NC KazTransGas JSC

Consolidated financial statements

For the year ended 31 December 2021
with independent auditor's report

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Independent auditor's report

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

Opinion

We have audited the consolidated financial statements of NC KazTransGas JSC and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity 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 2021 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 2021, the Group has a significant balance of VAT recoverable of 82 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 ***Notes 2 and 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 18*** 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 analyzed 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 and non-financial covenants. 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 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 16*** to the consolidated financial statements.	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. We assessed the classification of interest-bearing loans as current or non-current liabilities. We assessed the information disclosed in ***Note 16*** to the consolidated financial statements. In addition, we analyzed non-financial covenants under the Group's financing arrangements.

Other information included in the Group's 2021 Annual Report

Other information consists of the information included in the Group's 2021 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2021 Annual Report is expected to be made available to us after the date of 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, actions taken to eliminate threats or safeguards applied.

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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

Dana Alibekova Auditor	Rustamzhan Sattarov General Director Ernst and Young LLP
Auditor qualification certificate No. МФ-0000418 dated 13 January 2017	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

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25 February 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

In thousands of tenge		**31 December 2021**	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	4	**997,880,307**	990,109,905
Exploration and evaluation assets	5	**19,566,926**	17,366,269
Right-of-use assets		**4,307,761**	6,664,395
Intangible assets		**6,240,856**	6,565,366
Investments in joint ventures	6	**687,216,423**	429,727,471
Advances paid for non-current assets	7	**62,885,829**	9,954,406
Loans to related party	8	**174,198,768**	169,752,081
VAT recoverable	9	**51,259,217**	82,189,267
Deferred tax assets	27	**890,484**	1,529,479
Other non-current financial assets		**2,586,015**	4,909,993
Other non-current assets		**535,110**	1,011,219
Bank deposits	10	**3,216,905**	4,424,954
		2,010,784,601	1,724,204,805
Current assets			
Inventories	12	**36,224,066**	34,331,863
Trade and other receivables	13	**190,432,566**	151,001,098
Advances paid	7	**17,453,918**	11,139,389
Loans to related party	8	**2,461,648**	2,399,147
Prepaid taxes other than income tax	9	**35,843,465**	63,873,646
Corporate income tax prepaid	27	**4,582,882**	34,288,692
Other current assets		**324,435**	273,883
Bank deposits	10	**13,012,956**	28,744
Cash and cash equivalents	11	**382,704,384**	246,299,557
		683,040,320	543,636,019
Assets held for sale	4	**40,377,593**	42,241,262
		723,417,913	585,877,281
Total assets		**2,734,202,514**	2,310,082,086

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In thousands of tenge	Notes	31 December 2021	31 December 2020
Equity and liabilities			
Equity			
Share capital	14	**417,780,839**	417,780,839
Additional paid-in capital		**25,946,130**	25,946,130
Foreign currency translation reserve		**2,410,861**	2,028,278
Retained earnings		**1,341,498,282**	942,677,368
		1,787,636,112	1,388,432,615
Non-current liabilities			
Debt securities issued	15	**308,957,063**	301,085,510
Interest bearing loans	16	**151,609,971**	167,977,800
Loans from related party	17	**14,693,646**	–
Employee benefit obligations		**454,433**	474,235
Provisions	18	**92,146,847**	82,802,670
Other non-current financial liabilities		**4,393,483**	8,401,702
Non-current contract liabilities	19	**11,564,233**	8,865,059
Deferred tax liabilities	27	**79,222,667**	59,970,011
		663,042,343	629,576,987
Current liabilities			
Debt securities issued	15	**3,527,569**	3,440,968
Interest bearing loans	16	**20,614,260**	20,319,501
Loans from related party	17	**7,164,345**	318,236
Provisions	18	**31,723,046**	32,456,813
Trade and other payables	20	**180,907,097**	204,911,548
Corporate income tax payable	27	**95,443**	–
Taxes payable other than income tax		**3,134,294**	4,871,841
Contract liabilities	19	**8,569,659**	6,212,608
Other current financial liabilities		**13,545,937**	8,751,743
Other current liabilities	21	**14,242,409**	10,789,226
		283,524,059	292,072,484
Total equity and liabilities		**2,734,202,514**	2,310,082,086

Deputy of Chairman of the Management Board on economics and finance ________ *Zhanuzak T.Zh.*

Chief Accountant ________ *Meldekhanov B.N.*

The accompanying notes on pages 6 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

In thousands of tenge	Notes	2021	2020
Revenue from contracts with customers	22	**896,255,211**	945,520,103
Cost of sales	23	**(704,326,756)**	(836,211,530)
Gross profit		**191,928,455**	109,308,573
General and administrative expenses	24	**(32,451,455)**	(30,450,733)
Impairment of allowance for expected credit losses		**(130,323)**	(419,169)
Other operating income	25	**15,707,547**	6,270,648
Other operating expenses		**(8,771,575)**	(4,669,141)
Operating profit		**166,282,649**	80,040,178
Finance income	26	**26,546,764**	21,765,863
Finance costs	26	**(42,278,978)**	(36,911,326)
Share in income of joint ventures	6	**319,114,361**	230,380,073
Foreign exchange loss, net		**(2,088,727)**	(7,745,552)
Profit before income tax		**467,576,069**	287,529,236
Income tax expenses	27	**(67,383,513)**	(21,026,785)
Net profit for the year		**400,192,556**	266,502,451
Attributable to:			
Equity holders of the parent		**400,192,556**	266,502,451
Other comprehensive income			
Comprehensive income to be reclassified to profit and loss in subsequent periods			
Exchange differences on translation of foreign operations	6	**382,583**	1,482,129
Net comprehensive income to be reclassified to profit and loss in subsequent periods		**382,583**	1,482,129
Comprehensive income not to be reclassified to profit and loss in subsequent periods			
Revaluation of defined payment schemes - actuarial gain		**7,275**	39,116
Impact of income tax expense	27	**(1,455)**	(7,824)
Net comprehensive income not to be reclassified to profit and loss in subsequent periods		**5,820**	31,292
Other comprehensive income for the year, net of income tax		**388,403**	1,513,421
Total comprehensive income for the year, net of income tax		**400,580,959**	268,015,872
Attributable to:			
Equity holders of the parent		**400,580,959**	268,015,872
Earnings per share			
Basic and diluted, earnings per share for the year attributable to the parent	14	**1.07**	0.75

