

KazTransGas JSC

Consolidated financial statements

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

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Independent auditor's report

Consolidated financial statements

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Independent auditor's report

To the Shareholder, Board of Directors and Management of KazTransGas JSC

Opinion

We have audited the consolidated financial statements of KazTransGas JSC and its subsidiaries (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 each matter below, our description of how our audit addressed the 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 statements.

Key audit matter

How our audit addressed the key audit matter

VAT recoverable

As at 31 December 2019, the Group has a significant balance of VAT recoverable of 145 billion tenge, which mainly originated from loss-making sales of gas on the domestic market. The assessment of recoverability of this asset requires significant judgment and assumptions regarding the future increase in the regulated domestic gas sales prices that will enable the Group to generate profits on domestic sales of gas resulting in VAT payable to be offset against VAT recoverable. Therefore, this matter was one of the matters of most significance in our audit.

Information associated with the VAT recoverable balance is disclosed in Note 9 to the consolidated financial statements.

We obtained understanding of the provisions of the Tax code regarding limitations of the period for offsetting VAT recoverable. We analyzed management's plans with respect to measures to be undertaken to increase tariffs for domestic gas sales that will result in positive margin on the domestic gas sales. We considered the Group's correspondence with the Ministry of National Economy regarding the revision to the domestic gas sales price determination methodology to enable positive margin on the domestic sales of gas.

We evaluated the consistency of management's plans with the Group Development Strategy of the Parent.

Gas pipeline abandonment and site restoration provision

We considered this matter to be one of the most significance in our audit because the calculation of gas pipeline abandonment and site restoration provision requires significant judgment due to the inherent complexity in estimating future costs and due to the significance of this liability to the consolidated financial statements. The Group's estimation of gas pipeline abandonment and site restoration provision incorporates the effects of expected approach to decommissioning and discount rates, effects of changes in local regulations along with the effects of changes in inflation.

Information associated with gas pipeline abandonment and site restoration is disclosed in Notes 2 and 17 to the consolidated financial statements.

Our procedures involved obtaining understanding of legal and constructive obligations with respect to the decommissioning process based on the contractual arrangements, relevant local regulation and existing business practice. We considered the competence and objectivity of the experts involved by the Group for making future cost estimates. We analysed the calculations and evaluated the discount rate and inflation rate used.

Compliance with loan covenants

In accordance with the terms of certain financing arrangements, the Group should maintain and comply with certain financial. Breaching covenants could result in significant fines and penalties along with loans becoming immediately due and payable. In addition, cross default provisions are in place under the

We examined the terms of financing arrangements. We compared data used in the financial covenants compliance calculations with the consolidated financial statements. We assessed arithmetic accuracy of financial covenants calculations.

Group's financing arrangements. Compliance with covenants was one of the matters of most significance in the audit since it can have a major impact on the going concern assumption used in the preparation of the consolidated financial statements, and on classification of the liabilities under financing arrangements in the consolidated statement of financial position.

Information about loan covenants is disclosed in Note 15 to the consolidated financial statements.

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 the 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.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

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

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

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

We communicate with 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 Paul Cohn.

Ernst & Young LLP

Paul Cohn
Audit Partner

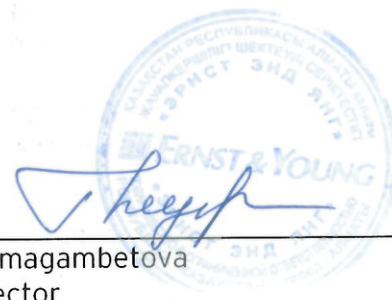


Aigerim Nurkenova
Auditor

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19 February 2020



Gulmira Turmagambetova
General Director
Ernst and 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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of tenge</i>	Notes	As at 31 December	
		2019	2018
Assets			
Non-current assets			
Property, plant and equipment	4	1,010,615,001	990,553,112
Right-of-use assets		2,380,581	–
Exploration and evaluation assets	5	13,205,928	11,839,832
Investment property		5,844,600	–
Intangible assets		6,438,798	5,695,763
Investments in joint ventures	6	251,686,117	21,899,371
Advances paid for non-current assets	7	63,069,539	8,733,969
Loans to related party	8	153,713,982	154,926,469
Non-current financial assets		–	2,373,194
VAT recoverable	9	112,727,868	92,910,112
Deferred tax assets	25	1,123,147	189,372
Other non-current assets		288,626	375,136
Bank deposits		4,849,666	4,611,916
		1,625,943,853	1,294,108,246
Current assets			
Inventories	11	51,383,634	60,257,659
Trade and other receivables	12	197,118,788	126,884,462
Loans to related party	8	48,954,842	71,392,215
Advances paid	7	22,270,284	5,655,622
Prepaid taxes other than income tax	9	18,060,252	10,651,416
Corporate income tax prepaid		15,308,719	20,728,947
Other current assets		277,237	637,169
Bank deposits		22,130	39,212
Cash and cash equivalents	10	114,165,359	151,155,747
		467,561,245	447,402,449
Total assets		2,093,505,098	1,741,510,695

The accompanying notes on pages 6 to 51 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

<i>In thousands of tenge</i>	Notes	As at 31 December	
		2019	2018
Equity and liabilities			
Equity			
Share capital	13	192,623,055	192,623,055
Additional paid-in capital	13	250,384,811	249,044,991
Foreign currency translation reserve		546,149	546,149
Retained earnings		693,053,481	358,270,270
		1,136,607,496	800,484,465
Non-current liabilities			
Debt securities issued	14	290,599,631	291,626,098
Interest bearing loans	15	168,818,330	181,478,932
Loans from related party	16	10,549,245	9,905,541
Employee benefit obligations		1,380,004	1,715,974
Provisions	17	75,002,136	60,764,700
Other non-current financial liabilities		7,870,403	2,128,487
Other non-current liabilities		7,838,881	8,111,532
Deferred tax liabilities	25	51,344,780	51,828,912
		613,403,410	607,560,176
Current liabilities			
Debt securities issued	14	3,406,541	3,420,482
Interest bearing loans	15	24,519,363	31,105,703
Loans from related party	16	183,047	26,198,509
Provisions	17	28,300,393	34,582,390
Trade and other payables	18	256,621,128	209,375,852
Taxes payable other than income tax		2,490,749	3,219,598
Contract liabilities		5,550,806	9,066,269
Other current financial liabilities		8,203,073	3,420,675
Other current liabilities	19	14,219,092	13,076,576
		343,494,192	333,466,054
Total equity and liabilities		2,093,505,098	1,741,510,695

Deputy of General Director on economics and finance



Zhanuzak T.Zh.

Chief Accountant

Meldekhanov B.N.

The accompanying notes on pages 6 to 51 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of tenge</i>	Notes	For the years ended 31 December	
		2019	2018
Revenue	20	1,103,074,989	921,179,600
Cost of sales	21	(884,931,789)	(678,104,234)
Gross profit		218,143,200	243,075,366
General and administrative expenses	22	(42,337,724)	(26,153,670)
Reversal of allowance for expected credit losses		743,692	1,349,077
Other operating income	23	10,131,277	4,767,720
Other operating expenses	23	(6,960,786)	(14,604,064)
Operating profit		179,719,659	208,434,429
Gain on sale of interest ownership	2	-	15,109,842
Finance income	24	17,251,183	13,884,999
Finance costs	24	(43,581,420)	(38,977,393)
Share in income of joint ventures	6	224,244,892	16,748,976
Foreign exchange loss, net		(3,382,641)	(11,560,507)
Profit before income tax		374,251,673	203,640,346
Income tax expenses	25	(39,916,824)	(47,665,288)
Net profit for the year		334,334,849	155,975,058
Other comprehensive income/(loss)		448,362	(208,970)
Comprehensive income/(loss) not to be reclassified to profit and loss in subsequent periods			
Actuarial income/(loss) on defined benefit plans		560,454	(261,212)
Impact of income tax (expense)/benefit	25	(112,092)	52,242
Net comprehensive income/(loss) not to be reclassified to profit and loss in subsequent periods		448,362	(208,970)
Total comprehensive income for the year, net of income tax		334,783,211	155,766,088
Earnings per share			
Basic and diluted, earnings per share for the year attributable to the parent	13	0.95	0.44

Deputy of General Director on economics and finance



Zhanuzak T. Zh.

Chief Accountant

Meldekhanov B.N.

The accompanying notes on pages 6 to 51 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In thousands of tenge</i>	Notes	For the years ended 31 December	
		2019	2018
Cash flows from operating activities			
Receipts from customers		1,073,102,900	996,665,350
Interest received		10,285,635	7,191,299
Cash receipts from management fee		–	14,180,776
Taxes refund from budget		20,668,920	4,807,244
Other receipts		1,819,003	989,364
Payments to suppliers		(834,616,421)	(695,365,711)
Income tax paid		(38,343,213)	(35,521,315)
Other taxes and payments to budget and fund		(43,007,504)	(36,516,476)
Interest paid		(32,089,049)	(29,826,155)
Payments to employees		(44,047,914)	(41,394,834)
Other payments		(4,900,769)	(6,364,913)
Net cash flows from operating activities		108,871,588	178,844,629
Cash flows from investing activities			
Proceeds from sale of interest ownership	2	–	14,472,800
Withdrawal of bank deposits		1,272,154	1,145,123
Proceeds from sale of property, plant and equipment and intangible assets		32,657,029	275,258
Loans repaid by related party	8	25,500,000	16,294,978
Dividends received	6	39,000	35,000
Proceeds from sale of investment securities	3	–	13,910,001
Placement of bank deposits		(1,111,682)	(368,707)
Purchase of property, plant and equipment, intangible assets, and exploration and evaluation assets		(150,312,484)	(120,941,399)
Loans provided to related party	8	–	(11,032,435)
Acquisition of investment securities	3	–	(13,910,001)
Net cash flows used in investing activities		(91,955,983)	(100,119,382)
Cash flows from financing activities			
Proceeds on interest bearing loans and debt securities issued	14, 15, 28	26,017,440	115,019,917
Repayments of interest bearing loans and debt securities issued	14, 15, 28	(44,694,185)	(55,504,846)
Repayments of loans from related party	16, 28	(25,321,800)	(18,983,228)
Payments on lease obligations		(2,215,889)	–
Loan arrangement fee		–	(786,120)
Other payments on operations with the Shareholder	17	(5,700,000)	–
Net cash flows (used in) / from financing activities		(51,914,434)	39,745,723
Net foreign exchange difference on cash and cash equivalents		(1,991,559)	8,709,898
Net change in cash and cash equivalents		(36,990,388)	127,180,868
Cash and cash equivalents, at the beginning of the year	10	151,155,747	23,974,879
Cash and cash equivalents, at the end of the year	10	114,165,359	151,155,747

Deputy of General Director on economics and finance



Zhanuzak T.Zh.

Chief Accountant

Meldekhanov B.N.

The accompanying notes on pages 6 to 51 are an integral part of these consolidated financial statements.

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 1 January 2018	192,623,055	243,148,277	546,149	210,707,808	647,025,289
Effect of adoption of IFRS 9 (Note 3)	-	-	-	(2,503,626)	(2,503,626)
At 1 January 2018	192,623,055	243,148,277	546,149	208,204,182	644,521,663
Net profit for the year	-	-	-	155,975,058	155,975,058
Other comprehensive loss for the year	-	-	-	(208,970)	(208,970)
Total comprehensive income for the year	-	-	-	155,766,088	155,766,088
Contribution from the Shareholder (Note 13)	-	5,906,463	-	-	5,906,463
Other transactions with the Shareholder (Note 13)	-	(9,749)	-	(5,700,000)	(5,709,749)
As at 31 December 2018	192,623,055	249,044,991	546,149	358,270,270	800,484,465
Net profit for the year	-	-	-	334,334,849	334,334,849
Other comprehensive income for the year	-	-	-	448,362	448,362
Total comprehensive income for the year	-	-	-	334,783,211	334,783,211
Contribution from the Shareholder (Notes 13 and 16)	-	1,339,820	-	-	1,339,820
As at 31 December 2019	192,623,055	250,384,811	546,149	693,053,481	1,136,607,496

Deputy of General Director on economics and finance



Zhanuzak T. Zh.

Chief Accountant



Meldekhanov B.N.

The accompanying notes on pages 6 to 51 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2019**

1. CORPORATE INFORMATION

The accompanying consolidated financial statements include the financial statements of KazTransGas JSC (the “Company” or “KTG”) and its subsidiaries (hereinafter collectively referred to as the “Group”) (*Note 2*).

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, Astana, Yesil district, Alikhan Bokeykhan avenue, 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 26*).

