company was owed USD 55 thousand (2016: USD 55 thousand) in relation to unpaid share capital, which is included in trade and other receivables. The Group's ultimate controlling parties were the trustees of the Balliana Family trust by virtue of their majority shareholding in the Company. With effect from 9 August 2017 the Group's ultimate controlling party is Yessenov Galimzhan Shakhmardanovich.

KAZPHOSPHATE LIMITED
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16. Group deferred tax assets and liabilities

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

<i>In thousands of US dollars</i>	Asset		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Property, plant and equipment	-	-	(41,464)	(47,902)	(41,464)	(47,902)
Land revaluation	-	-	(8,969)	(8,944)	(8,969)	(8,944)
Provisions and accruals	2,780	2,586	-	-	2,780	2,586
Employees benefit	62	76	-	-	62	76
Other payables	-	-	(207)	(113)	(207)	(113)
Net tax assets/(liabilities)	2,842	2,662	(50,640)	(56,959)	(47,798)	(54,297)

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

<i>In thousands of US dollars</i>	Group 2016	Recognised in income	Translation adjustments	Recognised in equity	Group 2015
Property, plant and equipment	(47,902)	(2,087)	(359)	-	(45,456)
Land revaluation	(8,944)	-	(135)	444	(9,253)
Provisions and accruals	2,586	66	35	-	2,485
Employees benefit	76	10	1	-	65
Other payables	(113)	5	2	-	(120)
Net tax assets/(liabilities)	(54,297)	(2,006)	(456)	444	(52,279)

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

17. Provisions for asset retirement and site restoration obligations

The obligations related to site restoration at GPK Karatau and GPK Chuluktau are stipulated by the subsurface use contracts between the Group and Government of the Republic of Kazakhstan. The Group has a legal obligation to restore land disturbed during the operations and decommissioning of its assets after its expected closure of site operation at GPK Karatau and GPK Chuluktau.

In April 2009 the Group signed two contracts for groundwater extraction and use in the territory of its branches: NDPP and MFP. The contracts have been signed for 25 years and include a provision for site restoration after the contract expiry date.

During 2008 the group engaged an independent third party to evaluate future site restoration costs as at December 31, 2007 in relation to development of field and infrastructure arranged starting from the effective dates of the licenses. The group is not responsible for site restoration and dismantling of infrastructure existed at the starting dates of the licenses. For duration of the current conditions of extraction, the group believes that current cost estimate for site restoration is correct. Future estimated cash outflows for site restoration purposes were discounted at the rate of 8%. Unwinding of discount is recognised as interest expense in profit and loss and other comprehensive income under "Finance expenses" (Note 28). Under the subsurface use contracts the Company is obliged to make payments to the liquidation fund regulated by the government, determined as 0.1 percent of operational costs. In accordance with the subsurface use contracts, the Company transfers cash to the long-term bank deposit to finance assets retirement and site restoration in future. As at 31 December 2017 the total balance in special deposit accounts was USD 429 thousand (2016: USD 309 thousand) (Note 8). In 2016 the group commissioned an independent third party, IE SAN-eco, specializing in the performance of works and services in the field of environmental protection, to conduct an independent assessment of the costs of land reclamation after the end of the operation of landfill sites for the extraction of phosphorite ores and during processing Fossarya at the ZMU branch. On the basis of this assessment, additional obligations were recognized for the restoration of the territories of the GPK Karatau, GPK Chulaktau and ZMU for the amount of USD 164 thousand.