Deputy of Chairman of the Management Board on economics and finance _______ *Zhanuzak T.Zh.*

Chief Accountant _______ *Meldekhanov B.N.*

The accompanying notes on pages 6 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

In thousands of tenge	Notes	2021	2020
Cash flows from operating activities			
Receipts from customers		**913,531,754**	1,047,083,740
Interest received		**18,599,500**	14,178,185
Taxes refund from Tax authorities		**75,258,327**	35,065,694
Proceeds from suppliers under the arbitration award	23	**134,750,060**	–
Other receipts		**4,229,685**	4,941,034
Payments to suppliers		**(796,179,828)**	(855,932,642)
Income tax paid		**(15,845,150)**	(25,014,763)
Other taxes and payments		**(36,821,166)**	(38,679,490)
Interest paid	30	**(31,074,886)**	(27,668,138)
Payments to employees		**(50,549,438)**	(45,556,778)
Other payments		**(13,200,334)**	(6,008,466)
Net cash flows from operating activities		**202,698,524**	102,408,376
Cash flows from investing activities			
Withdrawal of bank deposits		**37,050,017**	1,275,120
Proceeds from sale of property, plant and equipment and intangible assets		**41,342,911**	41,964,636
Dividends received from joint ventures		**58,251,774**	53,820,848
Proceeds from reverse repurchase transactions		**18,120,354**	–
Loans repaid by related party		**–**	48,132,457
Proceeds from sale of a subsidiary		**–**	16,954
Investments in joint ventures		**(210,219)**	–
Purchase of long-term financial assets		**(673,261)**	(927,702)
Placement of bank deposits		**(47,113,432)**	(844,512)
Purchase of property, plant and equipment, intangible assets, and exploration and evaluation assets		**(134,278,949)**	(71,954,983)
Acquisition of a subsidiary, net of cash acquired		**–**	(24,894)
Settlement of reverse repurchase transactions		**(18,120,354)**	–
Net cash flows (used in) / from investing activities		**(45,631,159)**	71,457,924
Cash flows from financing activities			
Proceeds from issue of common shares	14	**–**	1,000,151
Proceeds on interest bearing loans and debt securities issued	16, 17, 30	**–**	92,483,064
Proceeds on loans from related party	17, 30	**24,104,026**	318,236
Repayments of interest bearing loans and debt securities issued	16, 17, 30	**(18,820,911)**	(123,842,392)
Repayments of loans from related party	17, 30	**–**	(14,881,897)
Dividends paid	14	**–**	(3,111)
Payments on lease obligations	30	**(30,323,221)**	(2,440,580)
Loan arrangement fee		**–**	(1,312,869)
Other payments on operations with the Shareholder	14	**–**	(1,069,860)
Net cash flows used in financing activities		**(25,040,106)**	(49,749,258)
Net foreign exchange difference on cash and cash equivalents		**4,377,568**	8,017,156
Net change in cash and cash equivalents		**136,404,827**	132,134,198
Cash and cash equivalents, at the beginning of the year	11	**246,299,557**	114,165,359
Cash and cash equivalents, at the end of the year	11	**382,704,384**	246,299,557

Deputy of Chairman of the Management Board on economics and finance

Zhanuzak T.Zh.

KazTransGas

Chief Accountant

Meldekhanov B.N.

The accompanying notes on pages 6 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

In thousands of tenge	Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings	Total
As at 31 December 2019	192,623,055	250,384,811	546,149	693,053,481	1,136,607,496
Net profit for the year	–	–	–	266,502,451	266,502,451
Other comprehensive income for the year	–	–	1,482,129	31,292	1,513,421
Total comprehensive income for the year	–	–	1,482,129	266,533,743	268,015,872
Common shares issued *(Note 14)*	225,157,784	(207,115,482)	–	(17,042,151)	1,000,151
Dividends paid *(Note 14)*	–	–	–	(3,111)	(3,111)
Other transactions with the Shareholder *(Note 14)*	–	(17,323,199)	–	135,406	(17,187,793)
As at 31 December 2020	417,780,839	25,946,130	2,028,278	942,677,368	1,388,432,615
Net profit for the year	**–**	**–**	**–**	**400,192,556**	**400,192,556**
Other comprehensive income for the year	**–**	**–**	**382,583**	**5,820**	**388,403**
Total comprehensive income for the year	**–**	**–**	**382,583**	**400,198,376**	**400,580,959**
Other transactions with the Shareholder	**–**	**–**	**–**	**(1,377,462)**	**(1,377,462)**
As at 31 December 2021	**417,780,839**	**25,946,130**	**2,410,861**	**1,341,498,282**	**1,787,636,112**

Deputy of Chairman of the Management Board on economics and finance

Zhanuzak T.Zh.

