

KazTransGas JSC

**Interim condensed consolidated financial statements
(unaudited)**

As at and for the three and six months ended 30 June 2019

CONTENTS

Report on review of interim condensed consolidated financial statements

Interim condensed consolidated financial statements (unaudited)

Interim consolidated statement of financial position	1-2
Interim consolidated statement of comprehensive income	3
Interim consolidated statement of cash flows	4
Interim consolidated statement of changes in equity	5
Notes to the interim condensed consolidated financial statements (unaudited).....	6-23



«Эрнст энд Янг» ЖШС
Әл-Фараби д-лы, 77/7
«Есентай Тауэр» ғимараты
Алматы қ., 050060
Қазақстан Республикасы
Тел.: +7 727 258 5960
Факс: +7 727 258 5961
www.ey.com

ТОО «Эрнст энд Янг»
пр. Аль-Фараби, 77/7
здание «Есентай Тауэр»
г. Алматы, 050060
Республика Казахстан
Тел.: +7 727 258 5960
Факс: +7 727 258 5961

Ernst & Young LLP
Al-Farabi ave., 77/7
Esentai Tower
Almaty, 050060
Republic of Kazakhstan
Tel.: +7 727 258 5960
Fax: +7 727 258 5961

Report on review of interim condensed consolidated financial information

To the Shareholder and Management of KazTransGas JSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of KazTransGas JSC (“the Company”) and its subsidiaries (collectively referred to as “the Group”), which comprise the interim condensed consolidated statement of financial position as at 30 June 2019 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Ernst & Young LLP

Paul Cohn
Audit Partner



Aigerim Nurkenova
Auditor

Auditor qualification certificate
No. МФ-0000115 dated 21 September 2012

050060, Republic of Kazakhstan, Almaty
Al-Farabi ave., 77/7, Esentai Tower

30 July 2019



Gulmira Turmagambetova
General Director
Ernst & Young LLP

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of tenge</i>	Note	30 June 2019 (unaudited)	31 December 2018 (audited)
Assets			
Non-current assets			
Property, plant and equipment	4	983,132,032	990,553,112
Exploration and evaluation assets		12,263,788	11,839,832
Intangible assets		5,123,361	5,695,763
Right-of-use assets		3,455,180	–
Investments in joint ventures	5	123,210,381	21,899,371
Advances paid for non-current assets	6	29,144,941	8,733,969
Loans to related party	7	155,585,284	154,926,469
Non-current financial assets		3,117,099	2,373,194
VAT recoverable	8	79,411,674	92,910,112
Deferred tax assets		533,766	189,372
Other non-current assets		372,535	375,136
Bank deposits		4,204,616	4,611,916
		1,399,554,657	1,294,108,246
Current assets			
Inventories	10	35,644,861	60,257,659
Trade and other receivables	11	137,730,318	126,884,462
Loans to related party	7	71,478,603	71,392,215
Advances paid		9,926,926	5,655,622
Prepaid taxes other than income tax	8	34,061,700	10,651,416
Corporate income tax prepaid		11,956,801	20,728,947
Other current assets		1,334,743	637,169
Bank deposits		147,088	39,212
Cash and cash equivalents	9	122,136,729	151,155,747
		424,417,769	447,402,449
Assets held for sale	4	28,585,929	–
		453,003,698	447,402,449
Total assets		1,852,558,355	1,741,510,695

The accompanying notes on pages 6 to 23 are an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

<i>In thousands of tenge</i>	Note	30 June 2019 (unaudited)	31 December 2018 (audited)
Equity and liabilities			
Equity			
Share capital		192,623,055	192,623,055
Additional paid-in capital	12	250,384,811	249,044,991
Foreign currency translation reserve		546,149	546,149
Retained earnings		529,462,101	358,270,270
		973,016,116	800,484,465
Non-current liabilities			
Debt securities issued	13	288,962,213	291,626,098
Interest bearing loans	14	172,843,821	181,478,932
Loans from related party	15	10,212,427	9,905,541
Employee benefit obligations		1,860,474	1,715,974
Provisions	16	63,732,404	60,764,700
Other non-current financial liabilities		2,783,949	2,128,487
Other non-current liabilities		7,997,074	8,111,532
Deferred tax liabilities		53,146,799	51,828,912
		601,539,161	607,560,176
Current liabilities			
Debt securities issued	13	3,388,704	3,420,482
Interest bearing loans	14	30,492,760	31,105,703
Loans from related party	15	25,119,531	26,198,509
Lease liabilities		2,353,273	-
Provisions	16	28,220,102	34,582,390
Trade and other payables	17	163,138,893	209,375,852
Corporate income tax payable		51,674	-
Taxes payable other than income tax		2,562,148	3,219,598
Contract liabilities		7,600,650	9,066,269
Other current financial liabilities		2,444,135	3,420,675
Other current liabilities		12,631,208	13,076,576
		278,003,078	333,466,054
Total equity and liabilities		1,852,558,355	1,741,510,695

Deputy General Director on economics and finance



Zhanuzak T. Zh.

Chief accountant

Meldekhanov B.N.

The accompanying notes on pages 6 to 23 are an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of tenge</i>	Note	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
		2019	2018	2019	2018
Revenue from contracts with customers	18	236,084,495	218,893,419	523,719,449	428,793,267
Cost of sales	19	(154,324,332)	(151,633,576)	(397,035,219)	(319,014,443)
Gross profit		81,760,163	67,259,843	126,684,230	109,778,824
General and administrative expenses	20	(15,229,073)	(6,413,216)	(20,583,741)	(11,145,543)
Reversal of / (allowance) for expected credit losses		2,035,517	(2,766,350)	871,871	(1,780,836)
Other operating income		1,378,567	1,061,569	2,471,795	1,927,108
Other operating expenses		(1,786,195)	(1,356,897)	(3,230,480)	(5,443,771)
Operating profit		68,158,979	57,784,949	106,213,675	93,335,782
Finance income	21	3,335,198	5,016,356	7,925,648	9,574,287
Finance costs	21	(8,053,622)	(11,462,956)	(20,561,823)	(22,160,840)
Share in income/(loss) of joint ventures	6	47,247,606	(5,293,646)	101,350,010	11,580,091
Foreign exchange loss, net		(925,535)	(5,291,724)	(1,638,062)	(2,195,693)
Profit before income tax		109,762,626	40,752,979	193,289,448	90,133,627
Income tax expenses	22	(14,388,376)	(11,481,907)	(22,097,617)	(19,276,716)
Net profit for the period after tax		95,374,250	29,271,072	171,191,831	70,856,911
Other comprehensive income		-	-	-	-
Total comprehensive income for the period, net of income tax		95,374,250	29,271,072	171,191,831	70,856,911
Earnings per share					
Basic and diluted, earnings per share for the period attributable to the parent	12	0.27	0.08	0.49	0.20

Deputy General Director on economics and finance



Zhanuzak T. Zh.

