

**Rakhat JSC**

Consolidated financial statements

*For the year ended 31 December 2019,  
together with independent auditor's report*



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working world**

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## Independent auditor's report

To the Shareholders and Board of Directors of Rakhat JSC

### **Opinion**

We have audited the consolidated financial statements of Rakhat JSC and its subsidiaries (hereinafter, the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for opinion**

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

### **Key audit matters**

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statement.

#### **Key audit matter**

#### **How our audit addressed the key audit matter**

##### ***Inventory net realizable value***

As described in Note 6 to the consolidated financial statements, the Group has significant balances of inventories as of December 31, 2019, which amounted to 16.496.870 thousand Tenge. The process of management's evaluation of the provision for inventory write down to net realizable value and the provision for obsolete inventories, performed by the management is complex; it is substantially subjective and is based on assumptions, in particular, on the forecast of production and sales of finished products, therefore this matter was the most significant in our audit.

We tested controls over the process of purchasing and movement of inventories. We have analyzed the information used by the Group to determine the provision for inventory write down to net realizable value and the provision for obsolete inventories, in particular, the management's judgment in respect of future production and sales, selling prices and the expiration date. We also analyzed the movement of inventories and inventories without movement. On a sample basis we compared the carrying value of inventories with sales price less cost to sell in a subsequent period. On a sample basis we tested inventories for obsolete, damaged and slow-moving items.

Due to pervasiveness of this matter across the Group, we performed audit procedures based on the significance of the matter to the component.

### *Revenue recognition*

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The amount of revenue is material to the consolidated financial statements.

Certain contracts for the sale of goods include a right of return and volume rebates that give rise to variable consideration.

The determination of the method for measuring variable consideration requires significant judgment by management.

For this reason, and additionally due to the risk of untimely recognition of revenue from shipments that occurred at the end of the reporting period (cut-off), we have identified revenue recognition as one of the most significant for the audit.

The Group's disclosure in respect of the accounting policies on revenue recognition is included in Note 3 to the consolidated financial statements, and disclosure of revenue for 2019 is included in Note 17 to the consolidated financial statements.

Among other things, during the audit we conducted the following procedures on a selective basis:

- ▶ assessed the timeliness reflection of shipments in the accounting system with primary documents;
- ▶ in relation to revenue recorded by the parent and significant subsidiaries of the Group, we analysed the monthly fluctuations of revenue, changes in key elements of revenue such as sales prices and sales volumes, compared the dynamics of revenue with monthly sales volumes using automated systems that analyze the relationships between different accounts of consolidated financial statements;
- ▶ we analysed the terms of sales contracts with respect of meeting revenue recognition criteria;
- ▶ when sales contracts include a right to return and/or volume rebates, we evaluated and analysed management's assessment of the variable consideration that arise in such transactions;
- ▶ we analysed the disclosures in respect of revenue and in respect of the assessment of variable consideration.

### ***Other information included in the Group's 2019 Annual report***

Other information consists of the information included in the Group's 2019 Annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2019 Annual report is expected to be made available to us after the date of this auditor's report.

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

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

### ***Responsibilities of management and Board of Directors for the consolidated financial statements***

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

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

Board of Directors are responsible for overseeing the Group's consolidated financial reporting process.

### ***Auditor's responsibilities for the audit of the consolidated financial statements***

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

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

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

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Gulmira Turmagambetova.

*Ernst & Young LLP*



Gulmira Turmagambetova  
Auditor / General Director  
Ernst & Young LLP

Auditor qualification certificate  
No. 0000374 dated 21 February 1998

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13 March 2020



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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2019