In accordance with the Resolution of the Government of the RK No. 914 dated 5 July 2012, KTG was appointed as the national operator in the area of gas production and gas supply. In its role of the 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 also include the following:

- Managing of investment activities for the overall development of the main gas pipeline system within Kazakhstan;
- Managing of investment activities for gas fields development within Kazakhstan;
- Providing consultancy services in research and development for gas industry;
- Sale of gas to the 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 31 December 2019, the Group has commitments in the amount of 52,124,843 thousand tenge under the investment program for 2016-2021 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 (2018: 62,558,109 thousand tenge). The results of the implementation of this program can influence the future tariffs. As at 31 December 2019, the Group fulfils its obligations under the approved investment program, taking into account the adjustments made.

The Deputy of General Director on economics and finance and Chief accountant authorized the accompanying consolidated financial statements for the issuance on 19 February 2020.

Exploration and production of hydrocarbons

In December 2000, the Group signed a 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 Kумыrly gas fields, in Zhambyl oblast, South Kazakhstan (the “Hydrocarbon Agreement”). The duration of the Hydrocarbon Agreement is 31 years. The Group started the 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)**2. BASIS OF PREPARATION**

The accompanying consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements have been prepared on a historical cost basis, except for assets and liabilities that were valued at fair value as described in the accounting policies and the notes to these consolidated financial statements. All values in these consolidated financial statements are rounded to the nearest thousands, except when otherwise indicated.

Basis of consolidation

Subsidiaries are consolidated by the parent company from the date of acquisition, being the date on which the latter obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies for all companies of the Group. All intra-group balances, transactions, unrealized gains and losses and cash flows resulting from intra-group transactions and dividends were eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent’s share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Subsidiaries

As at 31 December 2019 and 31 December 2018, the Company had interest ownership in the following companies, which were included into the consolidated financial statements:

Name	Place of incorporation	Principal activities	Ownership	
			2019	2018
Intergas Central Asia JSC (ICA)	Kazakhstan	Transportation and storage of gas and rendering technical services for gas pipelines in Kazakhstan	100%	100%
KazTransGas Aimak JSC (KTG Aimak)	Kazakhstan	Sale of gas to local power distributors, legal entities and individuals	100%	100%
KazTransGas Onimderi LLP (KTG Onimderi)	Kazakhstan	Transportation services	100%	100%
Amangeldy Gas LLP (Amangeldy Gas)	Kazakhstan	Production of natural gas and gas condensate	100%	100%
KMG Kansu Operating LLP	Kazakhstan	Exploration of natural gas and gas condensate	100%	100%
Intergas Finance B.V. (IFBV)	Netherlands	Issue of Eurobonds (raising debt funds)	100%	100%
KazTransGas Bishkek LLC (KTG Bishkek)	Kyrgyzstan	Repair and renewal operations and modernization of the main gas pipeline “Bukhara gas area – Tashkent – Bishkek – Almaty”	100%	100%

As of 31 December 2017, KazTransGas JSC had 100% legal ownership in KazTransGas Tbilisi LLC (KTG Tbilisi). On 16 March 2009 the City Court of Kutaisi disqualified the Company from exercising rights that give it the ability to direct the relevant activities of KTG Tbilisi. As a result, the Company lost control over KTG Tbilisi and ceased consolidation since the date of loss of control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**2. BASIS OF PREPARATION (continued)****Basis of consolidation (continued)***Subsidiaries (continued)*

On 13 September 2018, the Company and the Government of Georgia signed an arbitration agreement on the peaceful settlement of the dispute as a result of which KazTransGas JSC sold 100% shares of KTG Tbilisi for 15,109,600 thousand tenge (equivalent to 40,000 thousand US dollars). On 28 September 2018, the Company collected proceeds from sale of interest ownership of 14,472,800 thousand tenge (equivalent to 40,000 thousand US dollars).

Investments in joint ventures

As at 31 December 2019 and 31 December 2018, the Group had interests in the following joint ventures which are accounted for in the consolidated financial statements using the equity method:

Name	Place of incorporation	Principal activities	Share, %	
			31 December 2019	31 December 2018
Asia Gas Pipeline LLP (AGP)	Kazakhstan	Construction and operating Kazakhstan-China gas pipeline	50%	50%
Beineu-Shymkent Gas Pipeline LLP (BShP)	Kazakhstan	Construction and operating Beineu-Bozoi-Shymkent gas pipeline	50%	50%
AvtoGaz LLP (AG)	Kazakhstan	Organization, operation, construction and maintenance of gas filling compressor stations	50%	50%

The Group has interests in joint arrangements in the form of joint ventures, whereby the venturer have a contractual arrangement that establishes joint control over the economic activities of the entities. The agreement requires unanimous consent of the parties sharing control. Investments in joint ventures are accounted for by the Group using the equity method.

Under the equity method, the investment in the joint venture is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture. Goodwill related to joint activities is included into the carrying amount of the investment and is neither amortized, not individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share in financial results of operations of a joint venture. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of such change and discloses, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and joint venture are eliminated at consolidation to the extent of the interest in the joint venture.

The share of the Group in profit or loss of joint venture is shown on the face of the consolidated statement of comprehensive income. This is the profit or loss attributable to participants of the joint venture and therefore is profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on the investment in joint venture. The Group assesses at each reporting date whether there is objective evidence that an investment in joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying amount and recognises the loss in the "share in loss of joint venture" in the consolidated statement of comprehensive income.

Acquisition of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control are accounted for using the pooling of interest method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these consolidated financial statements at the carrying amounts of the transferring entity (the Predecessor) at the date of the transfer. Related goodwill, if any, inherent in the Predecessor's original acquisition is also recorded in these consolidated financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in these consolidated financial statements as an adjustment to equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)**Basis of consolidation (continued)***Acquisition of subsidiaries from parties under common control (continued)*

If such acquisition is considered material then the consolidated financial statements, including comparative amounts, are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Foreign currency translation*Functional and presentation currency*

The consolidated financial statements are presented in Kazakhstani tenge (“tenge”), which is the functional currency of most entities of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at functional currency spot rates prevailing at the date when the transaction meets recognition criteria. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences arising from repayment or restatement of monetary items are stated in the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Gains or losses arising on translation of non-monetary items are recorded in accordance with principles of income or expense recognition as a result of change in the item fair value (i.e. exchange differences on items, fair value gains or losses of which are recognised within other comprehensive income or profit or loss, are also recognised within other comprehensive income or profit or loss, respectively).

Group companies

The results and financial position of all of the Group’s subsidiaries and joint ventures (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at that reporting dates;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of other comprehensive income.

Foreign exchange rates

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange (“KASE”) are used as official currency exchange rates in the Republic of Kazakhstan.

As at 31 December 2019, the currency exchange rate of KASE was 382.59 tenge to 1 US dollar. This rate was used for translation of monetary assets and liabilities denominated in US dollar at 31 December 2019 (2018: 384.20 tenge to 1 US dollar).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)**Significant accounting judgements, estimates and assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities and assets, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Taxation

In assessing tax risks, management considers to be probable obligations the known areas of tax positions which the Group would not appeal or does not believe it could successfully appeal, if assessed by tax authorities. Such determinations inherently involve significant judgement and are subject to change as a result of changes in tax laws and regulations, the determination of expected outcomes from pending tax proceedings and the outcome of ongoing compliance audits by tax authorities. Further details regarding tax risks are contained in *Note 27*.

Allowance for VAT recoverable

The Group determines whether VAT recoverable is doubtful at least on an annual basis. Allowance for doubtful VAT recoverable is based on the management's expectations on future VATable turnovers and VAT refund in cash. Significant management judgement is required to determine whether the Group can further defend its right for VAT refund or offset. Further details are contained in *Note 9*.

Deferred tax assets

Deferred tax assets are recognised for loans receivable, prior years' tax losses carried forward, allowances for doubtful debts, accrued vacations and other liabilities to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved, as well as successful application of tax planning strategies. In the statement of financial position, deferred tax assets and liabilities are presented separately, since they are related to various entities of the Group and may not be offset against each other in accordance with the tax legislation. Further details are contained in *Note 25*.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include liquidity risk, credit risk and volatility. Changes in valuations and judgements can affect the fair values of financial instruments.

Allowance for expected credit losses

Management maintains an allowance for expected credit losses resulting from expectations, which based on ability of customers to make required payments. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Employee benefits

The costs of future social benefit to employees are determined using actuarial valuations. Actuarial method involves the use of different assumptions, which may differ from actual results in future. Actuarial method comprises assumptions on discounting rates, future salary growth and mortality rate. Due to the difficulty of assessing the basic assumptions and long-term obligations under the defined benefit plans, such obligations are highly sensitive to changes in assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate the Group's management considers the interest rates on government bonds with extrapolated maturities corresponding to the expected term of defined benefits. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases are based on expected future inflation rates for the respective country.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**2. BASIS OF PREPARATION (continued)****Significant accounting judgements, estimates and assumptions (continued)***Employee benefits (continued)*

Principal actuarial assumptions used for valuation of employee benefit obligations are as follows:

	2019	2018
Discount rate	8.44%	9.16%
Future salary increase	6.0%	6.4%
Mortality rate	11.89%	12%

The expected cost of employee benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plan. These obligations are valued by independent qualified actuaries on an annual basis.

Useful life of property, plant and equipment

Additions or improvements to property, plant and equipment managed and operated under the Trust Management Agreement are capitalized and depreciated over an estimated remaining useful life regardless of the term of the Agreement. The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, changes are accounted for prospectively as changes in accounting estimates in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Impairment of property, plant and equipment and gas assets

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of: its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five (5) years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and growth rates used for extrapolation purposes.

Assets retirement obligations

In accordance with the Law of the Republic of Kazakhstan *On Main Pipelines* dated 4 July 2012, the Group has legal obligations to dismantle and remove tangible assets and restore the land. Specifically, the Group's obligation relates to removal of gas pipelines and recultivation of the land plots.

The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation. The Group reviews abandonment and site restoration provisions at each reporting date and adjust them to reflect the current best estimate in accordance with IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*. Estimating the future costs involves significant estimates and judgments by management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Group's estimate can be affected by changes in asset removal technologies, costs and industry practice. Uncertainties related to the final costs are mitigated by the effects of discounting the expected cash flows. The Group estimates future gas pipelines abandonment cost using current year prices and the average long-term inflation rate.

The long-term inflation and discount rates used to determine the obligation in the consolidated statement of financial position at 31 December 2019 were 5.49% and 8.44%, respectively (2018: 5.50% and 9.16%). As at 31 December 2019 the carrying amount of provision for abandonment of gas pipeline and site restoration was equal to 72,448,140 thousand tenge (2018: 58,838,287 thousand tenge). As at 31 December 2019 the carrying amount of provision for well abandonment and site restoration under the contract for exploration and production of hydrocarbons was equal to 2,542,294 thousand tenge (2018: 1,903,822 thousand tenge). Further details are contained in *Note 17*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****New standards, interpretations and amendments adopted to the existing standards and interpretations adopted by the Group for the first time**

The following new standards and amendments are not applicable or have no significant impact for the Group:

- 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*;
- IFRS 3 *Business Combinations* (Annual improvements 2015-2017);
- IFRS 11 *Joint Arrangements* (Annual improvements 2015-2017);
- IAS 12 *Income Taxes* (Annual improvements 2015-2017).

IFRS 16 Leases

The Group applied IFRS 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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
Total equity	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments adopted to the existing standards and interpretations adopted by the Group for the first time (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Annual improvements 2015-2017 cycle

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The Group applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the Group first applies those amendments. In 2019, the Group capitalised borrowing costs of 2,525,199 thousand tenge to property, plant and equipment.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. The following new standards and amendments are not applicable or have no significant impact for the Group:

- IFRS 17 *Insurance Contracts*;
- Amendments to IFRS 3 *Definition of a Business*;
- Amendments to IAS 1 and IAS 8 *Definition of Material*.

Current versus non-current classification

The Group presents assets and liabilities based on their current and non-current classification in the consolidated statement of financial position. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 12 (twelve) months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (twelve) months after the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Current versus non-current classification (continued)**

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 (twelve) months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are always classified as non-current assets and liabilities.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability;
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – market quotations at active market for identical assets or liabilities (without any quotations);
- Level 2 – techniques for which all inputs that relate to the lower hierarchy level which have a significant effect on the fair value are observable, either directly or indirectly;
- Level 3 – techniques for which all inputs that relate to the lower hierarchy level which have a significant effect on the fair value are not observable.

For the purpose of disclosing the fair value, the Group classified assets and liabilities based on their nature, characteristics and risks attributable to them as well as applicable level in the fair value hierarchy as mentioned above.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at initial cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets generated internally within the Group, except for the capitalized costs for development, are not capitalized and the related expense is recognised in the consolidated statement of comprehensive income for the year in which it originated.