Chief accountant



Meldekhánov B.N.

The accompanying notes on pages 6 to 23 are an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In thousands of tenge</i>	Note	For the six months ended 30 June (unaudited)	
		2019	2018
Cash flows from operating activities			
Receipts from customers		524,761,570	413,625,315
Cash receipts from management fee		–	14,180,747
Interest received		4,025,978	1,532,427
VAT refund from budget		10,000,000	–
Other receipts		740,340	497,622
Payments to suppliers		(393,815,896)	(289,740,391)
Income tax paid		(12,151,993)	(10,539,970)
Other taxes and payments to the budget		(22,997,081)	(17,457,316)
Interest paid		(16,056,017)	(15,325,776)
Payments to employees		(19,795,547)	(19,088,549)
Other payments		(3,235,818)	(2,930,575)
Net cash flows received from operating activities		71,475,536	74,753,534
Cash flows from investing activities			
Withdrawal of bank deposits		675,917	1,106,312
Proceeds from sale of property, plant and equipment and intangible assets		158,704	67,132
Dividends received from joint venture	5	39,000	35,000
Proceeds from sale of investment securities		–	2,000,000
Placement of bank deposits		(226,790)	(649,588)
Purchase of property, plant and equipment, intangible assets, and exploration and evaluation assets		(85,578,260)	(77,775,851)
Loans provided to related party	7	–	(11,032,435)
Acquisition of investment securities		–	(2,000,000)
Net cash flows used in investing activities		(84,931,429)	(88,249,430)
Cash flows from financing activities			
Proceeds on interest bearing loans	14	17,918,508	115,019,917
Repayments of interest bearing loans	14	(26,366,577)	(35,789,533)
Repayments of loans from related party	15	–	(458,728)
Loan arrangement fee		–	(91,608)
Other payments on operations with the Shareholder	16	(5,700,000)	–
Net cash flows (used in)/received from financing activities		(14,148,069)	78,680,048
Net foreign exchange difference on cash and cash equivalents		(1,415,056)	2,354,876
Net change in cash and cash equivalents		(29,019,018)	67,539,028
Cash and cash equivalents, at the beginning of the period	9	151,155,747	23,974,879
Cash and cash equivalents, at the ending of the period	9	122,136,729	91,513,907

Deputy General Director on economics and finance



Zhanuzak T.Zh.

Chief accountant

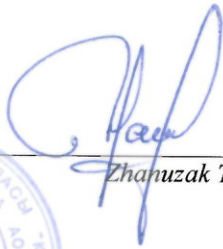
Meldekanov B.N.

The accompanying notes on pages 6 to 23 are an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In thousands of tenge</i>	Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings	Total
At 31 December 2017 (audited)	192,623,055	243,148,277	546,149	210,707,808	647,025,289
Effects of adoption of IFRS 9	-	-	-	(2,503,626)	(2,503,626)
At 1 January 2018 (restated)	192,623,055	243,148,277	546,149	208,204,182	644,521,663
Net profit for the period	-	-	-	70,856,911	70,856,911
Total comprehensive income for the period	-	-	-	70,856,911	70,856,911
Contribution from the Shareholder	-	5,771,458	-	-	5,771,458
At 30 June 2018 (unaudited)	192,623,055	248,919,735	546,149	279,061,093	721,150,032
At 31 December 2018 (audited)	192,623,055	249,044,991	546,149	358,270,270	800,484,465
Net profit for the period	-	-	-	171,191,831	171,191,831
Total comprehensive income for the period	-	-	-	171,191,831	171,191,831
Contribution from the Shareholder (Note 12)	-	1,339,820	-	-	1,339,820
At 30 June 2019 (unaudited)	192,623,055	250,384,811	546,149	529,462,101	973,016,116

Deputy General Director on economics and finance



 Zhanuzak T.Zh.

Chief accountant


 Meldekanov B.N.

The accompanying notes on pages 6 to 23 are an integral part of these interim condensed consolidated financial statements (unaudited).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)****As at and for the three and six months ended 30 June 2019**

1. CORPORATE INFORMATION

The accompanying interim condensed consolidated financial statements include the financial statements of KazTransGas JSC (the “Company” or “KTG”) and its subsidiaries (hereinafter collectively referred to as the “Group”).

KTG is a joint stock company established in accordance with the Resolution of the Government of the Republic of Kazakhstan (the “Government”) No. 173 dated 5 February 2000 and was registered as a closed joint stock company on 13 March 2000. On 9 June 2004 the Company was re-registered as a joint stock company under the laws of the Republic of Kazakhstan. The Group’s head office is registered in the Republic of Kazakhstan, Nur-Sultan, Yesil district, Alikhan Bokeikhan street, 12.

NC KazMunayGas JSC (“KazMunayGas”) is the sole shareholder of KTG. The Government as represented by “Sovereign Wealth Fund “Samruk-Kazyna” JSC (“Samruk-Kazyna”) owns 90% minus 1 (one) share of KazMunayGas, and all subsidiaries of KazMunayGas and Samruk-Kazyna are considered as related parties of the Company and the Group (*Note 23*).

In accordance with the Resolution of the Government No. 914 dated 5 July 2012, KTG was appointed as the national operator in the area of gas and gas supplies. In the role of national operator, the Group’s main activities are aimed to ensure reliable supply of commercial gas to meet the domestic demand in Kazakhstan.