Chief Accountant

Meldekhanov B.N.

The accompanying notes on pages 6 to 50 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. CORPORATE INFORMATION

The accompanying consolidated financial statements include the financial statements of NC KazTransGas JSC (the "Company", "KTG" or "parent") 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, Nur-Sultan, Yesil district, Alikhan Bokeykhan avenue, 12.

As at 31 December 2020 NC KazMunayGas JSC ("KazMunayGas" or "KMG") was 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 were considered as related parties of the Company and the Group. On November 8, 2021, in accordance with the Decree of the Government of the Republic of Kazakhstan "On the Alienation of a Strategic Object", KazMunayGas made a deal to alienate a 100% stake in KTG in favor of Samruk-Kazyna. As a result, as at 31 December 2021 Samruk-Kazyna is the sole shareholder of KTG, and all subsidiaries of Samruk-Kazyna are considered as related parties of the Company and the Group *(Note 28)*.

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 and gas supply. By the Decree of the Government of the Republic of Kazakhstan dated 30 November 2021 No. 852, KTG was given the status of a National Company. 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* (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 of the Ministry of National Economy of the Republic of Kazakhstan

As at 31 December 2021, the Group has commitments in the amount of 43,712,759 thousand tenge under approved investment programs for 2021-2026 (31 December 2020: 17,909,503 thousand tenge).

Deputy of Chairman of the Management Board on economics and finance and Chief accountant authorized the accompanying consolidated financial statements for the issuance on 25 February 2022.

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 Kumyrly 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

The impact of COVID-19 and the current economic situation have been taken into account in preparing these consolidated financial statements. The consolidated financial statements have been prepared based on a going concern basis. To assess this assumption, the Group performed a liquidity forecast based on various stress tests to ensure that it continues to apply the going concern principle in preparing these consolidated financial statements.

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 2021 and 31 December 2020, the Company had interest ownership in the following companies, which were included into the consolidated financial statements:

Name	Place of incorporation	Principal activities	Ownership 2021	Ownership 2020
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	Kazakhstan	Transportation services	**100%**	100%
Amangeldy Gas LLP (Amangeldy Gas)	Kazakhstan	Production of natural gas and gas condensate	**100%**	100%
Qazaq Gas Qurylys LLP	Kazakhstan	Exploration of natural gas and gas condensate	**100%**	100%
KazTransGas Bishkek LLC	Kyrgyzstan	Repair and renewal operations and modernization of the main gas pipeline "Bukhara gas area – Tashkent – Bishkek – Almaty"	**100%**	100%
KTG Finance B.V.	Netherlands	Financial activities	**100%**	100%
KazMunayGas Service-NS JSC	Kazakhstan	Construction and/(or) maintenance of Golf Club	**100%**	100%

In 2021, KMG Kansu Operating LLP was renamed to Qazaq Gas Qurylys LLP.

Investments in joint ventures

As at 31 December 2021 and 2020, 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 2021	Share, % 31 December 2020
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%
Otan Gas LLP (OG)	Kazakhstan	Construction of gas processing plant	**50%**	50%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Investments in joint ventures (continued)

On 24 December 2020, according to the Memorandum between the Ministry of Energy of the Republic of Kazakhstan and China National Petroleum Corporation, OG joint venture was established with 50% participation of the Group and 50% participation of PetroChina Investment Holding B.V. In 2021, the Company made investments as cash contribution of 210,139 thousand tenge.

In 2021, the Company purchased 50% shares of PVH Development LLP for 80 thousand tenge. The ownership takes effect at the time of re-registration. As at 31 December 2021, the process of re-registration has not been completed.

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.

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.

2. BASIS OF PREPARATION (continued)

Foreign currency translation (continued)

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 2021, the currency exchange rate of KASE was 431.8 tenge to 1 US dollar and 5.76 tenge to 1 Russian ruble. These rates were used for translation of monetary assets and liabilities denominated in US dollar and Russian ruble at 31 December 2021 (2020: 420.91 tenge to 1 US dollar and 5.62 tenge to 1 Russian ruble).

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 29*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Significant accounting judgements, estimates and assumptions (continued)

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 27*.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Significant accounting judgements, estimates and assumptions (continued)

Assets retirement obligations (continued)

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 liability in the statement of financial position at 31 December 2021 were 5.50% and 6.97%, respectively (2020: 5.52% and 7.15%, respectively). As at 31 December 2021 the carrying amount of provision for abandonment of gas pipeline and site restoration was equal to 88,661,502 thousand tenge (2020: 79,869,001 thousand tenge). As at 31 December 2021 the carrying amount of provision for well abandonment and site restoration under the contract for exploration and production of hydrocarbons was equal to 3,476,025 thousand tenge (2020: 2,921,803 thousand tenge). Further details are contained in *Note 18*.