Intangible assets are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The period and accrual method of amortization for an intangible asset are reviewed at least at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Intangible assets (continued)**

Change in the estimated useful life or alleged structure of consumption of future economic benefits embodied in the asset is recorded in the consolidated financial statements as a change in the period or accrual method of amortization depending on the situation and accounted for as a change in accounting estimates. Expenses on amortization of intangible assets are recognised in the consolidated statement of comprehensive income in the category of expenses, which corresponds to the function of intangible assets. Intangible assets are amortized on a straight-line basis over the estimated useful life, which is presented in the following table:

	Years
Software	7
Other	10

Gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is disposed.

Property, plant and equipment

Property, plant and equipment are recognised in the accounting records at cost less accumulated depreciation and impairment losses. The initial cost of property, plant and equipment comprises its purchase price, including import duties, direct non-refundable taxes, costs of borrowings that relates directly to the construction of long-term assets if they meet the recognition criteria, the cost of replacement of equipment components and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

The expenditures that have resulted in an increase in the future economic benefits expected to be obtained beyond its originally assessed standard performance (increase of useful life, capacity, etc.) are capitalized as an additional cost of fixed assets. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciate them appropriately. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Depreciation of property, plant and equipment (non-gas assets) is computed on a straight-line basis over the estimated useful lives as follows:

	Years
Buildings and constructions	7-100
Gas transportation system	10-70
Machinery and equipment	3-40
Vehicles	5-30
Other	3-20

Land is not depreciated.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year when the asset is derecognised.

Provision for decommissioning is recognised in full, on a discounted basis, when the Group has an obligation to dismantle and decommission a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Construction-in-progress represents fixed assets under construction and is stated at cost. This includes cost of construction and equipment and other direct costs. Construction-in-progress is not depreciated until such time as construction of such assets is completed and placed into operational use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Property, plant and equipment (continued)***Costs incurred prior to acquisition of subsurface use right*

Costs incurred prior to signing subsurface use contract are expensed in the period in which they are incurred.

Subsurface use right costs

Subsurface use rights acquisition costs are capitalized within intangible assets. Each property under exploration is reviewed on an annual basis to confirm that drilling activity is planned and it is not impaired. If no future activity is planned, the carrying amount of the subsurface use right and related property acquisition costs is written off. Upon determination of economically recoverable reserves ('proved reserves' or 'commercial reserves') and internal approval of development, the carrying amount of the subsurface use right and related property acquisition costs held on a field-by-field basis is aggregated with exploration and evaluation expenditure and transferred to gas assets.

Exploration and evaluation costs

Once the legal right to explore has been acquired, geological and geophysical exploration costs and costs directly associated with an exploratory drilling are capitalized as exploration and evaluation intangible or tangible assets, according to the nature of the costs, until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig lease costs and payments made to contractors. If no reserves are found, the exploration and evaluation asset is tested for impairment, if extractable hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be developed commercially, the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of gas are determined and development is sanctioned, the relevant expenditure is transferred to gas assets after impairment is assessed and any resulting impairment loss is recognised.

Development costs

Expenditures on the construction, installation or completion of infrastructure facilities such as platforms, gas pipelines and the drilling of producing wells, including unsuccessful development or delineation wells, are capitalized within gas assets.

Depreciation of gas assets

Gas assets are depreciated using the unit of production method on the basis of proved developed gas reserves, except for infrastructure facilities, which are depreciated using straight-line basis.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. 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. Right-of-use assets are depreciated on a straight-line basis over the lease terms.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Leases (continued)***Group as a lessee (continued)**(b) 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 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 the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because 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 lease payments or a change in the assessment of an option to purchase the underlying asset.

(c) 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. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be 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.

Investment property

Investment property is initially measured at cost, including transaction costs. Since the Group adopted the cost model, after initial recognition, investment property is accounted for in accordance with the cost model as set out in IAS 16 *Property, Plant and Equipment* – cost less accumulated depreciation and less accumulated impairment losses. The depreciation is calculated based on a straight-line method bases over the expected remaining useful average life of 2-100 years.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Financial assets***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial assets (continued)***Subsequent measurement (continued)**Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised from the consolidated statement of financial position where:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of: the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Investment securities

During 2018, the Group took advantage of broker services to acquire for trading purposes Government and other securities at the Kazakhstan Stock Exchange providing a yield at the rate of 8.3% to 13.3% per annum under the repurchase agreement (“REPO”) for the total amount of 13,910,001 thousand tenge. The period of holding the securities was from 1 to 5 days. The Group recognised interest income on the REPO transactions of 6,069 thousand tenge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial liabilities***Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Liabilities for accounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequently, the liability is measured at the higher of: the best estimate of the expenditure required to settle the present obligation at the reporting date under IAS 37 (before 1 January 2018) or allowance for estimated credit losses calculated according to IFRS 9 (after 1 January 2018), and the amount initially recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised through the consolidated statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are only offset and reported at the net amount in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group intends to either settle on a net basis, to realise the asset and settle the liability simultaneously.

Inventory

Materials and supplies and raw materials are valued at the lower of cost and net realisable value.

Inventories are accounted for on a first in, first out basis separately for each warehouse.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's or cash-generating unit's (CGU) recoverable amount is the higher of fair value of the asset (CGU) less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs to sell, the relevant valuation model is applied. These calculations are corroborated by valuation multiples, quoted prices for publicly traded shares of subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the cash generating units to which individual assets are allocated.

These budgets and forecast calculations are generally covering a period of 5 (five) years. For longer periods, a long-term growth rate is calculated and applied to project future cash flow after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income.

Cash and short-term deposits

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand, and short-term bank deposits with a maturity of 3 (three) months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Provisions

Provisions are recognised in the consolidated financial statements when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provision for decommissioning is recognised in full, on a discounted cash flow basis, when the Group has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding item of property, plant and equipment, the amount of which is equivalent to the provision, is also created. Subsequently, this asset is depreciated as part of gas production assets and gas transportation system assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Asset retirement obligation (decommissioning)**

Changes in the measurement of an existing decommissioning provision that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or change in the discount rate, is accounted for so that:

- (a) Changes in the provision are added to, or deducted from, the cost of the related asset in the current period;
- (b) The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognised immediately as expenses; and
- (c) If the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss, in accordance with IAS 36.

Share capital and dividends

Share capital is recognised at cost and is comprised of common shares. Dividends on common shares are recognised in shareholder's equity as a reduction of shareholder's equity in the period in which they are declared. Dividends on the common shares are payable at the discretion of the Shareholder. Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10 *Events after the Reporting Date* and disclosed accordingly.

Revenue and expense recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recorded net of indirect taxes. The following specific recognition criteria must also be met before revenue is recognised:

Sales of goods

Revenues from sales of goods are recognised when the significant risks and rewards of ownership of goods have passed to the buyer and generally include one performance obligation. Revenues from sales of goods are recognised over time.

Rendering services

The Group fulfills performance obligation on a monthly basis and recognises revenues from rendering gas transportation services and technical maintenance of gas pipelines based on the actual volumes of services rendered. Revenue from gas transportation services is recognised over time given that the buyer simultaneously receives and consumes the benefits provided by the Group.

Management services

The Group recognises management fee, which is related to management of KazMunayGas's joint venture, KazRosGas LLP, at point in time based on the approval of the declaration of dividends of KazRosGas LLP.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income is recorded using the EIR, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

The interest income is recorded as part of finance income in the consolidated statement of comprehensive income.

Dividends

Dividend income is recognised when the Group's right to distribution is established, which, as a rule, happens when the shareholders approve the dividends.

Expenses

Expenses are accounted for at the time the actual flow of the related goods or services occur, regardless of when cash or its equivalent is paid, and are reported in the consolidated financial statements in the period to which they relate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Contract liabilities**

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Deferred income

Property, plant and equipment obtained on a free of charge basis from government bodies, legal entities or individuals are recognised at their fair value as deferred income as at the date when they were obtained (received). Deferred income is allocated to income of one or more reporting periods during which respective depreciation is accrued.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the carrying amount of that asset. Other borrowing costs are recognised as an expense when incurred.

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Employee benefits

The Group provides long-term benefits to its employees, in accordance with the collective labour agreement approved by the Board of Directors. The collective labor agreement provides for holiday payments, Pensioner/spouse' death, financial aid for health improvement and voucher for resort treatments. The entitlement to benefits is usually conditional on the employee remaining in service up to retirement age.

The expected costs of the benefits associated with payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans. Actuarial gains and losses arising in the year are taken to other comprehensive income and losses. For this purpose actuarial gains and losses comprise both the effect of changes in actuarial assumptions and the effect of previous experience owing to the differences between actuarial assumptions and actual data. Other changes are recognised in current period including the cost of current services, past services and the effect of staff reduction or calculations made.

The most significant assumptions used in accounting for defined benefit obligations are discount rate and mortality assumptions. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the consolidated statement of comprehensive income as finance cost. Mortality assumption is used to forecast future interest payment flow, which is later discounted to get net present value of liabilities.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Deferred tax (continued)**

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will be used in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow such asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in the consolidated statement of comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax (VAT)

Tax authorities allow repaying input VAT and output VAT on a net basis. Thus, VAT receivable represents VAT on purchases net of VAT on sales.

VAT payable

VAT is payable to tax authorities upon collection of receivables from customers. VAT on purchases, which have been settled at the reporting date, is deducted from the amount payable.

Where an allowance has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT liability is maintained until the debtor is written off for tax purposes.

VAT receivable

VAT receivable is recorded in the accounting records related to purchased goods, work and services, which were purchased with VAT and if they were used in order to derive income.

At each reporting date, the VAT receivable is subject to offset against the VAT payable amount.

Contingent assets and liabilities

Contingent assets are not recognised in the consolidated financial statements. When the realization of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Subsequent events

The results of post-year-end events that provide additional information on the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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

The movement of property, plant and equipment for the years ended 31 December 2019 and 2018 was 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									
31 December 2017	1,232,202	38,415,716	83,038,215	629,568,007	251,428,529	22,177,168	9,009,901	31,728,695	1,066,598,433
Additions	286	1,764,251	15,897	5,131,050	880,598	346,982	173,922	144,953,001	153,265,987
Change in estimate (Note 17)	-	(124,482)	-	3,874,683	-	-	-	-	3,750,201
Transfer to other current assets	(44,440)	-	(273,000)	(2,401)	(57,547)	(52,610)	-	-	(429,998)
Transfers	-	-	2,392,704	18,201,889	12,512,151	78,889	196,610	(33,382,243)	-
Disposals	(465,221)	(20,993)	(1,805,904)	(1,488,830)	(1,271,145)	(517,319)	(1,001,710)	(1,739,672)	(8,310,794)
31 December 2018	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	48,375	3,147,572	329,928	568,233	2,882,203	283,354	104,131	70,892,761	78,256,557
Change in estimate (Note 17)	-	400,288	-	7,988,125	-	-	-	-	8,388,413
Transfer to assets held for sale	-	-	(10,941,182)	-	(20,252,978)	-	(68,358)	-	(31,262,518)
Transfers	194	(1,015)	25,658,891	24,442,504	125,817,140	98,068	370,351	(176,388,133)	-
Disposals	(76,450)	(2,554)	(176,427)	(680,723)	(343,525)	(113,211)	(354,392)	(399,091)	(2,146,473)
31 December 2019	694,946	43,578,683	98,239,122	687,602,537	371,595,426	22,301,321	8,430,455	35,667,318	1,268,109,808
Accumulated depreciation and impairment									
31 December 2017	-	(9,693,881)	(12,689,469)	(83,630,455)	(61,206,032)	(15,092,403)	(5,406,031)	(5,297,792)	(193,016,063)
Charge for the year	-	(1,667,813)	(2,961,309)	(16,723,669)	(11,330,942)	(1,251,915)	(583,469)	-	(34,519,117)
Impairment recovery/(provision)	(165,486)	-	(527,067)	-	(88,210)	-	-	337,328	(443,435)
Transfer to other current assets	-	-	12,421	-	11,716	-	-	-	24,137
Transfers	-	-	(34,048)	392	33,379	1,139	(862)	-	-
Disposals	-	17,176	257,796	1,291,332	937,729	467,058	662,670	-	3,633,761
31 December 2018	(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 year	-	(1,274,349)	(3,365,450)	(17,210,839)	(14,470,945)	(1,243,589)	(419,498)	-	(37,984,670)
Impairment recovery/(provision)	107,474	-	527,067	-	94,004	(2,343)	-	260,773	986,975
Transfer to assets held for sale	-	-	573,738	-	2,090,302	-	12,549	-	2,676,589
Transfers	-	(214)	(30,629)	(17,049)	47,723	-	169	-	-
Disposals	58,012	2,228	25,450	339,163	310,348	70,385	341,430	-	1,147,016
31 December 2019	-	(12,616,853)	(18,211,500)	(115,951,125)	(83,570,928)	(17,051,668)	(5,393,042)	(4,699,691)	(257,494,807)
Net book value									
31 December 2018	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
31 December 2019	694,946	30,961,830	80,027,622	571,651,412	288,024,498	5,249,653	3,037,413	30,967,627	1,010,615,001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**4. PROPERTY, PLANT AND EQUIPMENT (continued)****Construction in progress***Additions*

In 2019, additions to construction-in-progress are mainly related to the expenditures on complex works and construction of gas compressor stations of 22,114,351 thousand tenge, reconstruction and construction of accumulation points with development of the project design of 11,662,549 thousand tenge, capital repair and diagnostic of pipelines of 10,891,370 thousand tenge, construction of the second and the third starting complex of booster compressor station of 9,099,275 thousand tenge, commissioning works on gas compressor stations of 5,714,287 thousand tenge and modernization and capital repair of UGS facilities of 1,526,821 thousand tenge.