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

Movements in provisions for site restoration obligations are as follows:

<i>In thousands of US dollars</i>	Ore fields	Groundwater wells and landfills for waste disposal	Total
Carrying amount at 1 January 2016	2,719	340	3,059
Additions	156	4	160
Currency translation	268	21	289
Unwinding of the present value discount	62	7	69
Carrying amount at 31 December 2016	3,205	372	3,577
Currency translation	8	-	8
Unwinding of the present value discount	119	25	144
Carrying amount at 31 December 2017	3,332	397	3,729

18. Employee Benefits

GROUP

<i>In thousands of US dollars</i>	2017	2016
Current portion of employee benefits liabilities	97	78
Non current portion of employee benefits liabilities	209	296
Total employee benefits	306	374

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

18. Employee Benefits – (continued)

Changes in the benefit obligations are as follows:

<i>In thousands of US dollars</i>	2017	2016
Present value of defined benefit obligation at 1 January 2017	374	319
Currency translation	(68)	55
Present value of defined benefit obligation at 31 December 2017	306	374

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

<i>In thousands of US dollars</i>	2017	2016
Cumulative amount of actuarial losses recognised in other comprehensive income	565	565

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

<i>In percentage</i>	2017	2016
Discount rate at 31 December	9.9	5.7
Average labour turnover rate at 31 December	7.8	7.8
Future salary increases at 31 December	7.0	7.0

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

In 2016 the group attracted Khaliyeva Raushan Makhsutovna (license for actuarial activity in the insurance market No. 4 issued by the National Bank of the Republic of Kazakhstan on 28 November 2001), who assessed the group actuarial employee benefits obligations as at December 31, 2016. The group approved the actuary's report and recognised these obligations in its individual financial statements.

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

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

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

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

19. Borrowings

GROUP

The carrying amounts of borrowings are as follow:

<i>In thousands of US dollars</i>	Carrying amount	
	2017	2016
Non- Current borrowings		
Halyk Bank of Kazakhstan JSC	58,180	70,663
Disport International Limited	57,787	-
Total non - current borrowing	115,967	70,663
Current borrowings		
Development Bank of Kazakhstan JSC	21,628	19,272
Disport International Limited	-	80,093
Total current borrowing	21,628	99,365
Total borrowings	137,595	170,028

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

<i>In thousands of US dollars</i>	2017	2016
Loans denominated in: - US dollar	137,595	170,028
Total borrowings	137,595	170,028

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

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

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

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

As at December 31, 2017, in accordance with the terms of the agreement with Halyk Bank of Kazakhstan JSC (Note 5), property, plant and equipment with a carrying value of USD 84,898 thousand were pledged as collateral under bank loan agreements (2016: USD 100,296 thousand).

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

In January 2015 the Group entered into an agreement with Disport International Limited for the amount of USD 108,867 thousand for replenishment of working capital. During the year the Group had repaid amount of USD 22,306 thousand (2016:11,753 thousand). The interest rate for the loan under this agreement is zero % per annum for the relevant loan amount from the date of commencement for the first year. After the first year the creditor may charge annual interest rate of Libor+2% provided that the creditor has given notice 2 months in advance.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

19. Borrowings (continued)

Company

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

<i>In thousands of US dollars</i>	Carrying amount		Fair Value	
	2017	2016	2017	2016
Disport International Limited	57,787	80,093	57,787	80,093
Kazphosphate LLP	10,223	18,679	10,223	18,679
Total borrowings	68,010	98,772	68,010	98,772

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

<i>In thousands of US dollars</i>	2017	2016
Loans denominated in:		
- US dollar	57,787	98,036
- Euro	64	150
- Pound GB	10,159	586
Total borrowings	68,010	98,772

20. Trade and Other Payables

GROUP

<i>In thousands of US dollars</i>	2017	2016
<i>Financial liabilities</i>		
Trade payables	31,172	18,383
Total	31,172	18,383
Payables to employees	1,518	1,277
Other payables	188	190
Payables to pension funds	212	167
Total	1,918	1,634
Trade and other payables	33,090	20,017

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

20. Trade and Other Payables – (continued)

Trade payables are denominated in the following currencies:

<i>In thousands of US dollars</i>	2017	2016
Tenge	19,632	11,796
US Dollars	3,470	805
Pound GB	18	17
Russian Roubles	6,453	1,113
Euro	1,486	4,652
Yuan	113	-
Trade payables	31,172	18,383