A quantitative sensitivity analysis for significant assumptions as at 31 December is, as shown below:

	Impact on gas pipeline abandonment and site restoration provision	
In thousands of tenge	**2021**	2020
Assumptions for gas pipeline abandonment and site restoration		
Liquidation cost of 1 km:		
- Increase by 10%	**8,622,942**	7,581,741
- Decrease by 10%	**(8,622,942)**	(7,581,741)
Inflation rate:		
- Increase by 1%	**29,318,635**	26,172,208
- Decrease by 1%	**(22,058,587)**	(19,913,645)
Discount rate:		
- Increase by 1%	**(21,620,393)**	(19,495,811)
- Decrease by 1%	**29,167,757**	26,529,324

Change in estimates according to contribution of gas pipelines under trust management agreements from the state bodies

In prior years the Group applied judgement in determining whether the pipelines transferred to the Group under the trust management agreements ("TMAs") with Local Executive Bodies ("LEBs") and Departments of the Committee of State Property and Privatization should be recognised as the assets controlled by the Group and concluded that TMAs are, in substance, a short-term mechanism to provide the Group with the control over the pipelines for a period of completion of the transfer of legal title over the pipelines to the Group. The Group expected that these gas pipelines would subsequently be transferred from the LEBs to the republican body. Afterwards, the republican body would transfer it to Samruk-Kazyna, and further to NC KazMunayGas JSC and KTG. This judgement was supported by certain facts and circumstances existed at the appropriate dates, including the Memorandum of Understanding between KTG Aimak and the LEBs that established strong expectations that the transfer of the legal title will be completed in the nearest future, legal and economic incentives for the parties to TMAs to complete the transfer (such as requirements that all risks and benefits usually associated with the ownership over the assets are assigned to the Group rather than LEB, including obligation to pay property tax for the pipelines and the right to include at the stage of formation and approval of tariffs costs associated with pipelines controlled by the Group and recorded in the consolidated statement of financial position). As a result, the Group accounted for transfer of the pipelines under TMAs as a free contribution of assets to its equity within additional paid-in capital at the fair value of the assets transferred. When the process of legal transfer is completed the amount initially recorded will be transferred to the share capital.

The Group continuously assessed whether the judgement initially applied is still appropriate at the subsequent dates.

2. BASIS OF PREPARATION (continued)

Significant accounting judgements, estimates and assumptions (continued)

Change in estimates according to contribution of gas pipelines under trust management agreements from the state bodies (continued)

In April 2020 the Group concluded that there are significant changes in facts and circumstances that supported initial judgement, which might result in the original judgement no longer being appropriate. The changes occurred included the fact that original Memorandum of the Understanding has expired and was not prolonged, the process of legal transfer of the pipelines to the Group was not completed in the reasonable time period and amendments to the legislation introduced in April 2020 gives the Group the right, when forming and approving the tariff, to take into account of the tariff cost the expenses for the maintenance and repair of fixed assets which had been received to provide regulated services on the basis of trust management agreement for a state property with the local executive bodies, the Group is not obliged to pay property tax, and to complete the legal process of transferring ownership of the pipelines, a longer period was required for LEB due to the need to eliminate the Group's comments of a fundamental nature. Based on this, the Group concluded that starting from April 2020 the original judgement is no longer appropriate and, in fact, after the renewal of the TMAs the Group no longer has control over the pipelines provided by the LEBs. Thus, the Group concluded that pipelines should be derecognized as distribution to its ultimate controlling shareholder, i.e. the Republic of Kazakhstan. The change in judgement does not represent an accounting error and, therefore, should be accounted prospectively.

In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the Group applied changes in judgement related to the pipelines received under trust management agreements prospectively. Accordingly, in 2020 the Group derecognized all pipelines received under such TMAs at their carrying amounts at that date and, correspondingly, reduced additional paid-in capital by 17,323,199 thousand tenge *(Note 14)*.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The list of new and amended standards and interpretations presented below:

- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* named *Interest Rate Benchmark Reform – Phase 2*;
- Amendments to IFRS 16 *Leases* named *COVID-19 Related Rent Concessions*.

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 consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 *Insurance Contracts*;
- Amendments to IAS 1 *Presentation of Financial Statements named Classification of Liabilities as Current or Non-current*;
- Amendments to IFRS 3 *Business Combinations* named *Reference to the Conceptual Framework*;
- Amendments to IAS 16 *Property, Plant and Equipment* named *Proceeds before Intended Use*;
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets named Onerous Contracts – Costs of Fulfilling a Contract*;
- IFRS 1 *First-time Adoption of International Financial Reporting Standards* named Subsidiary as a first-time adopter;
- IFRS 9 *Financial Instruments* named *Fees in the "10 per cent" Test for Derecognition of Financial Liabilities*;
- IAS 41 *Agriculture* named *Taxation in Fair Value Measurements*;
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* named *Definition of Accounting Estimates*;
- Amendments to IAS 1 Pr*esentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements* named *Disclosure of Accounting Policies*.

The Group does not expect material impact of these standards on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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.

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

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost;
- Financial assets at fair value through OCI with recycling of cumulative gains and losses;
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition;
- Financial assets at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at amortised cost

This category is the most relevant and significant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

The Group's financial assets at amortised cost includes loans to related party, bank deposits, trade and other receivables and other non-current financial assets.

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.

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, debts, loans, 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 debts, loans and payables, net of directly attributable transaction costs.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss;
- Financial liabilities at amortised cost.

Financial liabilities at amortised cost

This is the category most relevant to the Group. After initial recognition, debts and loans 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 consolidated statement of profit or loss.

This category generally applies to debts, loans, financial guarantee obligation and other financial liabilities.

Trade and other payables

Liabilities for trade and other payables 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 held in banks, in transit and on hand, and short-term highly liquid bank deposits with a maturity of 3 (three) months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

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 assets and gas transportation system assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Abandonment and site restoration provision

Changes in the measurement of an existing abandonment and site restoration 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 from contracts with customers 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 fee

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, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers and expense recognition (continued)

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.

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).

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.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax (continued)

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.

4. PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the years ended 31 December 2021 and 2020 was as follows:

In thousands of tenge	Land	Gas assets	Buildings and constructions	Gas transportation system	Equipment	Vehicles	Other	Construction in progress	Total
Cost									
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
Additions	–	321,950	973,423	1,729,755	1,179,652	1,044,299	62,611	117,960,677	123,272,367
Change in estimate *(Note 18)*	–	130,087	–	1,514,194	–	–	–	–	1,644,281
Transfer to intangible assets	–	–	–	–	–	–	–	(1,196,990)	(1,196,990)
Transfer to assets held for sale	–	–	(15,354,879)	–	(75,501,772)	–	(217,529)	–	(91,074,180)
Transfers	–	(12,065)	19,144,916	16,975,796	79,904,843	11,350	1,377,511	(117,402,351)	–
Disposals	(153,354)	(783,858)	(913,645)	(17,415,016)	(340,238)	(7)	(176,335)	(487,012)	(20,269,465)
31 December 2020	541,592	43,234,797	102,088,937	690,407,266	376,837,911	23,356,963	9,476,713	34,541,642	1,280,485,821
Additions	**151**	**4,510,530**	**27,189**	**4,185,492**	**1,050,748**	**824,323**	**232,714**	**77,191,311**	**88,022,458**
Change in estimate *(Note 18)*	**–**	**149,445**	**–**	**3,091,844**	**–**	**–**	**–**	**–**	**3,241,289**
Transfer to assets held for sale	**–**	**–**	**(7,637,266)**	**–**	**(36,272,948)**	**–**	**(133,629)**	**–**	**(44,043,843)**
Transfers	**143**	**–**	**4,351,424**	**30,662,945**	**29,252,093**	**86,120**	**494,541**	**(64,847,266)**	**–**
Disposals	**(2,327)**	**(27,047)**	**(1,519,409)**	**(4,390,487)**	**(8,164,215)**	**(30,173)**	**(524,207)**	**(176,451)**	**(14,834,316)**
31 December 2021	**539,559**	**47,867,725**	**97,310,875**	**723,957,060**	**362,703,589**	**24,237,233**	**9,546,132**	**46,709,236**	**1,312,871,409**
Accumulated depreciation and impairment									
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)
Charge for the year	–	(1,203,337)	(3,296,576)	(17,098,813)	(15,599,306)	(1,260,323)	(527,833)	–	(38,986,188)
Impairment provision	–	–	(678,145)	–	–	(268)	–	(144,778)	(823,191)
Transfer to assets held for sale	–	–	570,666	–	3,719,925	–	26,034	–	4,316,625
Transfers	–	2,010	(1,693)	–	12,393	(10,760)	(1,950)	–	–
Disposals	–	773,960	121,571	1,254,541	286,243	7	175,323	–	2,611,645
31 December 2020	–	(13,044,220)	(21,495,677)	(131,795,397)	(95,151,673)	(18,323,012)	(5,721,468)	(4,844,469)	(290,375,916)
Charge for the year	**–**	**(1,450,262)**	**(2,968,977)**	**(17,033,586)**	**(14,722,045)**	**(1,325,545)**	**(486,074)**	**–**	**(37,986,489)**
Impairment recovery	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**75,862**	**75,862**
Transfer to assets held for sale	**–**	**–**	**443,323**	**–**	**3,192,795**	**–**	**30,132**	**–**	**3,666,250**
Transfers	**–**	**–**	**(27,835)**	**(13)**	**42,396**	**(3,330)**	**(11,218)**	**–**	**–**
Disposals	**–**	**4,571**	**926,458**	**3,840,834**	**4,341,031**	**24,775**	**491,522**	**–**	**9,629,191**
31 December 2021	**–**	**(14,489,911)**	**(23,122,708)**	**(144,988,162)**	**(102,297,496)**	**(19,627,112)**	**(5,697,106)**	**(4,768,607)**	**(314,991,102)**
Net book value									
31 December 2020	541,592	30,190,577	80,593,260	558,611,869	281,686,238	5,033,951	3,755,245	29,697,173	990,109,905
31 December 2021	**539,559**	**33,377,814**	**74,188,167**	**578,968,898**	**260,406,093**	**4,610,121**	**3,849,026**	**41,940,629**	**997,880,307**

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Additions

During 2021, additions of 77,191,311 thousand tenge from construction in progress mainly represent construction and overhaul of the main gas pipelines, compressor stations, gas metering stations, shift camps, and other works related to replacements, diagnostics and emergency recovery works.

In 2021, the Group received property, plant and equipment free of charge in the amount of 3,522,094 thousand tenge.

Transfers

Significant portion of fixed assets placed in operation 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 2021, the Group classified the "Aral" gas compressor station and related property, plant and equipment with a total net carrying amount of 40,377,593 thousand tenge as assets held for sale.

In 2021, the Group sold the "Korkyt-ata" gas compressor station with a net carrying value of 42,241,262 thousand tenge to BShP for 42,886,487 thousand tenge. The difference of 645,225 thousand tenge is reflected as a gain on disposal of assets held for sale in other operating income *(Note 25)*.

Other

As at 31 December 2021 the cost and related accumulated depreciation of fully depreciated property, plant and equipment still in use was equal to 18,752,085 thousand tenge (2020: 18,749,619 thousand tenge).

In 2021, the Group capitalised borrowing costs of 338,805 thousand tenge in the carrying amount of property, plant and equipment, which are related to the construction of the assets (2020: 2,890,482 thousand tenge).