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.

Transfer to assets held for sale

In 2019, the Group classified the “Karaozek” gas compressor station and related fixed assets with the net book value of 28,585,929 thousand tenge as assets held for sale. On 11 November 2019, the Group sold the “Karaozek” gas compressor station for 32,695,630 thousand tenge to Beineu-Shymkent Gas Pipeline LLP.

Other

As at 31 December 2019 the cost and related accumulated depreciation of fully depreciated property, plant and equipment still in use was equal to 18,122,998 thousand tenge (2018: 17,641,864 thousand tenge).

In 2019, the Group capitalised borrowing costs of 2,525,199 thousand tenge in the carrying amount of property, plant and equipment, which are related to the construction of the assets (2018: 4,673,298 thousand tenge).

5. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets were as follows:

<i>In thousands of tenge</i>	Tangible assets
At 31 December 2017	12,051,402
Additions	3,435,740
Impairment	(3,647,310)
At 31 December 2018	11,839,832
Additions	1,537,062
Impairment	(170,966)
At 31 December 2019	13,205,928

The exploration and evaluation assets are represented by the following projects:

<i>In thousands of tenge</i>	2019	2018
Sultankuduk	4,958,942	4,950,657
Anabay	4,894,775	3,753,922
Sherubainur	2,160,762	2,066,562
Koskuduk	427,183	427,183
Barkhan	330,041	308,475
Moldybay	169,499	110,887
Other	264,726	222,146
	13,205,928	11,839,832

In connection with the planned return of the contract “Kansu” in 2019, the Group recognised an impairment loss on exploration and evaluation assets of 170,966 thousand tenge (2018: 3,647,310 thousand tenge) (*Note 23*).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**6. INVESTMENTS IN JOINT VENTURES**

Financial information on investment in joint ventures is summarized below:

<i>In thousands of tenge</i>	AGP	BShP	AG	Total
31 December 2018	–	20,794,618	1,104,753	21,899,371
Share in profit of joint venture	214,542,479	56,193,596	(34,998)	270,701,077
Unrecognised share in profit of joint venture	(46,015,703)	–	–	(46,015,703)
Share in other comprehensive loss of joint venture	(440,482)	–	–	(440,482)
Share of the Group in the recognition of financial guarantee	–	5,580,854	–	5,580,854
Dividends received	–	–	(39,000)	(39,000)
31 December 2019	168,086,294	82,569,068	1,030,755	251,686,117

<i>In thousands of tenge</i>	AGP	BShP	AG	Total
31 December 2017	–	4,084,722	1,100,673	5,185,395
Share in profit of joint venture	104,659,682	21,978,592	39,080	126,677,354
Unrecognised share in profit of joint venture	(104,659,682)	–	–	(104,659,682)
Share in other comprehensive income of joint venture	1,006,413	–	–	1,006,413
Unrecognised share in other comprehensive income of joint venture	(1,006,413)	–	–	(1,006,413)
Dividends received	–	–	(35,000)	(35,000)
Consolidation adjustment*	–	(5,268,696)	–	(5,268,696)
31 December 2018	–	20,794,618	1,104,753	21,899,371

* Consolidation adjustment represents elimination of borrowing costs capitalized in the property, plant and equipment of the JV on the loans received from KTG recognised as finance income by KTG.

AGP

The following table provides summarized financial information about investments of the Group in AGP:

<i>In thousands of tenge</i>	2019	2018
Statement of financial position of joint venture		
Current assets	578,071,867	548,678,667
Non-current assets	1,395,615,669	1,460,389,311
Current liabilities	(412,451,081)	(390,294,167)
Non-current liabilities	(1,225,063,868)	(1,710,805,217)
Equity/(deficit)	336,172,587	(92,031,406)
Proportion of the Group's ownership	50%	50%
Effect of adoption of IFRS 9 by AGP	–	(2,649,069)
Carrying amount of investment	168,086,294	–
Cumulative unrecognised share in equity losses	–	(46,015,703)
Statement of comprehensive income of joint venture		
Revenue	785,250,282	766,661,140
Net profit for the year	429,084,957	209,319,364
Share in profit of a joint venture for the year	214,542,479	–
Other comprehensive (loss)/income for the year	(880,964)	2,012,826
Share in other comprehensive loss for the year	(440,482)	–

On 15 February 2008 according to the agreement between the Government of the Republic of Kazakhstan and the Government of People's Republic of China on cooperation in the construction and operation of the Kazakhstan-China gas pipeline, AGP joint venture was established with 50% participation of the Group and 50% participation of Trans-Asia Gas Pipeline Company Limited. As at 31 December 2019 and 2018, the charter capital of AGP was equal to 1,200,000 thousand tenge, of which an amount of 600,000 thousand tenge was paid by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**6. INVESTMENTS IN JOINT VENTURES (continued)****BShP**

The following table provides summarized financial information about investments of the Group in BShP:

<i>In thousands of tenge</i>	2019	2018
Statement of financial position of joint venture		
Current assets	171,410,962	198,892,090
Non-current assets	490,950,460	452,239,989
Current liabilities	(145,277,275)	(104,497,970)
Non-current liabilities	(354,710,593)	(496,647,747)
Equity	162,373,554	49,986,362
Proportion of the Group's ownership	50%	50%
Share in equity	81,186,777	24,993,181
Share of the Group in the fair value of issued financial guarantee	6,650,987	1,070,133
Consolidation adjustment	(5,268,696)	(5,268,696)
Carrying amount of investment	82,569,068	20,794,618
Cumulative unrecognised share in equity losses	-	-
Statement of comprehensive income of a joint venture		
Revenue	172,893,535	150,792,512
Net profit for the year	112,387,192	43,957,184
Share in profit of a joint venture for the year	56,193,596	21,978,592
Other comprehensive income for the year	-	-
Additional investment		
Fair value of issued financial guarantee	13,301,974	2,140,266
Share of the Group in the fair value of issued financial guarantee	6,650,987	1,070,133
<p>On 18 January 2011 according to the agreement between the Government of the Republic of Kazakhstan and the Government of the People's Republic of China on cooperation in construction and operation of the Kazakhstan-China gas pipeline, BShP joint venture was established with 50% participation of the Group and 50% participation of Trans-Asia Gas Pipeline Company Limited. As at 31 December 2019 and 2018 the charter capital of BShP was equal to 145,430,000 thousand tenge, of which an amount of 72,715,000 thousand tenge was paid by the Group.</p>		
AG		
The following table provides summarized financial information about investments of the Group in AG:		
<i>In thousands of tenge</i>	2019	2018
Statement of financial position of joint venture		
Current assets	512,691	545,229
Non-current assets	1,640,630	1,754,626
Current liabilities	(86,683)	(90,349)
Non-current liabilities	(5,128)	-
Equity	2,061,510	2,209,506
Proportion of the Group's ownership	50%	50%
Carrying amount of investment	1,030,755	1,104,753
Cumulative unrecognised share in equity losses	-	-
Statement of comprehensive income of a joint venture		
Revenue	693,310	1,242,880
Net (loss)/profit for the year	(69,996)	78,160
Share in (loss)/profit of a joint venture for the year	(34,998)	39,080
Other comprehensive income for the year	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**7. ADVANCES PAID**

<i>In thousands of tenge</i>	2019	2018
Advances paid for non-current assets		
Advances paid to third parties	61,609,961	9,003,613
Advances paid to related parties (Note 26)	1,735,065	5,843
Less: allowance for possible non-performance	(275,487)	(275,487)
	63,069,539	8,733,969
Advances paid for current assets and services		
Advances paid to third parties	14,643,625	4,162,500
Advances paid to related parties (Note 26)	7,636,512	1,502,935
Less: allowance for possible non-performance	(9,853)	(9,813)
	22,270,284	5,655,622

At 31 December 2019, advances paid for non-current assets to third parties mainly include advances of 57,652,374 thousand tenge for construction of the gas compressor station with development of the project design and construction of gas measuring stations and field camps on the pipelines and advances of 2,211,562 thousand tenge for capital repair of pipelines.

8. LOANS TO RELATED PARTY

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

<i>In thousands of tenge</i>	2019	2018
Financial assets at amortized cost		
Interest bearing loans to related party	154,652,228	155,864,715
Financial assets at fair value through profit or loss		
Interest-free loans to related party	46,781,119	71,392,215
Plus: interest receivable	2,173,723	-
Less: impairment	(938,246)	(938,246)
	202,668,824	226,318,684
Less: current portion (Note 26)	(48,954,842)	(71,392,215)
Non-current portion (Note 26)	153,713,982	154,926,469

Interest bearing loans

In September 2017, the Company provided a loan to BShP of 133,716,000 thousand tenge (equivalent to: 400,000 thousand US dollars) with the interest rate of 5.5% per annum for partial early repayment of the bank loan obtained by BShP under the loan agreement with China Development Bank, Bank of China Limited and Bank of China (Hong Kong) Limited. The maturity date of the loan is 31 August 2029.

During 2018, BShP repaid principal of 4,284,049 thousand tenge (2019: nil).

Interest-free loans*BShP*

During 2014-2018 the Company provided interest free loan to BShP of 79,999,386 thousand tenge (2019: nil). In 2019, BShP repaid principal under the loan agreement of 25,500,000 thousand tenge (2018: 4,238,929).

In 2019, the Company revised expected repayment date of the residual loans provided to BShP. As a result, the repayment period was extended to 31 March 2020. Due to short-term nature, the carrying value of interest-free loans to related party approximates its fair value.

KazRosGas LLP

During 2018, the Company provided interest-free loan to KazRosGas LLP of 7,772,000 thousand tenge payable on demand (2019: nil). The fair value of the provided loan is determined by discounting the future cash flows on the loan using a discount rate of 13% per annum. Respective discount on the interest-free loan of 881,951 thousand tenge was recognised within finance costs (Note 24). During 2018, KazRosGas LLP fully repaid the principal on the loan. During 2018, amortization of the discount on the loan was equal to 881,951 thousand tenge (Note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**9. VAT RECOVERABLE AND PREPAID TAXES OTHER THAN INCOME**

<i>In thousands of tenge</i>	2019	2018
VAT recoverable	145,070,407	108,962,360
Property tax	609,872	519,921
Other taxes prepaid	132,800	77,257
	145,813,079	109,559,538
Less: allowance for non-recoverable VAT	(15,024,959)	(5,998,010)
	130,788,120	103,561,528
Non-current portion	112,727,868	92,910,112
Current portion	18,060,252	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 2017	(9,381,491)
Charge for the year	(9,962)
Utilised	3,393,443
At 31 December 2018	(5,998,010)
Charge for the year	(9,885,731)
Utilised	858,782
At 31 December 2019	(15,024,959)

The Group has 145,070,407 thousand tenge of VAT recoverable, including VAT recoverable originating from domestic loss making sales of gas. With respect to such VAT on loss making domestic sales of gas, the Group is working with the Ministry of National Economy of Kazakhstan to secure an increase in the regulated tariffs for domestic sales of gas to ensure VAT output is sufficient to offset input VAT in the future. As the Tax Code of the Republic of Kazakhstan does not impose limits with respect to the time period to recover input VAT, the Group expects to recover input VAT on domestic sales of gas in full.

10. CASH AND CASH EQUIVALENTS

<i>In thousands of tenge</i>	2019	2018
Tenge bank accounts	62,244,294	30,336,860
Foreign currency bank accounts	46,631,387	18,281,989
Deposits in tenge	5,264,985	29,876,666
Deposits in USD	-	72,613,800
Cash in transit	19,815	41,777
Cash on hand	4,878	4,655
	114,165,359	151,155,747

As at 31 December 2019, deposits were placed in banks at interest rates of 7-7.5% per annum in tenge (2018: 7-7.5%), and nil percent per annum in a foreign currency for 2019 (2018: 2.45%). In 2019, interest rates for cash on the current accounts in banks were 0.1-7.5% per annum in tenge (2019: nil) and nil percent per annum in a foreign currency (2018: 0.1%).