The main activities of the Group include the following:

- Managing of investment activities for the overall development of the main gas pipeline systems within Kazakhstan;
- Managing of investment activities for gas fields development within Kazakhstan;
- Providing consulting services related to research and development of gas industry projects;
- Sale of gas to external and local markets;
- Participation in the development and implementation of state programs for the gas industry development.

The Group’s operating activities are regulated by the Law of the Republic of Kazakhstan *On Natural Monopolies and Regulated Markets* (the “Law”) as the Group is a natural monopolist in transportation and supply of gas on domestic market. According to the Law, the Group’s tariffs related to gas transportation and sales on domestic market are approved by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan and Ministry of Energy of the Republic of Kazakhstan.

As at 30 June 2019, the Group has commitments in the amount of 58,781,384 thousand tenge under the investment program for 2015-2021 approved by the common order of Vice-Minister of Energy and Chairman of the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan (as at 31 December 2018: 62,558,109 thousand tenge). The results of the implementation of this program can influence the future tariffs. As at 30 June 2019, the Group fulfils its obligations under the approved investment program, taking into account the adjustments made.

The accompanying interim condensed consolidated financial statements were authorized for release by the deputy general director on economics and finance and chief accountant of the Company on 2 August 2019.

Exploration and production of hydrocarbons

In December 2000, the Group signed the Contract with the Investment agency of the Republic of Kazakhstan on exploration and production of hydrocarbons on North-Ucharal, Ucharal-Kempirtobe territories and blocks XXXIII-48, XXXIII-49, XXXIV-49, XXXIV-50, XXXIV-51, XXXV-50, including Amangeldy, Anabai, Airakty and Kunyrly gas fields, in Zhambyl oblast, South Kazakhstan (the “Hydrocarbon Agreement”). The term of the Hydrocarbon Agreement is 31 years. The Group started production and sale of gas at Amangeldy gas field in November 2003 and at Zharkum field in December 2014.

Under the terms of the Hydrocarbon Agreement, the Group has the right to relinquish any of the block areas unless commercially viable hydrocarbon reserves are discovered.

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

3. CHANGES IN ACCOUNTING POLICY OF THE GROUP

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as at 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 *Leases* that requires restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Impact on the statement of financial position as at 1 January 2019:

<i>In thousands of tenge</i>	As at 31 December 2018 (audited)	Effects of adoption of IFRS 16	As at 1 January 2019 (unaudited)
Assets			
Right-of-use assets	–	4,580,102	4,580,102
Advances paid (current assets)	5,655,622	(2,364,214)	3,291,408
Total assets	1,741,510,695	2,215,888	1,743,726,583
Equity and liabilities			
Equity			
Retained earnings	358,270,270	–	358,270,270
	800,484,465	–	800,484,465
Liabilities			
Lease liabilities	–	2,215,888	2,215,888
Total equity and liabilities	1,741,510,695	2,215,888	1,743,726,583

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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

3. CHANGES IN ACCOUNTING POLICY OF THE GROUP (continued)**New standards, interpretations and amendments adopted by the Group (continued)***IFRS 16 Leases (continued)*Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Below several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed financial statements of the Group:

- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*;
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*;
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*;
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*;
- Annual improvements 2015-2017 cycle:
 - IFRS 3 *Business Combinations*;
 - IFRS 11 *Joint Arrangements*;
 - IAS 12 *Income Taxes*;
 - IAS 23 *Borrowing Costs*.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)**4. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment and related accumulated depreciation and impairment are as follows:

<i>In thousands of tenge</i>	Land	Gas assets	Buildings and constructions	Gas transportation system	Equipment	Vehicles	Other	Construction in-progress	Total
Cost									
At 31 December 2018 (audited)	722,827	40,034,492	83,367,912	655,284,398	263,492,586	22,033,110	8,378,723	141,559,781	1,214,873,829
Additions	3,935	170,453	28,806	152,297	2,087,602	136,541	78,059	37,492,164	40,149,857
Change in estimate (Note 16)	-	156,449	-	-	-	-	-	-	156,449
Transfers to assets held for sale	-	-	(10,941,182)	-	(20,252,978)	-	(68,358)	-	(31,262,518)
Transfers	-	-	24,817,411	(991,648)	115,058,131	4,501	330,764	(139,219,159)	-
Disposals	(76,164)	(2,655)	(145,651)	(428,064)	(18,749)	(29,878)	(7,223)	(3,630)	(712,014)
At 30 June 2019 (unaudited)	650,598	40,358,739	97,127,296	654,016,983	360,366,592	22,144,274	8,711,965	39,829,156	1,223,205,603
Accumulated depreciation and impairment									
At 31 December 2018 (audited)	(165,486)	(11,344,518)	(15,941,676)	(99,062,400)	(71,642,360)	(15,876,121)	(5,327,692)	(4,960,464)	(224,320,717)
Charge for the period	-	(672,228)	(1,701,484)	(8,618,864)	(6,999,327)	(630,454)	(213,943)	-	(18,836,300)
Disposals	58,012	2,229	15,391	391,221	18,411	25,006	6,386	-	516,656
Impairment	-	-	-	-	-	-	-	(109,799)	(109,799)
Transfers to assets held for sale	-	-	573,738	-	2,090,302	-	12,549	-	2,676,589
Transfers	-	-	(30,629)	(17,049)	47,723	-	(45)	-	-
At 30 June 2019 (unaudited)	(107,474)	(12,014,517)	(17,084,660)	(107,307,092)	(76,485,251)	(16,481,569)	(5,522,745)	(5,070,263)	(240,073,571)
Net book value									
At 31 December 2018 (audited)	557,341	28,689,974	67,426,236	556,221,998	191,850,226	6,156,989	3,051,031	136,599,317	990,553,112
At 30 June 2019 (unaudited)	543,124	28,344,222	80,042,636	546,709,891	283,881,341	5,662,705	3,189,220	34,758,893	983,132,032

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Construction in progress

Additions

During the six months ended 30 June 2019, additions to construction-in-progress mainly relate to the expenditures on construction of gas compressor stations of 16,492,415 thousand tenge, commissioning works on the gas compressor stations of 5,714,278 thousand tenge, construction of a second starting complex of booster compressor station of 5,460,460 thousand tenge, reconstruction and construction of accumulation points with the development of project design of 4,925,766 thousand tenge and capital repair of pipelines of 2,808,353 thousand tenge.