<i>In thousands of Tenge</i>	Note	2019	2018
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	16,851,207	15,508,690
Intangible assets		278,298	188,930
Right-of-use asset		377,501	-
Advances paid for non-current assets	8	801,537	843,567
Non-interest-bearing loans to employees		-	409
		<b>18,308,543</b>	<b>16,541,596</b>
<b>Current assets</b>			
Inventories	6	16,496,870	16,672,240
Trade accounts receivable	7	1,197,048	1,030,216
Advances paid	8	592,639	1,426,172
Corporate income tax prepayment		184,098	126,387
Other current assets	9	2,009,342	515,859
Cash and cash equivalents	10	15,840,041	9,898,203
		<b>36,320,038</b>	<b>29,669,077</b>
<b>Total assets</b>		<b>54,628,581</b>	<b>46,210,673</b>
<b>Equity and liabilities</b>			
Share capital	11	900,000	900,000
Reserve capital	11	180,000	180,000
Currency translation reserve		376,697	381,572
Retained earnings		44,294,676	38,583,657
<b>Equity attributable to shareholders of the Parent</b>		<b>45,751,373</b>	<b>40,045,229</b>
Non-controlling interest		-	57
<b>Total equity</b>		<b>45,751,373</b>	<b>40,045,286</b>
<b>Non-current liabilities</b>			
Long-term loans	12	1,730,996	587,015
Deferred tax liabilities	24	1,139,491	981,556
Deferred income	13	685,895	677,228
Employee benefit liabilities	14	39,547	177,299
Lease liabilities	23	281,204	-
		<b>3,877,133</b>	<b>2,423,098</b>
<b>Current liabilities</b>			
Loans – current portion	12	760,923	179,674
Trade accounts payable	15	2,126,803	1,459,304
Advances received		328,262	137,231
Deferred income	13	65,976	45,619
Employee benefit liabilities	14	7,508	64,552
Other current liabilities	16	1,595,952	1,843,146
Lease liabilities – current portion	23	114,651	-
Corporate income tax liabilities		-	12,763
		<b>5,000,075</b>	<b>3,742,289</b>
<b>Total liabilities</b>		<b>8,877,208</b>	<b>6,165,387</b>
<b>Total equity and liabilities</b>		<b>54,628,581</b>	<b>46,210,673</b>
<b>Book value per share</b>	11	<b>12,631</b>	<b>11,071</b>

Chairman of the Management Board

Chief Accountant



The accounting policies and explanatory notes on pages 6 to 41 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2019

<i>In thousands of Tenge</i>	Note	2019	2018
Revenue	17	63,385,532	59,164,232
Cost of sales	18	(47,843,915)	(43,666,669)
<b>Gross revenue</b>		<b>15,541,617</b>	<b>15,497,563</b>
General and administrative expenses	19	(3,190,537)	(3,385,998)
Selling expenses	20	(3,797,329)	(3,460,793)
Other operating income, net	21	387,237	98,313
<b>Operating profit</b>		<b>8,940,988</b>	<b>8,749,085</b>
Finance costs	22	(180,713)	(105,627)
Finance income	22	1,060,799	577,917
Foreign exchange (loss)/gain, net		3,669	(149,795)
<b>Profit before taxes</b>		<b>9,824,743</b>	<b>9,071,580</b>
Corporate income tax expense	24	(1,932,181)	(1,798,092)
<b>Profit for the year</b>		<b>7,892,562</b>	<b>7,273,488</b>
<b>Attributable to:</b>			
Shareholders of the parent		7,892,619	7,273,496
Non-controlling interest		(57)	(8)
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>			
Foreign exchange differences from translation of financial statements of foreign operations, net of taxes		(4,875)	124,911
<b>Other comprehensive income for the year, net of tax</b>		<b>(4,875)</b>	<b>124,911</b>
<b>Total comprehensive income for the year, net of taxes</b>		<b>7,887,687</b>	<b>7,398,399</b>
<b>Attributable to:</b>			
Shareholders of the parent		7,887,687	7,398,407
Non-controlling interest		-	(8)
		<b>7,887,687</b>	<b>7,398,399</b>
<b>Earnings per share</b>			
Basic and diluted profit for the year attributable to ordinary shareholders of the Parent, Tenge	11	2,192	2,020

Chairman of the Management Board

Chief Accountant



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