11. INVENTORIES

<i>In thousands of tenge</i>	2019	2018
Gas inventory (at cost)	49,492,476	57,670,369
Materials and supplies (at lower of cost and net realizable value)	1,891,158	2,587,290
	51,383,634	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**12. TRADE AND OTHER RECEIVABLES**

<i>In thousands of tenge</i>	2019	2018
Trade receivables from third parties	182,321,478	116,078,919
Trade receivables from related parties (Note 26)	18,964,621	13,634,299
Other receivables	2,766,823	2,608,508
	204,052,922	132,321,726
Less: allowance for expected credit losses	(6,934,134)	(5,437,264)
	197,118,788	126,884,462

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

<i>In thousands of tenge</i>	Individually impaired
At 31 December 2017	(6,559,803)
Charge for the year	(3,193,009)
Effect of adoption of IFRS 9	(756,354)
Foreign currency translation	(401,832)
Utilised	339,928
Recovered	5,133,806
At 31 December 2018	(5,437,264)
Charge for the year	(6,917,213)
Foreign currency translation	15,598
Utilised	299,056
Recovered	5,105,689
At 31 December 2019	(6,934,134)

As at 31 December the ageing analysis of trade and other receivables is as follows:

<i>In thousands of tenge</i>	Total	Neither past due nor impaired	Past due, but not impaired				
			<30 days	30-60 days	60-90 days	90-120 days	<120 days
2019	197,118,788	184,152,397	6,628,038	2,239,617	478,477	313,383	3,306,876
2018	126,884,462	114,219,182	7,931,178	784,503	1,378,327	266,553	2,304,719

As at 31 December trade and other receivables are denominated in the following currencies:

<i>In thousands of tenge</i>	2019	2018
USD	134,065,346	71,147,747
KZT	63,053,442	55,736,715
	197,118,788	126,884,462

Trade and other receivables are non-interest bearing.

13. EQUITY

	Common shares outstanding (number of shares)				Total share capital (in thousands of tenge)
	Par value of 100 tenge	Par value of 138 tenge	Par value of 2,500 tenge	Par value of 10,000 tenge	
As at 31 December 2019	312,167,670	1	30,976,655	8,396,465	192,623,055
As at 31 December 2018	312,167,670	1	30,976,655	8,396,465	192,623,055

Common shares give holders the right to vote on all matters within the competence of the General Shareholders Meeting. Dividends on common shares are paid at the Shareholder's discretion. The Group did not distribute any dividends in 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**13. EQUITY (continued)****Book value per share**

<i>In thousands of tenge</i>	2019	2018
Total assets	2,093,505,098	1,741,510,695
Less: intangible assets	(6,438,798)	(5,695,763)
Less: total liabilities	(956,897,602)	(941,026,230)
Net assets for common shares	1,130,168,698	794,788,702
Number of common shares	351,540,791	351,540,791
Book value per common share in thousands of tenge	3.215	2.261

In accordance with the decision of the Exchange Board of Kazakhstan Stock Exchange JSC ("KASE") dated 4 October 2010, the 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 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:

<i>In thousands of tenge</i>	2019	2018
Net income attributable to shareholder for basic and diluted earnings per share	334,334,849	155,975,058
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)	0.95	0.44

Additional paid-in capital

During 2019, the Group recognised additional paid-in capital with respect to discount on loan provided by KazMunayGas of 1,339,820 thousand tenge (2018: 1,792,694 thousand tenge) (*Note 16*).

During 2018, the Group received property, plant and equipment represented by gas transportation system under trust management agreement from the Government with the fair value of 4,113,769 thousand tenge at the date of transfer (2019: nil). Trust management agreement is a short-term mechanism functioning until the title on these assets is transferred to the Company. The Group is a direct user of these assets; it received all risks and rewards related to the ownership of this property in accordance with the trust management agreement. Accordingly, the Group recognised the assets and appropriate increase in additional paid-in capital, which will be reclassified to share capital once the legal procedures are completed.

ICA held the assets of the mainline gas transportation network under the Trust management agreement with KazMunayGas (*Note 1*). In 2019 the change in the legislation regulating the tariffs setting stated that the assets under trust management agreement cannot be included into the calculation of tariffs for gas transportation services. ICA came up with the mechanism to accelerate the transfer of assets from KazMunayGas to ICA. Accordingly, ICA issued 41,481,470 preference shares with par value of 5,000 Tenge each for the total amount of 207,407,350 thousand Tenge to KazMunayGas on 207,115,482 thousand tenge in exchange for pipeline assets.

The preference shares are not redeemable at fixed date or at the option of the holder. However, ICA is obliged to make minimum dividend payments to the holder of the shares. Further the Company will issue common shares to KazMunayGas in exchange for preference shares issued by ICA and the preference shares are planned to be converted to common shares.

As this transaction is a temporary mechanism used to transfer the title for pipeline assets from KMG to ICA, the Company didn't recognized minority interest with respect to the temporary ownership in ICA by KMG.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**13. EQUITY (continued)****Retained earnings***Construction of social facility*

In accordance with the order of the President of the Republic of Kazakhstan dated 29 September 2018 and based on the decision of the Government of the Republic of Kazakhstan dated 20 December 2018, the Group recognised provision of 5,700,000 thousand tenge (*Note 17*) related to future financing of the construction of social facility in the city of Turkestan under the social economic development of Turkestan region. The provision was recorded as other transactions with the Shareholder through retained earnings. The amount was paid in 2019.

14. DEBT SECURITIES ISSUED

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

<i>In thousands of tenge</i>	Issue	Maturity	Interest rate	2019		2018	
				US dollar	In thousands of tenge	US dollar	In thousands of tenge
KTG bonds	2017	2027	4.375%	750,000,000	286,942,500	750,000,000	288,150,000
KTG Aimak bonds	2015	2025	7.5%	–	5,000,000	–	5,000,000
				750,000,000	291,942,500	750,000,000	293,150,000
Plus: interest payable					3,406,541		3,420,482
Less: unamortised transaction costs					(295,791)		(333,994)
Less: discount					(1,047,078)		(1,189,908)
Less: amount due for settlement within 12 months from the reporting date					(3,406,541)		(3,420,482)
Amounts due for settlement after 12 months					290,599,631		291,626,098

In 2018, KTG Aimak performed redemption of bonds of 8,616,746 thousand tenge (2019: nil).

15. INTEREST BEARING LOANS

As at 31 December interest bearing loans comprised:

<i>In thousands of tenge</i>	2019	2018
Interest-bearing loans with floating rate	143,856,540	158,986,260
Interest-bearing loans with fixed rate	48,922,745	52,815,370
	192,779,285	211,801,630
Plus: interest payable	1,506,428	1,961,450
Less: unamortised transaction costs	(948,020)	(1,178,445)
	193,337,693	212,584,635
Less: amount due for settlement within 12 months from the reporting date	(24,519,363)	(31,105,703)
Amounts due for settlement after 12 months	168,818,330	181,478,932

Interest-bearing loans with floating rate*European Bank for Reconstruction and Development*

In accordance with the loan agreement dated 26 May 2016, on 18 September 2019, ICA received additional financing from the European Bank for Reconstruction and Development of 7,255,785 thousand tenge for modernization of UGS Bozoi gas storage facility (2018: 4,621,477 thousand tenge). ICA shall repay this loan in twenty-seven equal quarterly instalments commencing in December 2019 with the interest of 6m CPI (Consumer Price Index) + 3.15% per annum and 100 basis points cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**15. INTEREST BEARING LOANS (continued)****Interest-bearing loans with floating rate (continued)***European Bank for Reconstruction and Development (continued)*

During 2019, ICA repaid principal under the loan agreement of 12,215,340 thousand tenge (2018: 11,657,766 thousand tenge).

As at 31 December 2019, ICA has principal payable to European Bank for Reconstruction and Development under the above loan agreement of 53,375,464 thousand tenge (2018: 58,335,019 thousand tenge).

In accordance with the loan agreement dated 24 November 2016, in 2018, KTG Aimak received additional financing from European Bank for Reconstruction and Development of 1,460,819 thousand tenge with a maximum loan term of 10 (ten) years for the project “Modernization of gas pipeline system in Mangystau, Aktobe and Kostanay regions” (2019: nil). In 2019, KTG Aimak repaid principal under the loan agreement of 2,148,165 thousand tenge (2018: 1,074,083 thousand tenge).

As at 31 December 2019, KTG Aimak has total principal payable to European Bank for Reconstruction and Development under the above loan agreement of 13,963,076 thousand tenge (2018: 16,111,241 thousand tenge).

The Corporate and Investment Banking Division of Société Générale

In accordance with the loan agreement dated 16 April 2018, on 17 May 2018, the KTG received a loan from the Corporate and Investment Banking Division of Société Générale of 65,832,000 thousand tenge (equivalent to 200,000 thousand US dollars) for partial financing of the project “Construction of three compressor stations at MG “Beineu-Bozoy-Shymkent” at the rate of 3 months LIBOR + 1.35% per annum. This loan is payable by 16 April 2021.

As at 31 December 2019, the KTG has principal payable to the Corporate and Investment Banking Division of Société Générale under the above loan agreement of 76,518,000 thousand tenge (2018: 76,840,000 thousand tenge).

Citibank N.A. Jersey Branch

In 2019, ICA received a short-term loan from Citibank N.A. Jersey Branch of 15,118,000 thousand tenge (equivalent to 40,000 thousand US dollars) at the rate of 1 month LIBOR + 2% per annum for the general corporate purposes (2018: 27,172,800 thousand tenge (equivalent to 85,000 thousand US dollars)). In 2019, ICA fully repaid principal under the loan agreement of 15,094,400 thousand tenge (equivalent to 40,000 thousand US dollars) (2018: 27,804,350 thousand tenge (equivalent to 85,000 thousand US dollars)).

Eurasian Development Bank

In 2016, KTG Aimak raised funds by concluding non-revolving credit line agreement dated 15 November 2016 for the amount of 7,676,900 thousand tenge at base rate of National Bank of Kazakhstan divided by two + 4% per annum for the project “Modernization of gas distribution system in Aktobe region”. The principal amount is payable starting from May 2019. During 2019, the loan was fully repaid.

Interest-bearing loans with fixed rate*Development Bank of Kazakhstan*

KTG Aimak concluded several revolving credit line agreements with the Development Bank of Kazakhstan for the projects “Modernization of gas pipeline system in South Kazakhstan, Taraz, Kyzylorda, Aktobe” and “Construction of stand-by line of gas pipeline Uzen-Zhetybai”. During 2019, KTG Aimak received additional financing of 3,643,655 thousand tenge (2018: 15,932,821 thousand tenge) under the loan agreement. During 2019, KTG Aimak repaid principal of 7,536,280 thousand tenge (2018: 6,351,901 thousand tenge).

As at 31 December 2019, KTG Aimak has total principal payable to Development Bank of Kazakhstan JSC under the above loan agreements of 48,922,745 thousand tenge (2018: 52,815,370 thousand tenge).

As at 31 December 2019 KTG acts as a guarantor under the loan agreements with Development Bank of Kazakhstan and European Bank for Reconstruction and Development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**15. INTEREST BEARING LOANS (continued)****Covenants**

Under the terms of bank loans, the Group is obliged to comply with certain covenants. The Group reviews compliance with loan covenants at each reporting date. Failure to comply with financial covenants gives the lenders the right to demand early repayment of loans.

16. LOANS FROM RELATED PARTY

As at 31 December loans from related parties comprised:

<i>In thousands of tenge</i>	2019	2018
Fixed interest rate borrowings	14,881,897	40,203,697
	14,881,897	40,203,697
Plus: interest payable	183,047	1,220,537
Less: discount	(4,332,652)	(5,320,184)
	10,732,292	36,104,050
Less: amount due for settlement within 12 months from the reporting date	(183,047)	(26,198,509)
Amounts due after 12 months	10,549,245	9,905,541

Fixed interest rate borrowings

On 6 March 2017, KazMunayGas provided to the Group short-term financing of 25,321,800 thousand tenge at the rate of 5.0% per annum for general corporate purposes. During 2019, the repayment period of the principal was extended until 30 November 2019. Respective discount on the loan of 1,339,820 thousand tenge was recognised as additional paid-in capital (2018: 1,792,694 thousand tenge) (*Note 13*). During 2019, the loan was fully repaid.

On 31 May 2013, KazMunayGas provided to the Group long-term financing of 458,728 thousand tenge at 5% per annum for the purpose of financing the construction of the “West-North-Center” trunk gas pipeline. This loan is payable by 31 May 2018. During 2018, the loan was fully repaid.