Transfers to assets held for sale

During the six months ended 30 June 2019, the Group classified Karaozek gas compressor station and related fixed assets having net book value of KZT 28,585,929 thousand as assets held for sale. According to the management's decision these assets are intended for sale to Beineu-Shymkent Pipeline LLP.

Transfers

Significant portion of fixed assets placed in operations is related to completion of the above construction works and placement of respective property, plant and equipment in operation.

Other

As at 30 June 2019, the historical cost of fully depreciated property, plant and equipment still in operation amounted to 17,836,340 thousand tenge (as at 31 December 2018: 17,641,864 thousand tenge).

5. INVESTMENTS IN JOINT VENTURES

As at 30 June 2019 and 31 December 2018, the carrying amount of investments in joint ventures were as follows:

<i>In thousands of tenge</i>	AGP	BShP	AG	Total
31 December 2018 (audited)	–	20,794,618	1,104,753	21,899,371
Share in profit of joint venture	113,686,651	33,840,412	(8,446)	147,518,617
Unrecognized share in profit of joint venture	(46,015,703)	–	–	(46,015,703)
Share in other comprehensive loss of joint venture	(152,904)	–	–	(152,904)
Dividends received	–	–	(39,000)	(39,000)
30 June 2019 (unaudited)	67,518,044	54,635,030	1,057,307	123,210,381

6. ADVANCES PAID

<i>In thousands of tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
Advances paid for non-current assets		
Advances paid to third parties	29,420,428	9,003,613
Advances paid to related parties (Note 23)	–	5,843
Less: allowance for possible non-performance	(275,487)	(275,487)
	29,144,941	8,733,969
Advances paid for current assets and services		
Advances paid to related parties (Note 23)	5,072,227	1,502,935
Advances paid to third parties	4,864,552	4,162,500
Less: allowance for possible non-performance	(9,853)	(9,813)
	9,926,926	5,655,622

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

6. ADVANCES PAID (continued)

At 30 June 2019, advances paid for non-current assets to third parties mainly include advances of 16,398,453 thousand tenge given to Elektrokhimzaschita LLP for construction of gas compressor station with the development of project design, advances of 4,100,000 thousand tenge given to SoyuzKomplekt LLP for complex works on turnkey construction of the second launching system of compressor station, advances of 3,017,187 thousand tenge given to Remstroy-XXI LLP for capital repair of the gas pipeline and advances of 2,591,118 thousand tenge given to SMK-Atameken LLP for reconstruction of accumulation points.

7. LOANS TO RELATED PARTY

As at 30 June 2019 and 31 December 2018, loans to related party comprised the following:

<i>In thousands of tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
Financial assets at amortized cost		
Interest bearing loans to related party	154,377,260	155,864,715
Financial assets at fair value through profit and loss		
Interest free loans to related party	71,478,603	71,392,215
Plus: interest receivable	2,146,270	-
Less: impairment	(938,246)	(938,246)
	227,063,887	226,318,684
Less: current portion (Note 23)	(71,478,603)	(71,392,215)
Non-current portion (Note 23)	155,585,284	154,926,469

8. VAT RECOVERABLE AND PREPAID TAXES OTHER THAN INCOME TAX

<i>In thousands of tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
VAT recoverable	128,930,900	108,962,360
Property tax	302,265	519,921
Other taxes prepaid	113,367	77,257
	129,346,532	109,559,538
Less: allowance non-recoverable VAT	(15,873,158)	(5,998,010)
	113,473,374	103,561,528
Non-current portion	79,411,674	92,910,112
Current portion	34,061,700	10,651,416

Movements in the allowance for non-recoverable VAT were as follows:

<i>In thousands of tenge</i>	Individually impaired
At 31 December 2018	(5,998,010)
Charge for the year	(9,875,148)
At 30 June 2019	(15,873,158)

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

9. CASH AND CASH EQUIVALENTS

<i>In thousands of tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
Foreign currency bank deposits	53,274,200	72,613,800
Tenge bank accounts	41,465,177	30,336,860
Foreign currency bank accounts	15,310,026	18,281,989
Tenge bank deposits	12,046,160	29,876,666
Cash in transit	35,607	41,777
Cash on hand	5,559	4,655
	122,136,729	151,155,747

As at 30 June 2019, deposits were placed in banks at interest rates of 7-7.25% per annum in tenge (as at 31 December 2018: 7-7.5%) and 2.74% per annum in a foreign currency (as at 31 December 2018: 2.45%).

As at 30 June 2019, interest rates for cash on the current accounts in banks were 0.1-7.5% per annum in tenge (as at 31 December 2018: 0.1-7.5%) and nil in a foreign currency (as at 31 December 2018: 0.1%).

10. INVENTORIES

<i>In thousands of tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
Gas inventory (at cost)	32,854,018	57,670,369
Materials and supplies (at lower of cost and net realizable value)	2,790,843	2,587,290
	35,644,861	60,257,659

Materials and supplies mainly include spare parts for maintenance of gas transportation system, methanol and lubricating materials to be used in the gas transportation equipment and the goods for internal use. Gas inventory includes fuel gas and gas for sale.

11. TRADE AND OTHER RECEIVABLES

<i>In thousands of tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
Trade receivables from third parties	126,142,996	116,078,919
Trade receivables from related parties (Note 23)	15,941,329	13,634,299
Other receivables	2,698,879	2,608,508
	144,783,204	132,321,726
Less: allowance for expected credit losses	(7,052,886)	(5,437,264)
	137,730,318	126,884,462

As at 30 June 2019 and 31 December 2018 trade accounts receivable are denominated mostly in USD and KZT, are due within 90 days and are non-interest bearing.