5. EXPLORATION AND EVALUATION ASSETS

The movement of exploration and evaluation assets for the years ended 31 December 2021 and 2020 was as follows:

In thousands of tenge	**Tangible assets**
At 31 December 2019	13,205,928
Additions	4,160,341
At 31 December 2020	17,366,269
Additions	**2,200,657**
At 31 December 2021	**19,566,926**

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

In thousands of tenge	**31 December 2021**	31 December 2020
Anabay	**8,177,339**	8,016,853
Sultankuduk	**4,951,261**	4,959,231
Barkhan	**3,317,459**	1,275,444
Sherubainur	**2,184,762**	2,184,762
Koskuduk	**427,527**	427,183
Moldybay	**234,826**	232,577
Other	**273,752**	270,219
	19,566,926	17,366,269

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. INVESTMENTS IN JOINT VENTURES

Financial information on investment in joint ventures is summarized below:

In thousands of tenge	AGP	BShP	AG	OG	Total
31 December 2019	168,086,294	82,569,068	1,030,755	–	251,686,117
Share in profit of joint venture	175,338,726	55,005,136	36,211	–	230,380,073
Share in other comprehensive income of joint venture	1,482,129	–	–	–	1,482,129
Dividends received	(53,820,848)	–	–	–	(53,820,848)
31 December 2020	291,086,301	137,574,204	1,066,966	–	429,727,471
Share in profit of joint venture	**253,553,978**	**65,533,325**	**27,058**	**–**	**319,114,361**
Share in other comprehensive income of joint venture	**382,583**	**–**	**–**	**–**	**382,583**
Share of the Group in the recognition of financial guarantee	**–**	**672,375**	**–**	**–**	**672,375**
Cash contribution	**–**	**–**	**–**	**210,139**	**210,139**
Elimination of unrealized gain	**–**	**(1,938,732)**	**–**	**–**	**(1,938,732)**
Dividends received	**(40,215,563)**	**(20,700,000)**	**(36,211)**	**–**	**(60,951,774)**
31 December 2021	**504,807,299**	**181,141,172**	**1,057,813**	**210,139**	**687,216,423**

AGP

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

In thousands of tenge	**31 December 2021**	31 December 2020
Statement of financial position of joint venture		
Current assets, including:	**551,179,423**	616,478,991
- cash and cash equivalents	***394,183,514***	*180,065,468*
Non-current assets	**1,266,160,761**	1,333,610,660
Current liabilities, including:	**(199,191,852)**	(481,554,520)
- short-term borrowing	***(173,173,006)***	*(464,698,926)*
- trade and other payables	***(15,682,660)***	*(11,528,000)*
Non-current liabilities, including	**(608,533,734)**	(886,362,530)
- long-term borrowing	***(404,570,533)***	*(692,254,243)*
Equity	**1,009,614,598**	582,172,601
Proportion of the Group's ownership	**50%**	50%
Carrying amount of investment	**504,807,299**	291,086,301

In thousands of tenge	**2021**	2020
Statement of comprehensive income of joint venture		
Revenue from contracts with customers	**857,998,093**	727,503,399
Cost of sales including:	**(168,072,348)**	(146,215,753)
- depreciation and amortization	***(81,134,915)***	*(77,341,747)*
General and administrative expenses including:	**(11,581,973)**	(8,298,049)
- depreciation and amortization	***(992,213)***	*(869,858)*
Finance income including:	**1,081,717**	7,352,338
- interest income	***1,081,717***	*7,352,338*
Finance costs including:	**(35,231,739)**	(54,942,761)
- interest expenses	***(26,418,951)***	*(49,932,680)*
Profit before income tax	**635,469,294**	441,000,233
Income tax expenses	**(128,361,338)**	(90,322,779)
Net profit for the year	**507,107,956**	350,677,454
Share in profit of a joint venture for the year	**253,553,978**	175,338,726
Other comprehensive income for the year	**765,166**	2,964,258
Share in other comprehensive income for the year	**382,583**	1,482,129

6. INVESTMENTS IN JOINT VENTURES (continued)

AGP (continued)

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 2021 and 2020, 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.

BShP

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

In thousands of tenge	**31 December 2021**	31 December 2020
Statement of financial position of joint venture		
Current assets, including:	**159,038,314**	147,801,969
- cash and cash equivalents	***26,064,438***	*18,027,279*
Non-current assets	**588,673,430**	552,454,970
Current liabilities, including:	**(81,514,648)**	(76,154,598)
- short-term borrowing	***(64,738,218)***	*(63,100,572)*
- trade and other payables	***(15,661,923)***	*(11,900,947)*
Non-current liabilities, including:	**(304,146,621)**	(351,718,516)
- long-term borrowing	***(282,759,175)***	*(335,084,328)*
Equity	**362,050,475**	272,383,825
Proportion of the Group's ownership	**50%**	50%
Share in equity	**181,025,238**	136,191,913
Share of the Group in the fair value of issued financial guarantee	**7,323,362**	6,650,987
Consolidation adjustment	**(7,207,428)**	(5,268,696)
Carrying amount of investment	**181,141,172**	137,574,204