On 10 December 2015, KazMunayGas provided to the Group long-term loan of 123,648,000 thousand tenge (equivalent to 400,000 thousand US dollars) to finance repayment of the loan from Syndicate of international banks. The loan has maturity of 36 months and bears interest at the rate of 2.88% per annum. During 2019, the remaining principal and interest under the loan agreement was fully repaid in the amount of 18,524,500 thousand tenge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**17. PROVISIONS**

<i>In thousands of tenge</i>	Provision for gas transportation expenses	Abandonment and site restoration provision	Gas pipeline abandonment and site restoration provision	Tax provisions	Other provisions	Total
As at 31 December 2017	24,291,288	1,882,591	49,792,367	100,771	237,339	76,304,356
Arising during the year	-	-	-	195,074	10,596,800	10,791,874
Foreign exchange loss	3,791,379	-	-	-	-	3,791,379
Change in estimates (Note 4)	-	(124,482)	3,874,683	-	-	3,750,201
Unwinding of discount	-	145,713	5,171,237	-	-	5,316,950
Recovered	-	-	-	(22,242)	-	(22,242)
Utilised	-	-	-	(142,515)	(4,442,913)	(4,585,428)
At 31 December 2018	28,082,667	1,903,822	58,838,287	131,088	6,391,226	95,347,090
Arising during the year	-	74,614	-	30,911	89,810	195,335
Foreign exchange income	(117,681)	-	-	-	-	(117,681)
Change in estimates (Note 4)	-	400,288	7,988,125	-	-	8,388,413
Unwinding of discount	-	163,570	5,621,728	-	-	5,785,298
Recovered	-	-	-	-	(10,401)	(10,401)
Utilised	-	-	-	(131,088)	(6,154,437)	(6,285,525)
At 31 December 2019	27,964,986	2,542,294	72,448,140	30,911	316,198	103,302,529
Current provisions as at 31 December 2019	27,964,986	-	-	30,911	304,496	28,300,393
Non-current provisions as at 31 December 2019	-	2,542,294	72,448,140	-	11,702	75,002,136
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

Provision for gas transportation expenses

As at 31 December 2019, provision for gas transportation expenses represents provision for reimbursement of expenses associated with transportation of borrowed gas to PetroChina International Co. Ltd. of USD 73,094 thousand (equivalent to 27,964,986 thousand tenge) (2018: USD 73,094 thousand (equivalent to 28,082,667 thousand tenge) under the gas borrowing agreement.

In 2019 foreign exchange difference on the provisions of 117,681 thousand tenge was recognised in foreign exchange gain (2018: foreign exchange loss of 3,791,379 thousand tenge).

Gas pipeline abandonment and site restoration provision

The Group's subsidiaries ICA and KTG Aimak recorded a provision for future costs of decommissioning of main gas pipelines on a discounted basis in accordance with the Law of the Republic of Kazakhstan *On Main Pipelines (Note 2)*. As at 31 December 2019, provision for abandonment of gas pipelines and site rehabilitation in the amount of 72,448,140 thousand tenge (2018: 58,838,287 thousand tenge) represents the current costs of abandonment of gas pipelines and site rehabilitation expected to be incurred from 2021 till 2084.

Other

During 2018, the Group sold 415,777 thousand cubic meters of gas in excess of the volume of gas stored by the Group in Bozoi underground storage facility. As a result of the excess usage the Group accrued a provision to fill the storage with gas for the total amount of 4,417,285 thousand tenge. In 2018, the Group returned 415,777 thousand cubic meters of gas to Bozoi underground storage facility and decreased the respective provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**17. PROVISIONS (continued)****Other (continued)**

As of 31 December 2018, the Group recognised provision of 5,700,000 thousand tenge (*Note 13*) related to future financing of the construction of social facility in the city of Turkestan. During 2019, the Group transferred cash to finance the construction of the social facility for the total amount of 5,700,000 thousand tenge.

18. TRADE AND OTHER PAYABLES

<i>In thousands of tenge</i>	2019	2018
Due to related parties (<i>Note 26</i>)	173,649,759	119,222,945
Due to third parties	82,971,369	90,152,907
	256,621,128	209,375,852

Trade and other payables represent amounts due for the purchased gas, assets and services. Trade payables are non-interest bearing, usually settled within 30 days.

As at 31 December trade and other payables are denominated in the following currencies:

<i>In thousands of tenge</i>	2019	2018
KZT	237,471,993	178,443,065
USD	12,566,599	19,263,810
RUR	6,511,040	11,651,821
Other	71,496	17,156
	256,621,128	209,375,852

19. OTHER CURRENT LIABILITIES

<i>In thousands of tenge</i>	2019	2018
Gas borrowing	5,587,811	5,611,326
Accrued bonuses	5,563,566	4,437,577
Payables to pension and social insurance funds	1,148,186	932,676
Deferred income: current portion	497,208	474,928
Fines and penalties	182,904	-
Other	1,239,417	1,620,069
	14,219,092	13,076,576

As at 31 December 2019, the Group recognised gas borrowing liability to return 104,323 thousand cubic meters of natural gas borrowed from PetroChina International Company Limited (2018: 104,323 thousand cubic meters).

20. REVENUE

<i>In thousands of tenge</i>	Timing of revenue recognition	2019	2018
Type of goods or services			
Revenue from sales of gas	Over time	876,311,596	771,410,192
Revenue from gas transportation services	Over time	209,631,266	140,431,452
Revenue from technical maintenance of gas pipelines	Over time	16,381,148	8,261,270
Other	Over time	750,979	1,076,686
		1,103,074,989	921,179,600
Geographical markets			
China		583,227,670	400,434,292
Kazakhstan		314,779,553	321,347,343
CIS		205,067,766	199,397,965
		1,103,074,989	921,179,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**21. COST OF SALES**

<i>In thousands of tenge</i>	2019	2018
Cost of gas sold	476,182,653	316,995,801
Transportation expenses	274,838,081	223,177,683
Payroll and related contributions	46,333,275	43,108,857
Depreciation and amortization	37,516,146	33,888,466
Fuel gas and gas losses	15,920,334	12,920,982
Taxes other than income tax	10,361,017	9,826,130
Billing services	6,393,989	5,793,250
Repair and maintenance	4,469,281	4,038,931
Security	3,041,943	2,700,726
Materials and supplies	1,679,550	1,061,752
Electricity	1,527,914	2,262,522
Business trip expenses	1,317,102	1,180,688
Communication expenses	1,065,998	926,034
Insurance	701,256	578,802
Modification of payment terms on financial instrument	–	16,741,798
Other	3,583,250	2,901,812
	884,931,789	678,104,234

22. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of tenge</i>	2019	2018
Payroll and related contributions	13,115,211	12,558,245
Tax provision, net	9,916,642	182,794
Taxes other than income tax	6,285,196	3,513,654
Depreciation of the right-of-use assets	2,199,521	–
Consulting services	2,096,183	1,987,165
Repair and maintenance	1,996,239	557,411
Depreciation and amortization	1,761,823	1,384,635
Fines and penalties	786,291	373,657
Business trip expenses	406,454	448,787
Office maintenance expenses	406,374	385,128
Rent expenses	387,988	2,569,819
Festive and cultural events expenses	217,456	120,959
Personnel development and qualification upgrade	216,814	588,895
Communication services	202,923	187,789
Bank charges	126,591	169,864
Security costs	106,860	103,685
Insurance	30,570	26,990
Other payments to the budget	–	(944,855)
Reversal of write-down of inventory to net realisable value	(326,446)	(207,207)
Other	2,405,034	2,146,255
	42,337,724	26,153,670

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**23. OTHER OPERATING INCOME/(EXPENSES)**

<i>In thousands of tenge</i>	2019	2018
Other operating income		
Income from disposal of property, plant and equipment and intangible assets, net	3,204,884	–
Income from services rendered (gas supply to residential buildings, hook-up, technical maintenance)	3,048,308	3,201,428
Income from fines	1,854,773	520,096
Impairment recovery of property, plant and equipment, intangible assets and exploration and evaluation assets, net (<i>Notes 4 and 5</i>)	816,009	–
Amortization of deferred income	475,700	464,056
Income from sale of inventories	187,771	220,623
Other	543,832	361,517
	10,131,277	4,767,720
Other operating expenses		
VAT expense under Trust management agreement	(4,583,536)	(4,369,531)
Expenses on services rendered (gas supply to residential buildings, hook-up, technical maintenance)	(2,196,628)	(2,491,640)
Depreciation and amortization	(15,424)	(15,273)
Provision for impairment of property, plant and equipment and exploration and evaluation assets, net (<i>Notes 4 and 5</i>)	–	(4,090,745)
Loss on disposal of property, plant and equipment and intangible assets, net	–	(3,053,394)
Other	(165,198)	(583,481)
	(6,960,786)	(14,604,064)

24. FINANCE INCOME AND FINANCE COSTS

<i>In thousands of tenge</i>	2019	2018
Finance income		
Interest income on loans to related party	8,698,567	8,049,903
Interest income on bank deposits	4,288,566	3,277,707
Amortization of financial guarantee obligations	2,415,131	1,167,311
Discount on financial liabilities	902,343	–
Other income from financial assets	888,904	420,186
Amortization of discount on the loans issued to related party (<i>Note 8</i>)	–	881,951
Other	57,672	87,941
	17,251,183	13,884,999
Finance costs		
Interest on debt securities issued	(14,005,010)	(12,374,180)
Interest on bank loans and overdrafts	(12,459,017)	(13,671,155)
Unwinding of discount on abandonment and site restoration provision	(5,785,298)	(5,316,950)
Financial guarantee obligations to the joint venture	(5,580,854)	–
Unwinding of discount on financial liabilities	(2,327,352)	(2,392,607)
Interest on loans from related party	(1,770,740)	(2,350,231)
Discount on interest-free loans to related parties (<i>Note 8</i>)	–	(881,951)
Amortization of capitalized costs related to loan arrangement	(303,442)	(762,684)
Interest expense on lease obligations	(238,130)	–
Amortization of discount on debt securities issued	(140,667)	(159,177)
Other	(970,910)	(1,068,458)
	(43,581,420)	(38,977,393)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**25. INCOME TAX EXPENSES**

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

<i>In thousands of tenge</i>	2019	2018
Current income tax expense	40,413,299	31,686,027
Deferred income tax (benefit)/expense	(1,529,998)	14,743,299
Adjustment of prior year income tax	1,033,523	1,235,962
	39,916,824	47,665,288

A reconciliation of corporate income tax expenses applicable to profit before taxation at the official income tax rate, with the current income tax expense reported in the IFRS financial statements for the years ended 31 December is as follows:

<i>In thousands of tenge</i>	2019	2018
Profit before income tax	374,251,673	203,640,346
Statutory tax rate	20%	20%
Theoretical income tax expense	74,850,335	40,728,069
Tax effect of permanent differences		
Accrual/(reversal) of tax provision	1,983,328	(1,015,600)
Taxes other than on income	1,777,852	1,372,779
Unwinding of discount – historical costs and assets abandonment liabilities	1,157,060	1,063,390
Financial guarantee obligations to the joint venture	1,116,171	–
Adjustments with respect to current income tax of prior year	1,033,523	1,235,962
Non-deductible interest expense	583,790	103,708
Unwinding of discount on financial liabilities	465,470	478,521
Other income recorded only in the tax base	353,323	–
Adjustments with respect to deferred income tax of prior year	268,813	–
Change in provision for deferred tax assets	202,040	1,084,618
Non-deductible foreign exchange differences, net	55,283	2,905,958
Non-deductible expenses related to storage of gas	–	1,079,672
Gratuitous transfer of the Training Centre building	–	542,894
(Reversal of)/provision for impairment of property, plant and equipment and exploration and evaluation assets	(163,202)	818,149
Share in income of joint ventures recognised	(44,848,978)	(3,349,795)
Other	1,082,016	616,963
	39,916,824	47,665,288
Tax benefit recognised in other comprehensive income	112,092	(52,242)
Income tax expenses reported in the consolidated statement of comprehensive income	40,028,916	47,613,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**25. INCOME TAX EXPENSES (continued)**

As at 31 December 2019 and 2018, components of deferred income tax assets and liabilities are as follows:

<i>In thousands of tenge</i>	2019	Charged to profit and loss	Charged to other comp- rehensive income	2018	Charged to profit and loss	Charged to other comp- rehensive income	As at 1 January 2018	Effect of adoption of IFRS 9	2017
Deferred tax assets									
Finance expenses on financial guarantee	--	(513,069)	--	513,069	--	--	513,069	513,069	--
Allowance for expected credit loss	1,510,514	311,129	--	1,199,385	977,165	--	222,220	222,220	--
Provision for gas transportation expenses	6,165,567	(23,536)	--	6,189,103	758,275	--	5,430,828	--	5,430,828
Other provisions	2,339,619	73,049	--	2,266,570	(923,469)	--	3,190,039	--	3,190,039
Loss under trust management agreement	551,919	(3,711,948)	--	4,263,867	1,852,073	--	2,411,794	--	2,411,794
Deferred income	1,651,314	(42,729)	--	1,694,043	(29,339)	--	1,723,382	--	1,723,382
Other	389,787	(45,534)	(112,091)	547,412	(2,206,055)	52,242	2,701,225	(109,383)	2,810,608
	12,608,720	(3,952,638)	(112,091)	16,673,449	428,650	52,242	16,192,557	625,906	15,566,651
Less: provision for deferred tax assets of the Group	(6,717,488)	(202,042)	--	(6,515,446)	(1,084,618)	--	(5,430,828)	--	(5,430,828)
	5,891,232	(4,154,680)	(112,091)	10,159,003	(655,968)	52,242	10,761,729	625,906	10,135,823
Deferred tax liabilities									
Property, plant and equipment and intangible assets	(55,266,732)	(741,028)	--	(54,525,704)	(6,980,588)	--	(47,545,116)	--	(47,545,116)
Discounting on financial liabilities	(128,473)	(128,473)	--	--	--	--	--	--	--
Inventories	--	6,872,081	--	(6,872,081)	(6,872,081)	--	--	--	--
Other non-current liabilities	(717,660)	(317,902)	--	(399,758)	(234,662)	--	(165,096)	--	(165,096)
	(56,112,865)	5,684,678	--	(61,797,543)	(14,087,331)	--	(47,710,212)	--	(47,710,212)
Net deferred tax liabilities	(50,221,633)	1,529,998	(112,091)	(51,639,540)	(14,743,299)	52,242	(36,948,483)	625,906	(37,574,389)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**25. INCOME TAX EXPENSES (continued)**

Deferred income tax assets and liabilities are related to various entities of the Group and may not be offset against each other in accordance with the tax legislation. Net deferred tax position of the Group entities is as follows:

<i>In thousands of tenge</i>	2019	2018
Deferred tax assets	1,123,147	189,372
Deferred tax liabilities	(51,344,780)	(51,828,912)
Net deferred tax liabilities	(50,221,633)	(51,639,540)

26. RELATED PARTY TRANSACTIONS

Related parties include key management personnel of the Group, entities in which a substantial interest is owned, directly or indirectly, by the Group's key management personnel, KazMunayGas Group companies (entities under common control), joint ventures, in which the Parent is a venturer and entities controlled by Samruk-Kazyna and the Government (other state-controlled entities).

Terms and conditions of transactions with related parties

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for services on gas transportation, which are provided based on the tariffs available to the third parties. Outstanding balances at the year-end are unsecured, non-interest bearing and settlement occurs in cash, except as indicated below. For the years ended 31 December 2019 and 2018, the Group did not recognise any impairment of receivables relating to amounts owed by related parties.

The major transactions with related parties for the years ended 31 December 2019 and 2018 were as follows:

<i>In thousands of tenge</i>	2019	2018
Sales of goods and services		
Entities under common control of KazMunayGas	982,406	1,112,882
Joint ventures in which the Group is a venturer	21,639,058	7,278,535
Joint ventures in which the Parent is a venturer	52,421,320	46,096,516
Entities under common control of Samruk-Kazyna and the Government	36,657,846	47,865,655
	111,700,630	102,353,588
Purchases of goods and services		
Entities under common control of KazMunayGas	5,359,211	6,220,039
Joint ventures in which the Group is a venturer	270,804,711	219,439,649
Joint ventures in which the Parent is a venturer	115,646,917	88,712,444
Entities under common control of Samruk-Kazyna and the Government	3,119,556	2,549,364
	394,930,395	316,921,496
VAT expense under the Trust management agreement		
Entities under common control of Samruk-Kazyna and the Government	4,583,536	4,369,531
	4,583,536	4,369,531
Finance income		
Joint ventures in which the Group is a venturer	12,002,602	9,221,801
Joint ventures in which Parent is a venturer	902,343	881,951
	12,904,945	10,103,752
Finance costs		
Joint ventures in which the Group is a venturer	148,724	80,486
Joint ventures in which Parent is a venturer	259,977	881,951
Entities under common control of Samruk-Kazyna and the Government	8,764,167	9,545,204
	9,172,868	10,507,641

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**26. RELATED PARTY TRANSACTIONS (continued)****Terms and conditions of transactions with related parties (continued)**

<i>In thousands of tenge</i>	2019	2018
Trade receivables		
Entities under common control of KazMunayGas	13,042	7,331
Joint ventures in which the Group is a venturer	13,160,250	6,660,236
Joint ventures in which the Parent is a venturer	5,102,123	1,670,373
Entities under common control of Samruk-Kazyna and the Government	689,206	5,296,359
	18,964,621	13,634,299
Loans to related party		
Joint ventures in which the Group is a venturer	202,668,824	226,318,684
	202,668,824	226,318,684
Advances paid		
Entities under common control of KazMunayGas	1,318	2,410
Joint ventures in which the Parent is a venturer	5,319,068	–
Entities under common control of Samruk-Kazyna and the Government	4,051,191	1,506,368
	9,371,577	1,508,778
Trade and other payables		
Entities under common control of KazMunayGas	782,000	1,008,156
Joint ventures in which the Group is a venturer	135,231,372	63,026,882
Joint ventures in which the Parent is a venturer	35,434,291	54,393,498
Entities under common control of Samruk-Kazyna and the Government	2,202,096	794,409
	173,649,759	119,222,945
Loans		
Entities under common control of Samruk-Kazyna and the Government	60,114,958	89,501,116
	60,114,958	89,501,116
Other financial liabilities		
Joint ventures in which the Group is a venturer	9,641,783	848,975
Joint ventures in which the Parent is a venturer	2,996,729	–
Entities under common control of Samruk-Kazyna and the Government	33,966	–
	12,672,478	848,975

During 2019, BShP repaid interest of 6,488,345 thousand tenge (2018: principal of 4,284,049 thousand tenge and interest of 4,251,879 thousand tenge).

In 2019, BShP repaid principal under the loan agreement of 25,500,000 thousand tenge (2018: 4,238,929 thousand tenge).

In 2018, the Company provided additional interest-free loan to BShP of 3,260,435 thousand tenge (2019: nil) for the construction of the Beineu-Shymkent trunk gas pipeline and for general corporate purposes.

During 2018, the Company provided interest-free loan to KazRosGas LLP of 7,772,000 thousand tenge for general corporate purposes. During 2018, KazRosGas LLP fully repaid principal under the loan agreement.

During 2019, the Group repaid principal and interest under the loan agreements of 25,321,800 thousand tenge and 2,716,707 thousand tenge, respectively, to KazMunayGas (2018: principal of 18,983,228 thousand tenge and interest of 2,397,859 thousand tenge).

During 2019, KTG Aimak received additional financing of 3,643,655 thousand tenge from Development Bank of Kazakhstan (2018: 15,932,821 thousand tenge) under the loan agreement. During 2019, KTG Aimak repaid principal and interest of 7,536,280 thousand tenge and 4,733,512 thousand tenge, respectively (2018: 6,351,901 thousand tenge and 4,721,291 thousand tenge, respectively).

On 14 August 2019, BShP concluded a loan agreement with MUFG Bank LTD and Bank of China LTD for the purpose of refinancing the current loan from China Development Bank, Bank of China Limited and Bank of China (Hong Kong) Limited with the interest rate of 3m LIBOR + 1.65% per annum. This loan is payable by 20 December 2024. On 23 August 2019, the current loan was fully repaid by BShP, and the Company issued financial guarantee to BShP under the guarantee agreement to comply with the payment obligations to MUFG Bank LTD and Bank of China LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**26. RELATED PARTY TRANSACTIONS (continued)****Terms and conditions of transactions with related parties (continued)**

As at 31 December 2019, the carrying amount of the Company's financial guarantee obligation is 9,641,783 thousand tenge (2018: the carrying amount of the financial guarantee 848,975 thousand tenge under the shareholder support agreement dated 7 September 2017).

Compensation to key management personnel

Key management personnel comprise members of the Management Board and independent directors of the Company, totaling 9 persons as at 31 December 2019 (2018: 9 persons). In 2019 and 2018 total amount of compensation to key management was equal to 563,314 thousand tenge and 453,277 thousand tenge, respectively, consisting mainly of salaries and other payments and was included in general and administrative expenses in the statement of comprehensive income.

27. COMMITMENTS AND CONTINGENCIES**Operating environment**

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Commitments for capital expenditures

As at 31 December 2019, the Group has capital commitments of approximately 22,661,353 thousand tenge, excluding VAT (2018: 30,503,902 thousand tenge, excluding VAT), related to acquisition and construction of property, plant and equipment. These capital commitments are in part related to 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 31 December 2019:

<i>In thousands of tenge</i>	2019	2018
AGP	1,458,636	2,965,114
BShP	7,016,224	16,704,585

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Fiscal periods remain open to review by the authorities in respect of taxes for 5 (five) calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Transfer pricing control

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market prices determined as per the arm's length principle.

The new law on transfer pricing came into effect in Kazakhstan from 1 January 2009. The law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance, which is still under development. As a result, application of transfer pricing law to various types of transactions is not clearly defined.

Due to uncertainties associated with the Kazakhstani law on transfer pricing there is a risk that the tax authorities may take a position on this issue different from that of the Group, which may result in assessment of additional taxes, fines and penalties as of 31 December 2019. The management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. COMMITMENTS AND CONTINGENCIES (continued)**Environmental matters**

The Group is subject to various environmental laws and regulations. Management believes that the Group complies with requirements of the legislation related to environmental matters.

Legal issues and claim

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes, that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the consolidated financial position or the financial results of future operations of the Group.

Insurance matters

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet available in the Republic of Kazakhstan. The Group does not have coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Group property or relating to the Group 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 consolidated financial performance of the Group and its consolidated financial position.

Commitments under subsoil use contract

In accordance with the terms of subsoil use contract, Amangeldy LLP has conditional commitment to the Government in the amount of 10,527,586 US dollars related to the cost of acquisition of geological and geophysical data and drilling costs incurred by the Government. This long-term commitment enters in force after confirmation of commercial discovery of gas at the Kumyryly-Kosmudyk, Anabay-Maldybai, Barkhannaya-Sultankudyk, Ucharal-Ucharal North and Kempirtobe fields.

According to the subsurface use contract, Amangeldy LLP is required to comply with minimal working program. As of 31 December 2019 and 2018, Amangeldy LLP complied with the minimal working program.

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**Financial risk management objectives and policies**

The Group's principal financial liabilities comprise interest-bearing loans, loans from related parties, debt securities issued, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has interest-free loans to related party, trade and other receivables, restricted cash, cash and cash equivalents and bank deposits, which arise directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's management oversees the management of these risks. The Group's management is supported by department of internal controls and risk management that advises on financial risks and the appropriate financial risk governance framework for the Group. The department of internal controls and risk management provides assurance to the Group's management that the Group's financial risk-taking activities are governed by appropriate policies and procedures.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Market prices include two types of risks: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings and deposits.

The Group has no formal agreements for the analysis and mitigation of risks related to changes in interest rates, since management assesses the risk as low.

The sensitivity analysis in the section below relates to positions as at 31 December 2019 and 2018.

The sensitivity analyses have been prepared on the basis that the amount of net debt and the proportion of financial instruments in foreign currencies are all constant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Market risk (continued)***Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (Libor and CPI), with all other variables held constant, of the Group's (loss)/profit before income tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

<i>In thousands of tenge</i>	Increase/ decrease in basis points	Effect on profit before income tax
2019		
Libor	0.35%	(267,813)
CPI	0.25%	(620,828)
Libor	-0.35%	267,813
CPI	-0.25%	620,828
2018		
Libor	+0.5%	(384,200)
CPI	+1%	(495,969)
Libor	-0.15%	115,260
CPI	-1%	495,969

Assumptions of changes in basis points within analysis of sensitivity to interest rate changes are based on a currently observable market situation.

Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of foreign exchange rates changes. As a result of significant borrowings and accounts payable denominated in the US dollar, the Group's consolidated statement of financial position can be affected significantly by movement in the US dollar/tenge exchange rates. The financial and economic activities also have transactional currency exposures. Such exposure arises from revenue in US dollar.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar, with all other variables held constant, of the Group's profit before income tax. There is no impact on the Group's equity.