Movements in the allowance for expected credit losses were as follows:

<i>In thousands of tenge</i>	Individually impaired
At 31 December 2018 (audited)	(5,437,264)
Charge for the period, net	(2,802,903)
Foreign currency translation	20,449
Utilized	50,970
Recovered	1,115,862
At 30 June 2019 (unaudited)	(7,052,886)

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

12. EQUITY

Book value per share

	30 June 2019 (unaudited)	31 December 2018 (audited)
<i>In thousands tenge</i>		
Total assets	1,852,558,355	1,741,510,695
Less: intangible assets	(5,123,361)	(5,695,763)
Less: total liabilities	(879,542,239)	(941,026,230)
Net assets for common shares	967,892,755	794,788,702
Number of common shares	351,540,791	351,540,791
Book value per common share in thousands of tenge	2.753	2.261

In accordance with the decision of the Exchange Board of Kazakhstan Stock Exchange JSC ("KASE") dated 4 October 2010 financial statements shall disclose book value per share (common and preferred) as of the reporting date, calculated in accordance with the KASE rules.

Earnings per share

Basic and diluted earnings per share are calculated by dividing the net income for the period attributable to common shareholders by the number of shares outstanding during the period.

The following table reflects the income and share data used in the basic earnings per share computations for the reporting periods ended:

	For the six months ended 30 June (unaudited)	
	2019	2018
Net income attributable to shareholder for basic and diluted earnings per share (in thousands of tenge)	171,191,831	70,856,911
Average number of common shares for basic and diluted earnings per share	351,540,791	351,540,791
Basic and diluted, earnings per share for the period attributable to the parent (in thousands of tenge)	0.49	0.20

Additional paid-in capital

During the six months ended 30 June 2019, the Group recognized additional paid-in capital with respect to discount on loan provided by KazMunayGas of 1,339,820 thousand tenge (six months ended 30 June 2018: 1,792,694 thousand tenge) (Note 15).

13. DEBT SECURITIES ISSUED

As at 30 June 2019 and 31 December 2018, debt securities issued comprised:

	Issue	Maturity	Interest rate	30 June 2019 (unaudited)		31 December 2018 (audited)	
				US dollars	in thousands of tenge	US dollars	in thousands of tenge
KTG bonds	2017	2027	4.375%	750,000,000	285,397,500	750,000,000	288,150,000
KTG Aimak bonds	2015	2025	7.50%	–	5,000,000	–	5,000,000
				750,000,000	290,397,500	750,000,000	293,150,000
Plus: interest payable					3,388,704		3,420,482
Less: discount					(1,120,238)		(1,189,908)
Less: unamortized transaction costs					(315,049)		(333,994)
					292,350,917		295,046,580
Less: the amount to be repaid within 12 months from the reporting date					(3,388,704)		(3,420,482)
Amounts due after 12 months					288,962,213		291,626,098

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

14. INTEREST BEARING LOANS

As at 30 June 2019 and 31 December 2018, interest bearing loans comprised:

<i>In thousands of tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
Interest bearing loans with floating rate	150,654,873	158,986,260
Interest bearing loans with fixed rate	51,941,088	52,815,370
	202,595,961	211,801,630
Plus: interest payable	1,764,594	1,961,450
Less: unamortized transaction costs	(1,023,974)	(1,178,445)
	203,336,581	212,584,635
Less: amount due for settlement within 12 months from the reporting date	(30,492,760)	(31,105,703)
Amounts due for settlement after 12 months	172,843,821	181,478,932

15. LOANS FROM RELATED PARTY

<i>In thousands of tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
Fixed interest rate borrowings	40,203,697	40,203,697
	40,203,697	40,203,697
Plus: interest payable	587,493	1,220,537
Less: discount	(5,459,232)	(5,320,184)
	35,331,958	36,104,050
Less: the amount to be repaid within 12 months from the reporting date	(25,119,531)	(26,198,509)
Amounts due after 12 months	10,212,427	9,905,541

Fixed interest rate borrowings

On 6 March 2017, KazMunayGas provided to the Group short-term financing for the total amount of 25,321,800 thousand tenge at the rate of 5.0% per annum for general corporate purposes. During the six months ended 30 June 2019, the repayment period of the principal was extended until 30 November 2019. Respective discount on the loan of 1,339,820 thousand tenge (*Note 12*) was recognized as additional paid-in capital.

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

16. PROVISIONS

<i>In thousands of tenge</i>	Provision for gas transportation expenses	Abandonment, site restoration provision	Gas pipeline abandonment and site restoration provision	Tax provisions	Other	Total
At 31 December 2018 (audited)	28,082,667	1,903,822	58,838,287	131,088	6,391,226	95,347,090
Arising during the period	-	11,954	-	674	2,494	15,122
Change in estimates (Note 4)	-	156,449	-	-	-	156,449
Unwinding of discount	-	84,720	2,712,360	-	-	2,797,080
Foreign exchange difference	(268,254)	-	-	-	-	(268,254)
Reversed	-	-	-	-	(181,132)	(181,132)
Utilised	-	-	-	(124,197)	(5,789,652)	(5,913,849)
At 30 June 2019 (unaudited)	27,814,413	2,156,945	61,550,647	7,565	422,936	91,952,506
Current provisions as at 30 June 2019	27,814,413	-	-	7,565	398,124	28,220,102
Non-current provisions as at 30 June 2019	-	2,156,945	61,550,647	-	24,812	63,732,404
Current provisions as at 31 December 2018	28,082,667	-	-	131,088	6,368,635	34,582,390
Non-current provisions as at 31 December 2018	-	1,903,822	58,838,287	-	22,591	60,764,700

Other

As of 31 December 2018, the Group recognised provision of 5,700,000 thousand tenge related to future financing of the construction of social facility in the city of Turkestan. During the six months ended 30 June 2019, the Group transferred cash to finance the construction of the social facility for the total amount of 5,700,000 thousand tenge.

17. TRADE AND OTHER PAYABLES

<i>In thousands of tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
Due to related parties (Note 23)	113,616,051	119,222,945
Due to third parties	49,522,842	90,152,907
	163,138,893	209,375,852

Trade payables represent payables for purchased gas and assets and services related to the repair and maintenance of the gas transportation system. Trade payables are non-interest bearing and usually settled within 30 days.