In thousands of tenge	**2021**	2020
Statement of comprehensive income of a joint venture		
Revenue from contracts with customers	**200,361,623**	201,523,704
Cost of sales including:	**(44,264,853)**	(39,119,596)
- depreciation and amortization	***(23,996,366)***	*(18,156,289)*
General and administrative expenses including:	**(4,491,578)**	(4,759,913)
- depreciation and amortization	***(606,961)***	*(47,117)*
Finance income including:	**1,894,408**	3,801,917
- interest income	***1,894,408***	*3,801,917*
Finance costs including:	**(14,916,317)**	(18,166,700)
- interest expenses	***(13,752,882)***	*(16,562,869)*
Profit before income tax	**131,066,650**	110,010,271
Income tax expenses	**–**	–
Net profit for the year	**131,066,650**	110,010,271
Share in profit of a joint venture for the year	**65,533,325**	55,005,136
Other comprehensive income for the year	**–**	–
Share in other comprehensive income for the year	**–**	–

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 2021 and 2020 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. ADVANCES PAID

In thousands of tenge	**31 December 2021**	31 December 2020
Advances paid for non-current assets		
Advances paid to third parties	**63,155,509**	9,865,115
Advances paid to related parties *(Note 28)*	**5,807**	364,778
Less: impairment provision	**(275,487)**	(275,487)
	62,885,829	9,954,406
Advances paid for current assets and services		
Advances paid to third parties	**17,449,265**	6,708,717
Advances paid to related parties *(Note 28)*	**4,703**	4,440,525
Less: impairment provision	**(50)**	(9,853)
	17,453,918	11,139,389

At 31 December 2021, advances paid for non-current assets to third parties mainly include advances of 59,450,536 thousand tenge for construction and capital repair of pipelines, compressor stations with the installation of an automatic gas distribution station and works on laying main pipelines.

8. LOANS TO RELATED PARTY

As at 31 December 2021 and 2020, loans to related party comprised the following:

In thousands of tenge	**31 December 2021**	31 December 2020
Financial assets at amortized cost		
Interest bearing loans to related party	**175,137,014**	170,690,327
Plus: interest receivable	**2,461,648**	2,399,147
Less: allowance for expected credit losses	**(938,246)**	(938,246)
	176,660,416	172,151,228
Less: current portion *(Note 28)*	**(2,461,648)**	(2,399,147)
Non-current portion *(Note 28)*	**174,198,768**	169,752,081

Interest bearing loan

In September 2017, the Group 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. As at 31 December 2021, loans provided to related party are denominated in US dollars.

9. VAT RECOVERABLE AND PREPAID TAXES OTHER THAN INCOME TAX

In thousands of tenge	**31 December 2021**	31 December 2020
VAT recoverable	**100,925,924**	159,976,958
Property tax	**598,225**	258,804
Withholding tax	**1,755**	670,992
Other taxes prepaid	**90,470**	106,221
	101,616,374	161,012,975
Less: allowance for non-recoverable VAT	**(14,513,692)**	(14,950,062)
	87,102,682	146,062,913
Non-current portion	**51,259,217**	82,189,267
Current portion	**35,843,465**	63,873,646

9. VAT RECOVERABLE AND PREPAID TAXES OTHER THAN INCOME TAX (continued)

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

In thousands of tenge	
At 31 December 2019	(15,024,959)
Charge for the year	(2,731)
Utilised	77,628
At 31 December 2020	(14,950,062)
Charge for the year	**(1,409)**
Utilised	**437,779**
At 31 December 2021	**(14,513,692)**

As at 31 December 2021, the Group has 100,925,924 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. BANK DEPOSITS

In thousands of tenge	**31 December 2021**	31 December 2020
Bank deposits in tenge with maturity of over five years	**3,230,502**	4,398,585
Bank deposits in tenge with maturity of over one year and less than five years	**–**	44,182
Less: allowance for expected credit losses	**(13,597)**	(17,813)
Non-current portion	**3,216,905**	4,424,954
Bank deposits in US dollars with maturity of over three months and less than one year	**12,951,419**	–
Bank deposits in tenge with maturity of over three months and less than one year	**61,537**	28,744
Current portion	**13,012,956**	28,744

As at 31 December 2021 bank deposits of 3,230,502 thousand tenge are placed as guarantee on housing loans issued by Halyk Bank of Kazakhstan JSC to the Group's employees and restricted for use (31 December 2020: 4,398,585 thousand tenge) at the rate of 1% per annum (2020: 1% per annum).

As at 31 December 2021, deposits were placed in banks at interest rates 0.15-1% per annum in US dollars (2020: nil) with a maturity up to 3 months and 1 year.

11. CASH AND CASH EQUIVALENTS

In thousands of tenge	**31 December 2021**	31 December 2020
Current accounts in foreign currency	**143,929,642**	139,246,497
Shor-term deposits in foreign currency	**122,189,302**	–
Current accounts in tenge	**87,165,169**	61,316,981
Shor-term deposits in tenge	**29,387,306**	45,695,355
Cash in transit	**4,571**	36,187
Cash on hand	**28,394**	4,537
	382,704,384	246,299,557

Cash and cash equivalents are denominated in various currencies as follows:

In thousands of tenge	**31 December 2021**	31 December 2020
US dollar	**265,708,704**	139,081,399
Tenge	**116,585,440**	107,053,060
Russian rubles	**356,172**	2,577
Other currencies	**54,068**	162,521
	382,704,384	246,299,557

11. CASH AND CASH EQUIVALENTS (continued)

As at 31 December 2021, short-term deposits were placed in banks at interest rates of 7.25%-8.2% per annum in tenge (31 December 2020: 5-8%) and 0.13%-0.7% in foreign currency (31 December 2020: nil) with maturity up to 3 months and 1 year on flexible terms. As at 31 December 2021, interest rates for cash on the current accounts in banks were 0.1% per annum in tenge (31 December 2020: 0.13%) and nil in a foreign currency.