COMPANY

<i>In thousands of US dollars</i>	2017	2016
Trade payables	19	18
Total trade and other payables	19	18

21. Other Taxes Payable

GROUP

<i>In thousands of US dollars</i>	2017	2016
Minerals extraction tax	983	789
Environmental emission payments	1,640	862
Social tax	130	120
Individual income tax	158	118
Payable to social fund	104	94
Other	44	92
Customs fees	596	272
Obligatory professional pension contributions	32	29
Total other taxes payable	3,687	2,376

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

22. Revenue

Group

<i>In thousands of US Dollars</i>	2017	2016
Yellow phosphorus	168,589	145,593
Sodium tripolyphosphate	8,317	8,353
Ammonia phosphorus	81,839	42,831
Raw phosphorus	1,702	3,337
Thermal phosphoric acid	7,280	6,335
Services	5,880	4,356
Tricalcium phosphate	2,706	2,911
Granulated slag	797	1,369
Transportation services	597	521
Inventory	478	353
Ferro-phosphorus	1,446	1,704
Lime	-	1
Oxygen	113	96
Services	-	639
Superphosphate	3	155
Ammonium water	38	62
Sulphuric acid	10,613	7,141
Other	2,837	2,000
Total revenue	293,235	227,757

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

<i>In thousands of US dollars</i>	2017	2016
European Union and Switzerland	26,091	88,511
Commonwealth of Independent States (former USSR)	197,165	76,784
Kazakhstan	62,367	55,315
Asia	7,612	2,388
Americas	-	917
Other	-	3,842
Total revenue	293,235	227,757

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

23. Cost of Sales

Group

<i>In thousands of US Dollars</i>	2017	2016
Raw materials	86,822	48,738
Electricity	46,411	29,756
Salary and related cost	21,649	20,394
Repair and maintenance	2,558	2,433
Changes in inventories of finished goods and work in progress	3,389	(13,259)
Third party Services	7,048	2,747
Depreciation and amortisation	30,928	24,849
Cost of Inventory sold	265	192
Mineral extraction tax	9,441	6,115
Provision for obsolete and slow moving inventory	(51)	(236)
Insurance cost	579	506
Other	1,145	923
Total cost of sales	210,184	123,158

24. Other Operating Income

Group

<i>In thousands of US Dollars</i>	2017	2016
Payables write off	30	22
Gain on disposal of property, plant and equipment	60	65
Other income	234	259
Total other operating income	324	346

25. Distribution Costs

Group

<i>In thousands of US Dollars</i>	2017	2016
Transportation services – export	23,265	18,091
Materials and repair	3,860	1,498
Payroll and related expense	863	787
Electricity	214	132
Depreciation	220	151
Business trips and representative expenses	205	134
Certification	187	142
Insurance	18	15
Communication expenses	24	23
Customs services	61	47
Other	133	155
Total distribution costs	29,050	21,175

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

26. General and Administrative Expenses

<u>Group</u>		
<i>In thousands of US Dollars</i>	2017	2016
Payroll and related expenses	4,353	3,806
Production suspension expenses -depreciation	6,021	7,114
Maintenance, repair and materials	659	560
Communication and IT expenses	144	185
Taxes, other than income tax	979	803
Business trips and representative expenses	672	982
Consulting services	406	208
Depreciation and amortisation	5,723	5,851
Bank charges	149	131
Utilities	392	337
Rent	135	165
Security services	149	145
Sponsorship and charity	561	114
Legal services	315	109
Insurance	205	135
Accountancy	68	62
Parent company auditor remuneration*	51	50
Other	502	571
Total general and administrative expenses	21,484	21,328

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

27. Other Operating Expenses

<u>Group</u>		
<i>In thousands of US Dollars</i>	2017	2016
Losses on disposal of property, plant and equipment	697	55
Other	100	90
Total other operating expenses	797	145

28. Finance Income and Costs

Group

For the years ended 31, December 2017 and 2016 finance income and costs are presented below:

<i>In thousands of US Dollars</i>	2017	2016
Finance income		
Interest income on loans issued	3,998	4,055
Interest income on securities	112	75
Foreign exchange gain on loans payable	322	629
Sum difference	145	214
Interest income on bank deposit	228	277
Other foreign exchange gain	1,037	122
Total finance income	5,842	5,372

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

28. Finance Income and Costs – (continued)

Group

<i>In thousands of USD</i>	2017	2016
Finance costs		
Interest expenses on loans payable	6,225	6,264
Provision for asset retirement and site restoration obligations: unwinding of discount	193	342
Foreign exchange loss on trade and receivable and payables	2,284	2,370
Foreign exchange loss on loans issued	25	1,507
Sum difference	547	559
Regional social development liabilities: unwinding of discount	23	17
Other foreign exchange loss	-	591
Total finance costs	9,297	11,650

29. Income Tax

Group

<i>In thousands of US Dollars</i>	Note	2017	2016
Current income tax expense		(13,471)	(16,348)
Deferred income tax credit	16	5,896	4,603
Income tax expense		(7,575)	(11,745)

<i>In thousands of US dollars</i>	2017		2016	
Profit / (loss) before income tax	29,199		56,372	
Income tax benefit at applicable tax rate	5,839	20%	11,274	20%
Non-deductible items /non-taxable income	80		(147)	
Tax deducted at source	1,627		618	
Loss on which no deferred tax asset recognised	29		-	
Total tax charge	7,575		11,745	

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

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Group

30. Employee Information

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

<i>In thousands of US dollars</i>	2017	2016
Wages and salaries, other bonuses and related expenses	26,865	24,987
Total staff costs	26,865	24,987
The average number of employees for the period was 6,028 (2016: 5,979)		
Production	4,563	4,562
Distribution	78	40
Administration	1,387	1,377
Total	6,028	5,979

31. Balances and Transactions with Related Parties

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2017 and 2016 are detailed below.

<i>In thousands of US dollars</i>	Note	Entities under common control 2017	Entities under common control 2016
Borrowings	19	57,787	80,093
Loan receivable	12	39,445	35,303

<i>In thousands of US dollars</i>	Note	Key Management 2017	Key Management 2016
Salary payable	30	18	21

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

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

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

31. Balances and Transactions with Related Parties (continued)

At 31 December 2016, the outstanding balances with related parties were as follows:-

<i>In thousands of USD</i>	Note	Parent company	Associates and joint ventures
Loan issued	19	18,679	-
Trade receivable and advances paid	11	-	305
Allowances for doubtful debts	11	-	(149)
Trade and other payable	20	18	428

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

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

The income and expense items of the related party transactions for the year ended 31 December 2016 were as follows:

<i>In thousands of USD</i>	Entities under common control	Parent company	Associates and joint ventures
Revenue	-	-	2,855
General administrative expenses	-	160	-
Finance income	4,055	-	-
Finance costs	1,080	418	-

During the year the company was charged accountancy fees of USD 67 thousand (2016: USD 62 thousand) by S H Landes LLP and as at year end the company owed a balance of USD 37 thousand (2016: USD 43 thousand). S H Landes, a director of the company, is a member of S H Landes LLP.

The above parties are related due to common directorship.

Key management includes three members of the Management Board of the group. The key management compensation in 2017 and 2016 was included within general and administrative expenses. The total key management compensation cost for the year was as follows:

<i>In thousands of US dollars</i>	2017	2016
Wages, salaries, other bonuses and related expenses	352	320
Social tax	37	33
Total key management compensation	389	353

32. Contingencies, Commitments and Operating Risks

Political and economic situation in the Republic of Kazakhstan

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

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

Considering that the economy of Kazakhstan is largely dependent on the export of oil and other mineral resources, which global prices have declined in the recent years, especially on hydrocarbonate produce, currently there is an indication of decline in the development of the country. Moreover, the presently continuing economic sanctions against Russia indirectly influence the economy of Kazakhstan, taking into account the substantial economic ties between the countries. As a consequence of these negative influences, on 20 August 2015, the National Bank and the Government of the Republic of Kazakhstan made a decision to shift to freely floating exchange rate, after which the national currency Tenge significantly devalued in respect to the major global currencies. Management of the Company believes that it undertakes all necessary measures to support the economic stability of the Company in such conditions.