Trade payables are denominated in the following currencies:

<i>In thousands of tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
KZT	142,304,226	178,443,065
USD	12,417,525	19,263,810
RUB	8,398,802	11,651,821
Other	18,340	17,156
	163,138,893	209,375,852

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

18. REVENUE FROM CONTRACTS WITH CUSTOMERS

<i>In thousands of tenge</i>	Timing of revenue recognition	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
		2019	2018	2019	2018
Type of goods or service					
Revenue from sales of gas	Over time	195,969,863	185,335,870	446,433,476	351,713,976
Revenue from gas transportation services	Over time	36,420,958	31,984,943	70,650,259	73,899,436
Revenue from technical maintenance of gas pipelines	Over time	3,604,012	1,331,984	6,469,913	2,746,754
Other	Over time	89,662	240,622	165,801	433,101
		236,084,495	218,893,419	523,719,449	428,793,267
Geographical markets					
Kazakhstan		55,339,775	56,220,721	157,073,538	175,160,431
China		145,564,886	113,215,338	301,822,559	159,846,929
CIS		35,179,834	49,457,360	64,823,352	93,785,907
		236,084,495	218,893,419	523,719,449	428,793,267

19. COST OF SALES

<i>In thousands of tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2019	2018	2019	2018
Cost of gas sold	64,470,413	69,031,108	193,131,577	158,670,335
Transportation expenses	59,918,538	50,449,991	142,302,391	103,959,681
Payroll and related contributions	9,407,244	8,813,846	20,209,661	18,389,814
Depreciation and amortization	9,596,380	8,458,666	18,605,731	16,928,350
Fuel gas and gas losses	2,943,664	6,042,300	7,507,326	6,433,930
Taxes other than income tax	2,654,502	2,502,984	5,094,674	4,986,845
Billing services	1,601,612	1,385,445	3,002,362	2,735,040
Repair and maintenance	934,377	750,249	1,566,370	1,336,482
Security	757,805	681,736	1,505,548	1,313,734
Electricity	247,855	568,956	713,748	1,217,192
Business trip expenses	327,336	298,567	578,387	513,105
Communication expenses	261,600	237,814	512,436	437,551
Insurance	173,522	156,498	351,215	293,224
Other	1,029,484	2,255,416	1,953,793	1,799,160
	154,324,332	151,633,576	397,035,219	319,014,443

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

20. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2019	2018	2019	2018
Tax provision, net	9,875,822	–	9,875,822	–
Payroll and related contributions	2,781,526	2,841,790	4,984,336	5,012,395
Taxes other than income tax	324,286	702,339	1,229,199	964,009
Depreciation of the right-of-use assets	562,461	–	1,124,922	–
Depreciation and amortization	446,461	447,645	872,607	903,127
Consulting services	183,579	644,257	534,034	832,458
Repair and maintenance	144,873	74,977	239,108	139,421
Business trip expenses	120,218	116,061	222,281	202,334
Office maintenance expenses	104,106	90,794	210,523	200,407
Personnel development and qualification upgrade	105,113	133,340	176,500	240,836
Rent expenses	77,085	644,494	151,403	1,261,467
Communication services	51,051	49,260	98,420	88,981
Bank charges	29,728	61,288	67,009	128,615
Festive and cultural events expenses	59,417	–	59,417	480
Security costs	28,160	26,084	55,252	53,790
Insurance expenses	7,281	6,761	15,493	13,388
Fines and penalties	6,804	11,971	10,246	13,876
Write-down of inventory to net realisable value	2,231	(10,571)	1,254	(14,914)
Other	318,871	572,726	655,915	1,104,873
	15,229,073	6,413,216	20,583,741	11,145,543

21. FINANCE INCOME AND FINANCE COSTS

<i>In thousands of tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2019	2018	2019	2018
Finance income				
Interest income on loans to related parties	2,154,548	1,905,381	4,270,561	3,690,253
Interest income on bank deposits	1,106,730	933,823	2,180,840	1,675,277
Discount on financial liabilities	–	–	902,343	–
Amortization of financial guarantee	28,406	362,235	518,177	625,563
Amortization of discount on loans to related parties (Note 7)	–	1,743,786	–	3,332,258
Other	45,514	71,131	53,727	250,936
	3,335,198	5,016,356	7,925,648	9,574,287
Finance costs				
Interest on debt securities issued	(3,221,438)	(2,986,537)	(6,426,387)	(5,865,070)
Interest bearing loans	(1,947,826)	(3,971,523)	(5,975,760)	(7,569,615)
Unwinding of discount – abandonment and site restoration provisions (Note 16)	(1,445,532)	(1,314,551)	(2,797,080)	(2,597,480)
Other loss from financial assets	(3,064)	–	(2,461,118)	–
Unwinding of discount on financial liabilities	(591,508)	(559,738)	(1,200,772)	(1,172,526)
Interest on loans from related party	(469,062)	(591,237)	(938,124)	(1,181,163)
Amortization of transaction costs related to interest bearing loans	(16,377)	(11,484)	(151,056)	(634,240)
Interest expense on lease obligations	(68,694)	–	(137,385)	–
Amortization of discount on debt securities issued	(71,530)	(33,327)	(102,420)	(84,969)
Discount on loans issued to the joint venture	–	(846,170)	–	(1,671,969)
Discount on interest-free loans to related parties	–	(881,951)	–	(881,951)
Other	(218,591)	(266,438)	(371,721)	(501,857)
	(8,053,622)	(11,462,956)	(20,561,823)	(22,160,840)

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

22. INCOME TAX EXPENSES

The Group is subject to corporate income tax at the prevailing statutory rate of 20%.

<i>In thousands of tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2019	2018	2019	2018
Corporate income tax expense	14,993,394	7,627,430	19,681,966	14,440,030
Deferred income tax expense/(benefit)	(876,459)	3,853,063	973,493	4,835,272
Adjustment of prior year income tax	271,441	1,414	1,442,158	1,414
	14,388,376	11,481,907	22,097,617	19,276,716

23. RELATED PARTY TRANSACTIONS

Terms and conditions of transactions with related parties

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

The Management believes that the Group has appropriate procedures for identification and appropriate disclosure of information on related parties transactions.

