

Abdildinova, Assel

From: Dementyev, Sergey
Sent: Monday, February 15, 2016 21:26
To: 'info@ascom-sa.com'
Subject: KPMG letter to Mr. Stati
Attachments: KPMG Letter to Mr. Stati.pdf

Dear Sirs,

Please find the attached letter for Mr. Stati. Can you please confirm receipt of the letter by return and confirm that this letter will be delivered to Mr. Stati in person.

Should you have any questions, please do not hesitate to contact us.

Kind regards,

Sergey Dementyev CPA

Partner
Audit Department

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To Mr. Stati A.
President
ASCOM S.A.
MD2009, Chisinau, 75 Mateevici str.

**Re Audit of financial statements of Kazpolmunay LLP, Tolkyneftegaz LLP and Tristan Oil Ltd.
for the year ended 31 December 2007, 2008 and 2009**

Dear Mr. Stati,

KPMG Audit LLC has been engaged to audit financial statements of Kazpolmunay LLP ("KPM"), Tolkyneftegaz LLP ("TNG") and Tristan Oil Ltd. ("Tristan Oil"), (together referred hereinafter as "the Companies") for the years ended 31 December 2007, 2008 and 2009 prepared in accordance with International Financial Reporting Standards ("IFRS") and issued corresponding independent audit reports addressed to management of the Companies. Our audits have been conducted in accordance with International Standards on Auditing ("ISA"). Under ISA 560 Subsequent events, we have no obligation to perform any audit procedures regarding those financial statements after the dates of our audit reports. However, if we become aware of facts which may have caused the audit reports to be amended, had such facts been known to us at the audit report date, we shall discuss such matter with management and appropriate persons charged with governance. We are, therefore, addressing this letter to you as you were acting in a capacity of General Director of Tristan Oil as well as you were the ultimate controlling party for the Companies at the date of issue our audit reports on financial statements of the Companies, to inform that we become aware of such facts.

We have been approached by a legal firm, Norton Rose Fulbright LLP ("the legal firm"), who is representing the Ministry of Justice of the Republic of Kazakhstan in court hearings between the Republic of Kazakhstan and Ascom Group S.A. The representative of the legal firm informed us about and provided supporting evidence of the facts that as part of the court hearings they are considering results of the International Arbitration between Ascom Group S.A. and Vitol FSU B.V. in which Ascom Group S.A. claims Vitol FSU B.V. to reimburse certain costs in relation to the constructions of the LPG Plant in Kazakhstan which was constructed by TNG during 2007-2009. A part of the evidence supporting the costs of the LPG Plant construction, Ascom Group S.A. referred to the financial statements of TNG as at and for the year ended 31 December 2009, which have been audited by KPMG, and in which the amount of the costs associated with the construction of the LPG plant was stated at USD 248,084,113. After our review of the documents provided we identified the following issues:

1. As represented by Ascom Group S.A. during the court hearings, costs of the construction of the LPG Plant, as recorded in the financial statements of TNG, among other things, included management fee of USD 43,852,108 charged by Perkwood Investments Ltd. ("Perkwood") which was the main supplier of materials and equipment for the constructions of the LPG Plant.
2. As represented by Ascom Group S.A. during the court hearings, Perkwood is a related party for TNG being part of Ascom Group S.A. and controlled by you.
3. Perkwood was not an operating entity submitting dormant accounts and the actual supplier of the equipment for the LPG Plant was TGE Gas GmbH and costs for such equipment are significantly different from the corresponding cost charged to TNG by Perkwood.

In this respect we would like you to provide us with explanations and supporting evidence on the following:

1. what was the underlining substance of the management fee charged by Perkwood;
2. is the management fee in compliance with the requirements of IAS 16 *Property, Plant and Equipment* and therefore such fee has been properly included into the costs of the LPG Plant for IFRS purposes;
3. was Perkwood a related party to TNG in definition of IAS 24 *Related Party Disclosure* as at and for the years ended 31 December 2007, 2008 and 2009;
4. if Perkwood was a related party to TNG, why representation by management of TNG and by you as ultimate beneficiary of the Companies at the time of our audit did not include this fact;
5. if there was no substance for the management fee and this fee was not necessary for construction of the LPG Plant under IAS 16, should such costs have been treated as constructive dividends paid to ultimate beneficiary of the Companies;
6. is there a material difference in costs of the equipment for the LPG Plant charged to TNG by Perkwood and those actually charged by TGE Gas GmbH, the ultimate supplier of the equipment? Can such difference in cost be substantiated for TNG in terms of eligible costs of the construction of the LPG Plant in accordance with IAS 16.

Under ISA 580 *Written Representations*, written representations by management and by those charged with governance are necessary part of audit evidence required in connection with an audit. We also understand that there was a change in management of TNG and the new management will not be able to provide us with such representations in respect of operations of TNG in 2007-2009. We consider you as an eligible party to provide such written representations as you were acting in a capacity of General Director of Tristan Oil as well as you were the ultimate controlling party for the Companies at the date of issue our audit reports on financial statements of the Companies. Therefore, we require you to provide such written representations on abovementioned questions.

In case if we receive no explanations or additional representations, we remain our rights to seek to prevent future reliance on our audit reports and in particular to withdraw our audit reports and to inform about such withdrawal all parties who are still, in our view, relying on these reports, including but not limited, Ministry of Justice of the Republic of Kazakhstan and the Svea Court of Appeals.

We would appreciate your response within 15 (fifteen) calendar days from the date of the letter. In case if you would like to get more information on above matters, you may contact us any time convenient for you.

Yours faithfully,



Assel Khabirova

Managing Partner for Kazakhstan and Central Asia

KPMG Audit LLC