Tax and transfer pricing legislation

Kazakhstani tax legislation and practice is in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax and transfer pricing legislation by tax authorities as applied to the transactions and activities of the Group may not coincide with that of management. As a result, tax authorities may challenge transactions and additional taxes, penalties and fines can be accrued to the Group. Tax periods remain open to review by the Kazakh tax authorities for five years.

Whilst there is a risk that the Kazakhstani tax authorities may challenge the policies, including those relating to transfer pricing tax legislation, the management believes that they would be successful in defending any such challenge and notes that the amount of potential claim of the tax authorities cannot be reliably estimated. Accordingly, at 31 December 2017, the financial statements do not include any provisions for potential tax liabilities (2016: no provision).

Transfer pricing

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

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32. Contingencies, Commitments and Operating Risks (continued)

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

Social liabilities

Under subsurface contracts, the Group has committed to finance social programs which are beneficial for Zhambyl region of the Republic of Kazakhstan as a whole. The Group will not receive any direct benefit from such costs but they are obligatory in accordance with the provisions on acquisition of subsurface use rights. These social costs are recognised as a part of acquisition cost upon the initial recognition, while the respective liabilities are recognised at present value of future social costs during exploration and production stage. Thus, according to the addendums to the contracts for phosphoric ore, the Group is required to make annual payment of USD 100 thousand until the contract expiry date for the development of the region. Moreover, similar payments in the amount of 1,600 thousand Tenge (equivalent USD 5 thousand) are provided under the contracts for ground water extraction. At 31 December 2017 the group recognised provisions for regional social development to the total amount of USD 1,136 thousand (2016: 1,154 thousand).

The Group makes payments into obligatory and voluntary social development programs. These costs are expensed in the period in which they are incurred. The Group's social assets as well as local programs for social development will bring the benefits not only to the Group's employees but also to the community as a whole. For the years ended 31 December 2017 and 31 December 2016, the Group incurred expenses in the amount of USD 1,205 thousand and USD 1,048 thousand, respectively, which were recorded in profit and loss. The Group transferred a range of social facilities to the local authorities; however, the management believes that the Group will continue to finance such programs in the nearest future. As part of costs for acquisition of subsurface use rights, the Group is liable to finance the employee professional training programs which will bring the benefit both to the Group and the community in Zhambyl region. The Group is obliged to invest at least 0.1% of total operating costs to professional staff training programs. These costs are expensed as incurred.

Capital expenditure commitments

At 31 December 2017 the Group had contractual capital expenditure commitments on purchase of property, plant and equipment totalling USD 1,096 thousand (2016: USD 1,116 thousand). Management believes that future net income and funding will be sufficient to cover these and any similar commitments.

Operating lease commitments

Where the Group is a lessee, future minimum lease payments under non-cancellable operating lease, are USD 18 thousand per month till 11 October 2017 (2016: USD 18 thousand per month).

Insurance policies

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

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

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

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32. Contingencies, Commitments and Operating Risks (continued)

Environmental matters.

The enforcement of environmental regulation in the Republic of Kazakhstan is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately in the financial statements. Thus, due to adoption of the Ecology Code of the Republic of Kazakhstan, during 2008 the Group created a liquidation fund to provide for landfill site restoration and environmental monitoring upon closure. In addition to the liquidation fund, representing a special account for accumulation of funds, the Group accrued a provision for landfill site restoration obligations. The amount of the accrued provision for landfill site restoration obligations was based on management's best estimates of future costs which will be incurred by the Group for repayment of its current liabilities. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage. Environmental protection management system ISO 14001 and quality management system ISO-9001 are implemented in several branches of the Company (NDPP, MFP, RTC, GPK "Karatau", GPK "Chulaktau"). The Company has introduced health and labour safety management system based on OHSAS 18001:2007, ISO 9001:2008, ISO 14001:2004 and received the certificate on compliance. The validity of these certificates expires in 2018-2019. Group's management also developed and approved a number of policies on quality, environmental protection, health and labour safety, the main purposes of which are strict compliance with the requirements and expectations of consumers and other related parties on product quality, environmental pollution prevention, health and labour safety.