Major transactions with related parties for the six months ended 30 June 2019 and 2018 are as follows:

<i>In thousands of tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2019	2018	2019	2018
Sales of goods and services				
Entities under common control of KazMunayGas	210,862	258,280	598,696	722,961
Joint ventures in which the Group is a venturer	5,525,185	1,215,325	8,150,023	2,475,360
Joint ventures in which Parent is a venturer	10,110,168	10,167,947	21,122,695	25,219,104
Entities under common control of Samruk-Kazyna and the Government	7,982,799	9,187,681	19,761,009	24,700,627
	23,829,014	20,829,233	49,632,423	53,118,052
Purchases of goods and services				
Entities under common control of KazMunayGas	1,322,084	1,230,320	2,639,256	2,657,367
Joint ventures in which the Group is a venturer	59,692,524	49,867,061	139,986,845	102,728,241
Joint ventures in which Parent is a venturer	19,454,695	13,506,000	64,784,961	34,217,937
Entities under common control of Samruk-Kazyna and the Government	814,087	542,562	1,345,372	1,048,121
	81,283,390	65,145,943	208,756,434	140,651,666
VAT expense under the Trust management agreement				
Entities under common control of Samruk-Kazyna and the Government	1,369,760	–	2,255,722	–
	1,369,760	–	2,255,722	–
Finance income				
Joint ventures in which the Group is a venturer	2,156,733	3,877,913	4,788,738	7,514,585
Joint ventures in which Parent is a venturer	–	133,489	902,343	133,489
	2,156,733	4,011,402	5,691,081	7,648,074
Finance costs				
Joint ventures in which the Group is a venturer	36,240	36,056	68,844	48,185
Joint ventures in which Parent is a venturer	96,715	881,951	96,715	881,951
Entities under common control of Samruk-Kazyna and the Government	1,060,570	1,150,975	2,138,896	2,353,689
	1,193,525	2,068,982	2,304,455	3,283,825

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

23. RELATED PARTY TRANSACTIONS (continued)

Terms and conditions of transactions with related parties (continued)

Principal balances on transactions with related parties as at 30 June 2018 and 31 December 2017, are as follows:

<i>In thousands of tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
Trade receivables		
Entities under common control of KazMunayGas	3,460	7,331
Joint ventures in which the Group is a venturer	8,404,717	6,660,236
Joint ventures in which Parent is a venturer	2,963,237	1,670,373
Entities under common control of Samruk-Kazyna and the Government	4,569,915	5,296,359
	15,941,329	13,634,299
Loans to related party		
Joint ventures in which the Group is a venturer	227,063,887	226,318,684
	227,063,887	226,318,684
Advances paid		
Entities under common control of KazMunayGas	1,318	2,410
Joint ventures in which Parent is a venture	2,754,154	–
Entities under common control of Samruk-Kazyna and the Government	2,316,755	1,506,368
	5,072,227	1,508,778
Trade and other payables		
Entities under common control of KazMunayGas	1,121,747	1,008,156
Joint ventures in which the Group is a venturer	96,367,437	63,026,882
Joint ventures in which Parent is a venture	15,535,729	54,393,498
Entities under common control of Samruk-Kazyna and the Government	591,138	794,409
	113,616,051	119,222,945
Contract liabilities		
Entities under common control of KazMunayGas	150,414	116,170
Joint ventures in which the Group is a venturer	–	117
Joint ventures in which Parent is a venturer	2,449,631	4,285,355
Entities under common control of Samruk-Kazyna and the Government	11,836	25,902
	2,611,881	4,427,544
Loans from related party		
Entities under common control of Samruk-Kazyna and the Government	35,331,958	89,501,116
	35,331,958	89,501,116
Other financial liabilities		
Joint ventures in which Parent is a venturer	2,960,179	848,975
	2,960,179	848,975
Loans		
Entities under common control of Samruk-Kazyna and the Government	52,441,357	53,348,489
	52,441,357	53,348,489

Compensation to key management personnel

The key management personnel includes members of Board of Directors and the Management Board, their deputies totalling 7 persons as at 30 June 2019 (31 December 2018: 9 persons). For the six months ended 30 June 2019, total compensation to key management personnel amounted to 415,654 thousand tenge (six months ended 30 June 2018: 348,080 thousand tenge) and consisted of salaries and other short-term benefits included in general and administrative expenses in the interim consolidated statement of comprehensive income.

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

24. COMMITMENTS AND CONTINGENCIES

In addition to the commitments and contingencies disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2018, the following changes have taken place during the six months ended 30 June 2019:

Commitments for capital expenditures

As at 30 June 2019, the Group has capital commitments of approximately 47,180,177 thousand tenge, excluding VAT (31 December 2018: 30,503,902 thousand tenge, excluding VAT), related to acquisition and construction of property, plant and equipment. These capital commitments are partially connected with investment program described in *Note 1* "Corporate information".

Commitments of AGP and BShP

The Company's share in the commitments for capital expenditures of AGP and BShP is as follow as at 30 June 2019:

<i>In thousands of tenge</i>	AGP	BShP
Acquisition and construction of property, plant and equipment	412,108	11,799,105

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments:

The following tables provide the fair value measurement hierarchy of the Group's assets and liabilities:

<i>In thousands of tenge</i>	Carrying amount	Fair value	30 June 2019 (unaudited)		
			Fair value by level of assessment		
			Quotations in active markets (Level 1)	Essential observed input data (Level 2)	Essential unobservable input data (Level 3)
Financial assets					
Loans to related party	155,585,284	159,080,789	-	-	159,080,789
Financial liabilities					
Debt securities issued	(292,350,917)	(298,123,294)	(298,123,294)	-	-
Interest bearing loans	(203,336,581)	(203,475,027)	-	(203,475,027)	-
Loans from related parties	(35,331,958)	(35,715,796)	-	(35,715,796)	-

There have been no transfers between Level 1 and Level 2 during the six months ended 30 June 2019.