<i>In thousands of tenge</i>	Increase/ decrease in the rate	Effect on profit before income tax
2019		
US dollar	12%	(28,342,158)
	-9%	21,256,620
2018		
US dollar	+14%	(35,679,460)
	-10%	25,485,329

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Market risk (continued)***Currency risk (continued)*

<i>In thousands of tenge</i>	Increase/ decrease in the rate	Effect on profit before income tax
2019		
Ruble	12%	(781,317)
	-12%	781,331
2018		
Ruble	+14%	(1,630,424)
	-9%	1,048,130

Credit risk

Credit risk is the risk that one party with financial instrument will not be able to fulfil an obligation and cause the other party to incur a financial loss. The Group is exposed to a credit risk from its operating activities and certain types of investing activities. With regard to investing activities, the Group places deposits with Kazakhstani banks. The Group's management reviews credit ratings of these banks periodically to eliminate extraordinary credit risk exposure. The Group's management believes that recent international credit crisis and subsequent changes in credit rating of local banks does not justify extraordinary credit risk. Accordingly, no impairment allowance against bank deposits is required.

The table below shows the balances of cash and deposits in banks at the reporting date using Standard & Poor's and Fitch Ratings credit rating symbols.

<i>In thousands of tenge</i>	Location	2019		2018		2019	2018
Halyk Bank of Kazakhstan JSC	Kazakhstan	Standard & Poor's	BB/stable	Standard & Poor's	BB/stable	71,304,996	69,039,849
Citi Bank Kazakhstan JSC	Kazakhstan	Standard & Poor's	A+/stable	Moody's	A/stable/P-1	44,057,592	6,869,142
ForteBank JSC	Kazakhstan	Standard & Poor's	B+/stable	Standard & Poor's	B3/positive	2,712,262	359,778
Altyn Bank JSC	Kazakhstan	Fitch Ratings	BBB-/stable	Moody's	Ba1/stable	700,878	177,135
Deutsche Bank	Germany	Standard & Poor's	BBB+/stable	Standard & Poor's	BBB+/stable	232,615	105,655
ATF Bank JSC	Kazakhstan	Standard & Poor's	B-/stable	Standard & Poor's	B/negative	1,711	892
Bank CenterCredit JSC	Kazakhstan	Standard & Poor's	B/negative	Standard & Poor's	B/stable/	1,677	38
Central Depository of Securities JSC	Kazakhstan	Thomas Murray	A+/positive/A	Thomas Murray	A+/positive/A	529	474
GazPromBank JSC	Russia	Standard & Poor's	B/stable	Standard & Poor's	BB+/stable	98	6,586,155
Development Bank of Kazakhstan JSC	Kazakhstan	Standard & Poor's	BB+/stable	-	-	53	-
Kaspi Bank JSC	Kazakhstan	Standard & Poor's	BB-/stable	Standard & Poor's	BB-/stable	8	17
Sberbank JSC	Kazakhstan	Moody's	Ba1/stable	Moody's	Ba2/stable	2	13
Bank of Tokyo-Mitsubishi UFJ, Ltd (London Branch)	England	-	-	Standard & Poor's	A/positive	-	72,613,800
Kazkommertsbank JSC	Kazakhstan	-	-	Standard & Poor's	BB/stable/B	-	535
SB Bank of China	Kazakhstan	-	-	Standard & Poor's	A/stable	-	92
Citibank N.A. London	England	-	-	Standard & Poor's	A+/stable	-	19
Bank RBK JSC	Kazakhstan	-	-	Standard & Poor's	B-/stable	-	10
						119,012,421	155,753,604

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Credit risk (continued)**

At the level of operations, management believes that the Group established appropriate credit verification procedures and monitoring of trade customers, which enabled the Group to trade only with recognised, creditworthy third parties.

The Group monitors the outstanding receivables on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Credit risks are taken through individual impairments. Concentration of credit risks mainly relates to the key accounts, in particular, to international customers.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, bank deposits, other non-current financial assets, loans to related party, other receivables and financial guarantee obligations, the Group's exposure to credit risk arises from default of the counterparty.

The maximum credit risk exposure for the financial assets is limited to the carrying amount as disclosed in *Notes 8, 10 and 12*. For the financial guarantee issued, the maximum credit risk exposure equals the nominal value of the guaranteed loan agreement as disclosed in liquidity risk section of this note.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2019 and 2018, based on contractual undiscounted payments.

<i>In thousands of tenge</i>	On demand	1 to 3 months	3 months to 1 year	1 to 5 years	>5 years	Total
At 31 December 2019						
Debt securities issued	-	6,464,367	6,464,367	51,714,936	329,978,702	394,622,372
Interest bearing loans	142,016	8,956,865	26,545,809	172,862,701	20,041,050	228,548,441
Trade and other payables	9,466,784	247,154,344	-	-	-	256,621,128
Loans from related party	-	259,317	259,317	16,954,992	-	17,473,626
Financial guarantee obligations	-	7,976,487	24,012,635	111,127,698	-	143,116,820
Other financial liabilities	990,467	3,201,564	698,896	2,156,506	85,451	7,132,884
	10,599,267	274,012,944	57,981,024	354,816,833	350,105,203	1,047,515,271

The financial guarantee obligations present the amounts of original contracts the Group guaranteed during 2018.

<i>In thousands of tenge</i>	On demand	1 to 3 months	3 months to 1 year	1 to 5 years	>5 years	Total
At 31 December 2018						
Debt securities issued	-	6,490,781	6,490,781	51,926,248	344,326,248	409,234,058
Interest bearing loans	151,562	9,597,743	35,122,279	189,875,245	27,356,522	262,103,351
Trade and other payables	10,974,623	197,891,132	510,097	-	-	209,375,852
Loans from related parties	-	26,847,207	259,317	2,074,536	15,399,090	44,580,150
Financial guarantee obligations	-	4,278,302	12,713,114	17,410,979	2,795,407	37,197,802
Other financial liabilities	61,823	1,866,529	25,635	136,722	119,631	2,210,340
	11,188,008	246,971,694	55,121,223	261,423,730	389,996,898	964,701,553

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. There were no changes in the Group's approach to capital management as compared to 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Capital management (continued)**

The capital structure of the Group consists of debt, which includes debt securities issued, interest-bearing loans, and loans from related party disclosed in *Notes 14, 15 and 16*, and equity, comprising primarily share capital, additional paid-in capital and retained earnings as disclosed in *Note 13*.

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group has a target debt-to-equity ratio of no more than 1.5. The debt-to-equity ratio at the year end was as follows:

<i>In thousands of tenge</i>	2019	2018
Debt securities issued (<i>Note 14</i>)	294,006,172	295,046,580
Interest bearing loans (<i>Note 15</i>)	193,337,693	212,584,635
Loans from related party (<i>Note 16</i>)	10,732,292	36,104,050
Less: cash and cash equivalents, bank deposits	(119,037,155)	(155,806,875)
Total debt	379,039,002	387,928,390
Equity	1,136,607,496	800,494,214
Debt-to-equity ratio	0.33	0.48

Fair value of financial instruments

The carrying value of the Group's financial instruments as of 31 December 2019 and 2018 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

<i>In thousands of tenge</i>	2019				
	Carrying amount	Fair value	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					
Interest bearing loans to related party	155,887,705	155,294,894	-	-	155,294,894
Financial liabilities					
Debt securities issued	(294,006,172)	(292,110,170)	(292,110,170)	-	-
Interest bearing loans	(193,337,693)	(188,943,353)	-	(188,943,353)	-
Loans from related party	(10,732,292)	(10,601,986)	-	(10,601,986)	-

<i>In thousands of tenge</i>	2018				
	Carrying amount	Fair value	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					
Interest bearing 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 party	(36,104,050)	(34,757,307)	-	(34,757,307)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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 and other payables, and short-term loans received approximates their carrying amount mainly due to short-term nature of these instruments.

Fair value of quoted bonds is 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.

There have been no transfers between Level 1 and Level 2 during 2019 and 2018.

Changes in liabilities arising from financial activities

<i>In thousands of tenge</i>	1 January 2019	Proceeds	Repayments	Repayment of interest	Foreign exchange gains or losses	Others	31 December 2019
Financial liabilities							
Interest bearing loans	212,584,635	26,017,440	(44,694,185)	(15,420,744)	(353,669)	15,204,216	193,337,693
Loans from related party	36,104,050	-	(25,321,800)	(2,716,707)	-	2,666,749	10,732,292
Debt securities issued	295,046,580	-	-	(13,951,598)	(1,272,690)	14,183,880	294,006,172
Total liabilities arising from financial activities	543,735,265	26,017,440	(70,015,985)	(32,089,049)	(1,626,359)	32,054,845	498,076,157

<i>In thousands of tenge</i>	1 January 2018	Proceeds	Repayments	Repayment of interest	Foreign exchange gains or losses	Others	31 December 2018
Financial liabilities							
Interest bearing loans	132,626,892	115,019,917	(46,888,100)	(15,005,611)	11,669,548	15,161,989	212,584,635
Loans from related party	52,721,841	-	(18,983,228)	(2,397,859)	1,921,631	2,841,665	36,104,050
Debt securities issued	264,520,952	-	(8,616,746)	(12,422,685)	38,993,500	12,571,559	295,046,580
Total liabilities arising from financial activities	449,869,685	115,019,917	(74,488,074)	(29,826,155)	52,584,679	30,575,213	543,735,265

The "Others" column mainly represents interest accrued, amortization of discount and costs associated with the organization of loans. The Group classifies interest paid as cash flows from operating activities.

29. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**29. SEGMENT REPORTING (continued)**

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.

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 2019:

<i>In thousands of tenge</i>	Gas trading	Transportation and storage of gas	Other segments	Elimination	Total
Revenue from sales to external customers	959,503,707	141,884,384	1,686,898	-	1,103,074,989
Revenue from sales to other segments	11,999,261	94,657,242	25,120,881	(131,777,384)	-
Total revenue	971,502,968	236,541,626	26,807,779	(131,777,384)	1,103,074,989
Gross profit	76,639,839	135,467,284	11,196,611	(5,160,534)	218,143,200
Finance income	17,618,216	2,072,007	484,575	(2,923,615)	17,251,183
Finance costs	(35,022,279)	(8,489,053)	(513,622)	433,534	(43,591,420)
Depreciation and amortization	(12,115,742)	(25,228,106)	(1,934,121)	-	(39,277,969)
Recovery of impairment of property, plant and equipment and exploration and evaluation assets	-	983,524	(167,515)	-	816,009
Share in profit of joint ventures	-	224,244,892	-	-	224,244,892
Income tax expenses	(10,893,505)	(27,025,647)	(1,997,672)	-	(39,916,824)
Net profit for the year	32,829,165	318,427,128	4,224,596	(20,697,678)	334,783,211
Other segment information					
Investments in joint ventures	-	250,655,362	1,030,755	-	251,686,117
Capital expenditures	19,753,409	74,724,240	5,067,380	(13,824,629)	85,720,400
Allowance for expected credit losses	(7,427,840)	(342,378)	(102,162)	-	(7,872,380)
Allowances for obsolete inventories and advances paid	(84,371)	(1,997,322)	-	-	(2,081,693)
Assets of the segment	1,156,220,000	1,155,088,574	70,351,666	(288,155,142)	2,093,505,098
Liabilities of the segment	812,455,790	202,061,401	12,939,150	(70,558,739)	956,897,602

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**29. SEGMENT REPORTING (continued)**

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

<i>In thousands of tenge</i>	Gas trading	Transportation and storage of gas	Other segments	Elimination	Total
Revenue from sales to external customers	815,909,960	103,310,346	1,959,294	-	921,179,600
Revenue from sales to other segments	10,147,123	91,800,240	23,616,785	(125,564,148)	-
Total revenue	826,057,083	195,110,586	25,576,079	(125,564,148)	921,179,600
Gross profit	130,058,637	104,749,548	10,974,546	(2,707,365)	243,075,366
Finance income	14,467,456	1,856,776	372,841	(2,812,074)	13,884,999
Finance costs	(29,199,894)	(11,865,598)	(475,789)	2,563,888	(38,977,393)
Depreciation and amortization	(10,503,233)	(21,595,686)	(3,174,182)	-	(35,273,101)
Impairment of property, plant and equipment and exploration and evaluation assets	-	(443,435)	(3,647,310)	-	(4,090,745)
Share in profit of joint ventures	-	16,709,896	39,080	-	16,748,976
Income tax expenses	(28,175,630)	(18,229,751)	(1,259,907)	-	(47,665,288)
Net profit for the year	117,295,294	76,278,179	5,580,949	(43,179,364)	155,975,058
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	(380,031)	(2,331,106)	-	-	(2,711,137)
Assets of the segment	1,174,115,346	778,060,414	70,594,850	(281,259,915)	1,741,510,695
Liabilities of the segment	760,309,693	228,544,909	11,331,678	(59,169,799)	941,016,481

Eliminations represent the exclusion of intra-group turnovers.

In 2019, the Group generated 53% of its revenues from PetroChina Group (2018: 43%) and 17% from Gazprom Group (2018: 15%).

30. SUBSEQUENT EVENTS

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