33. Financial Risk Management

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

Credit risk

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

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

Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provisions for receivables impairment already recorded. The carrying amount of trade and other receivables is attributable to the 10 most significant customers of the Group amounted to USD 27,143 thousand (or 77% of total trade receivable) as at 31 December 2016 (2016: USD 21,448 thousand or 76% of total trade receivable).

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33. Financial Risk Management (continued)

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

The table below shows the credit ratings as of 31 December 2017 and balances with banks and financial institutions where cash and cash equivalents and term deposits were placed as of 31 December 2017 and 31 December 2016:

<i>In thousands of US dollars</i>	Rating	31 December 2017	31 December 2016
<i>Cash and cash equivalents</i>			
Kazkommertsbank JSC	B-(S&P)	11	6
BTA Bank JSC	B-(S&P)	56	42
Bank CenterCredit	B -(S&P)	-	-
Halyk Bank of Kazakhstan JSC	BB -(S&P)	156	77
HSBC Bank plc (UK)	-	-	-
Development Bank of Kazakhstan JSC	BBB- (S&P)	1	1
ATF Bank JSC	B (S&P)	-	1
SB Alfa-Bank JSC	B-(S&P)	8	54
Total cash and cash equivalents		232	181
<i>Bank deposits</i>			
Halyk Bank of Kazakhstan JSC	BB (S&P)	7,618	12,500
Total bank deposits		7,618	12,500
<i>Restricted cash</i>			
SB Alfa-Bank	BB- (S&P)	192	156
Eurasian Bank JSC	B (S&P)	237	153
Total restricted cash		429	309

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

<i>In thousands of US dollars</i>	Carrying value	
	31 December 2017	31 December 2016
Europe	17,697	2,332
CIS	1,457	16,504
Kazakhstan	6,538	4,983
Asia	6,926	1,605
Other	2,544	1,816
Loan receivable	39,445	35,503
	74,607	62,743

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33. Financial Risk Management (continued)

Interest rate risk

At 31 December 2017 the Group is not exposed to interest rate risk as it has no financial instruments with floating interest rate.

Liquidity risk

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

Below is the information on contractual terms of financial liabilities settlement, including interest payments as at 31 December 2017 and as at 31 December 2016:

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

<i>In thousands of US dollars</i>	Carrying value	Cash flows under agreement	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Liabilities -2016							
Borrowings	170,028	199,525	4,729	10,970	15,139	116,975	51,712
Trade and other payables	18,383	18,383	-	-	18,383	-	-
Regional social development liabilities	1,154	1,154	-	-	110	1,044	-
Total	189,565	219,062	4,729	10,970	33,632	118,019	51,712

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33. Financial Risk Management (continued)

Market risk

Currency risk

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

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

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

Exposure to currency risk

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

	USD- denominated	EUR- denominated	RUB- denominated	GBP- denominated	USD- denominated	EUR- denominated	RUB- denominated	GBP- denominated
<i>In thousands of USD</i>	2017	2017	2017	2017	2016	2016	2016	2016
Trade and other receivables	25,917	-	854	-	21,159	-	711	-
Loans issued	49,445	67	-	151	53,748	150	-	365
Loans and borrowings	(46,000)	-	-	-	(55,662)	-	-	-
Trade payables	(3,452)	(1,486)	(6,453)	(18)	(805)	(4,652)	(1,113)	(17)
Exposure of the statement of financial position to foreign exchange risk, net	25,910	(1,419)	(5,599)	133	18,440	(4,502)	(402)	348