<i>In thousands of tenge</i>	Carrying amount	Fair value	31 December 2018 (audited)		
			Fair value by level of assessment		
			Quotations in active markets (Level 1)	Essential observed input data (Level 2)	Essential unobservable input data (Level 3)
Financial assets					
Loans to related party	154,926,469	144,948,730	-	-	144,948,730
Financial liabilities					
Debt securities issued	(295,046,580)	(275,997,067)	(275,997,067)	-	-
Interest bearing loans	(212,584,635)	(215,131,153)	-	(215,131,153)	-
Loans from related parties	(36,104,050)	(34,757,307)	-	(34,757,307)	-

There have been no transfers between Level 1 and Level 2 during 2018.

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

25. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Estimates and assumptions

The management of the Group has determined that the fair value of cash and bank deposits, trade receivables, interest free loans provided to related parties, trade payables, and short-term loans received approximates their carrying amount.

The fair value of the financial assets and liabilities included in the interim condensed consolidated financial statements is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value calculation of quoted bonds was based on price quotations at the reporting date.

The fair values of long-term loans are determined by the DCF method using rates currently available for debt on similar terms, credit risk and remaining maturities.

26. SEGMENT REPORTING

The Group determines its operating segments based on the nature of their operations. The performance of the operating segments is assessed by management on a regular basis.

The following reportable segments within the Group were determined:

- Gas trading – sales of gas within the Republic of Kazakhstan and abroad;
- Transportation and storage of gas – transportation of gas and storage of purchased gas in underground gas storages.

The remaining operating segments (exploration and production of gas and rendering transportation services) have been aggregated and presented as other operating segment due to their insignificance.

Substantially all of the Group's operations and assets are located in the Republic of Kazakhstan.

The following table represents information about revenues and net profit, assets and liabilities of operating segments of the Group for the six months ended 30 June 2019:

<i>In thousands of tenge</i>	Gas trading	Transportation and storage of gas	Other segments	Elimination	Total
Revenue from sales to external customers	467,157,383	55,890,085	671,981	–	523,719,449
Revenue from sales to other segments	5,590,202	47,464,527	11,905,015	(64,959,744)	–
Total revenue	472,747,585	103,354,612	12,576,996	(64,959,744)	523,719,449
Gross profit	66,462,238	56,761,567	6,139,852	(2,679,427)	126,684,230
Finance income	7,734,244	979,655	162,802	(951,053)	7,925,648
Finance costs	(16,830,378)	(3,740,627)	(125,818)	135,000	(20,561,823)
Depreciation and amortization	(5,581,097)	(12,450,492)	(1,455,359)	–	(19,486,948)
Impairment of property, plant and equipment	–	(109,799)	–	–	(109,799)
Share in profit of joint ventures	–	101,350,010	–	–	101,350,010
Income tax expenses	(9,361,084)	(11,405,805)	(1,330,728)	–	(22,097,617)
Net profit for the period	48,094,756	140,162,925	2,910,033	(19,975,883)	171,191,831
Other segment information					
Investments in joint ventures	–	122,153,074	1,057,307	–	123,210,381
Capital expenditures	2,486,433	49,555,970	913,864	(12,822,452)	40,133,815
Allowance for expected credit losses	(7,562,128)	(340,581)	(88,423)	–	(7,991,132)
Allowances for obsolete inventories and advances paid	(95,634)	(2,331,106)	–	–	(2,426,740)
Assets of the segment	1,077,956,993	945,749,563	64,901,156	(236,049,357)	1,852,558,355
Liabilities of the segment	717,003,567	212,389,907	9,903,239	(59,754,474)	879,542,239

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

26. SEGMENT REPORTING (continued)

The following represents information about revenue and net profit, and assets and liabilities of operating segments of the Group for the six months ended 30 June 2018:

<i>In thousands of tenge</i>	Gas trading	Transportation and storage of gas	Other segments	Elimination	Total
Revenue from sales to external customers	376,534,651	51,355,574	903,042	–	428,793,267
Revenue from sales to other segments	4,708,208	44,702,256	12,044,585	(61,455,049)	–
Total revenue	381,242,859	96,057,830	12,947,627	(61,455,049)	428,793,267
Gross profit	50,003,452	54,783,774	6,923,815	(1,932,217)	109,778,824
Finance income	9,898,130	885,950	180,869	(1,390,662)	9,574,287
Finance costs	(13,173,432)	(7,763,412)	(247,364)	(976,632)	(22,160,840)
Depreciation and amortization	(5,415,528)	(10,848,123)	(1,575,778)	–	(17,839,429)
Share in profit of joint ventures	–	11,563,808	16,283	–	11,580,091
Income tax expenses	(8,497,580)	(9,587,347)	(1,191,789)	–	(19,276,716)
Net profit for the period	69,513,300	40,637,214	4,140,951	(43,434,554)	70,856,911
Other segment information					
Investments in joint ventures	–	20,794,618	1,104,753	–	21,899,371
Capital expenditures	13,240,322	130,706,907	5,509,258	(1,864,749)	147,591,738
Allowance for expected credit losses	(5,923,619)	(385,478)	(74,634)	–	(6,383,731)
Allowances for obsolete inventories and advances paid	(94,731)	(2,331,106)	(285,300)	–	(2,711,137)
Assets of the segment	1,153,121,056	798,855,032	70,594,850	(281,060,243)	1,741,510,695
Liabilities of the segment	760,309,693	228,544,909	11,331,678	(59,169,799)	941,016,481

Segment performance is evaluated based on both revenues and net profit, which are measured on the same basis as in the consolidated financial statements. Inter-segment transactions were made on terms agreed to between the segments that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

Eliminations represent the exclusion of intra-group turnovers.

During the six months ended 30 June 2019, the Group generated 58% of its revenues from PetroChina Group (six months ended 30 June 2018: 37%) and 11% from Gazprom Group (six months ended 30 June 2018: 15%).

27. SUBSEQUENT EVENTS

The Group had no significant events after the end of the reporting period.