	Yuan- denominated	Yuan- denominated
<i>In thousands of USD</i>	2017	2016
Trade and other receivables	1,853	-
Loans issued	-	-
Loans and borrowings	-	-
Trade payables	(113)	-
Exposure of the statement of financial position to foreign exchange risk, net	1,740	-

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33. Financial Risk Management (continued)

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

<i>In thousands of USD</i>	Average exchange rate		Spot rate at the balance sheet date	
	2017	2016	2017	2016
1 USD	326.00	342.16	332.33	333.29
1 EUR	368.32	378.63	398.23	352.42
1 RUB	5.59	5.11	5.77	5.43
1 GBP	419.99	464.39	448.61	409.78
1 Yuan	48.28	51.55	51.09	48.02

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

<i>In thousands of USD</i>	31 December 2017 Effect on profit or loss	31 December 2016 Effect on profit or loss
USD strengthening by 10% (2016: strengthening by 20%)	2,073	2,904
USD weakening by 10% (2016: weakening by 10%)	(2,073)	(1,452)
EUR strengthening by 10% (2016: strengthening by 20%)	(114)	(105)
EUR weakening by 10% (2016: weakening by 10%)	114	52
RUB strengthening by 10% (2016: strengthening by 10%)	(448)	(315)
RUB weakening by 10% (2016: weakening by 10%)	448	315
GBP strengthening by 10% (2016: strengthening by 20%)	11	56
GBP weakening by 10% (2016: weakening by 10%)	(11)	(28)
Yuan strengthening by 10%	139	-
Yuan weakening by 10%	(139)	-

Price risk

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

34. Capital Risk Management

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

<i>In thousands of US dollars</i>	Note	2017	2016
Total loans		137,595	170,028
Less: Cash and cash equivalents	14	(7,870)	(12,691)
Net debt		129,725	157,337
Total own capital		219,030	197,776
Total capital		348,755	355,113
Financial leverage ratio		37%	44%

The Group's management believes that the debt to equity ratio at 31 December 2017 and 31 December 2016 is reasonable.

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35. Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing and independent parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amount of trade receivable (Note 11), cash and cash equivalents (Note 14), restricted cash deposits (Note 8) and issued loans (Note 12) approximates their fair value.

The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Due to short maturities the carrying amount of trade payables to suppliers and contractors approximates their fair values. Fair value of bank loans approximates their carrying amount as disclosed in Note 19. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

The following tables provide an analysis of financial instruments in the consolidated financial statements at fair value by the level in the fair value hierarchy at 31 December 2017 and 2016:

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

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35. Financial Instruments by Measurement Category (continued)

<i>In thousands of US Dollars</i>	Level 1	Level 2	Level 3	Total as at December 31, 2016
Assets, which fair value is disclosed				
Trade receivable	–	26,652	–	26,652
Cash and cash equivalents	12,691	–	–	12,691
Restricted cash deposits	309	–	–	309
Loans issued to related parties	–	35,303	–	35,303
Total fair value	13,000	61,955	–	74,955
Liabilities, which fair value is disclosed				
Trade payable	–	18,363	–	18,363
Loans payable	–	170,028	–	170,028
Total fair value	–	188,391	–	188,391

36. Profit of Parent Company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was USD 30,753 thousand (2016: USD 11,760 thousand).

37. Nature and purposes of reserves

Retained earnings

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

Foreign exchange translation reserve

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

Revaluation reserve

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

Share capital

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

38. Subsequent events

On May 3, 2018, the Company signed with Halyk Bank of Kazakhstan JSC a credit line agreement on US Dollars 20 million for 48 months. Interest rate for using of the credit line equals 6% - 7% per annum depending on length of using. Target purpose of the borrowing is technical re-equipment of drum dryer granulator on MFP.

The directors recommended on 20 July and 28 September 2018 dividend of Tenge 7,656,705,000 and Tenge 2,170,920,000 for the year ended 31 December 2017.