12. INVENTORIES

In thousands of tenge	**31 December 2021**	31 December 2020
Gas reserves (at cost)	**33,767,501**	32,493,223
Materials and supplies (at lower of cost or net realizable value)	**2,456,565**	1,838,640
	36,224,066	34,331,863

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.

13. TRADE AND OTHER RECEIVABLES

In thousands of tenge	**31 December 2021**	31 December 2020
Trade receivables from third parties	**175,100,019**	142,484,214
Trade receivables from related parties *(Note 28)*	**8,483,734**	9,651,761
Other receivables from related parties *(Note 28)*	**6,779,321**	1,931,232
Other receivables from third parties	**3,955,850**	1,135,341
	194,318,924	155,202,548
Less: allowance for expected credit losses	**(3,886,358)**	(4,201,450)
	190,432,566	151,001,098

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

In thousands of tenge	**Individually impaired**
At 31 December 2019	(6,934,134)
Charge for the year	(3,283,997)
Foreign currency translation	(140,418)
Write-off	3,292,271
Reversal	2,864,828
At 31 December 2020	(4,201,450)
Charge for the year	**(2,284,446)**
Foreign currency translation	**(9,498)**
Write-off	**459,129**
Reversal	**2,149,907**
At 31 December 2021	**(3,886,358)**

Below is the information about the credit risk exposure on the Group's trade and other receivables using a provision matrix:

			Days past due				
In thousands of tenge	**Total**	**Current**	**<30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**
31 December 2021							
ECL rate	**2.00%**	**0.00%**	**0.33%**	**2.68%**	**2.75%**	**21.86%**	**73.70%**
Estimated total gross carrying amount at default	**194,318,924**	**183,735,969**	**4,138,032**	**852,745**	**273,336**	**163,935**	**5,154,907**
ECL	**3,886,358**	**7,515**	**13,730**	**22,854**	**7,507**	**35,835**	**3,798,917**
31 December 2020							
ECL rate	2.71%	0.01%	0.88%	4.22%	4.29%	13.98%	65.70%
Estimated total gross carrying amount at default	155,202,548	143,890,980	3,812,509	809,988	337,179	135,052	6,216,840
ECL	4,201,450	16,022	33,643	34,164	14,471	18,882	4,084,268

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. TRADE AND OTHER RECEIVABLES (continued)

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

In thousands of tenge	**31 December 2021**	31 December 2020
US dollar	**122,162,294**	93,419,992
Tenge	**68,270,272**	57,581,106
	190,432,566	151,001,098

Trade and other receivables are non-interest bearing.

14. EQUITY

Share capital

	Common shares outstanding (number of shares)					
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	Par value of 17,632 tenge	Total share capital
As at 31 December 2021	**312,167,670**	**1**	**30,976,655**	**29,137,200**	**1,006,717**	**417,780,839**
As at 31 December 2020	312,167,670	1	30,976,655	29,137,200	1,006,717	417,780,839

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. In 2021, the Group did not distribute dividends (2020: the Group declared and paid in cash dividends of 3,111 thousand tenge).

ICA held the assets of the mainline gas transportation network under the Trust management agreement with KMG. 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 KMG 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 KMG in exchange for 207,115,482 thousand tenge for pipeline assets. As that transaction was a temporary mechanism used to transfer the title for pipeline assets from KMG to ICA, the Company did not recognize minority interest with respect to the temporary ownership in ICA by KMG.

In 2020, the Company issued 20,740,735 common shares with the par value of 10,000 tenge each for the amount of 207,407,350 thousand tenge to KMG in exchange for preference shares issued by ICA, and the preference shares were converted to common shares. The difference of 291,868 thousand tenge between the additional paid-in capital and issued common shares was recognized in retained earnings.

In 2020, the Group issued 1,006,717 common shares with the par value of 17,632 tenge each for the total amount of 17,750,434 thousand tenge in exchange for contribution of 100% shares of KMGS-NS with the total fair value of 16,750,283 thousand tenge at the date of contribution and cash of 1,000,151 thousand tenge.

Additional information disclosed in accordance with Kazakhstan Stock Exchange ("KASE") requirements

In thousands of tenge	**31 December 2021**	31 December 2020
Total assets	**2,734,202,514**	2,310,082,086
Less: intangible assets	**(6,240,856)**	(6,565,366)
Less: total liabilities	**(946,585,396)**	(921,649,471)
Net assets for calculation of cost of common share in accordance with listing requirements of KASE	**1,781,376,262**	1,381,867,249
Number of common shares	**373,288,243**	373,288,243
Cost of common share, calculated in accordance with listing requirements of KASE in thousands of tenge	**4.772**	3.702

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. EQUITY

Earnings per share

Basic and diluted earnings per share are calculated by dividing net income for the period attributable to common shareholders by the weighted average 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:

In thousands of tenge	**2021**	2020
Net income attributable to shareholder for basic and diluted earnings per share	**400,192,556**	266,502,451
Weighted average number of common shares for basic and diluted earnings per share	**373,288,243**	353,856,437
Basic and diluted earnings per share for the period attributable to the parent (in thousands of tenge)	**1.07**	0.75

Additional paid-in capital

In 2020 the Group disposed gas pipeline assets under the trust management agreement from the Government with the book value of 16,117,933 thousand tenge (cost value 17,323,199 thousand tenge) *(Note 2)*. The transaction was recorded at cost value as other transactions with the Shareholder through additional paid-in capital. The difference between cost value and book value for 1,205,266 thousand tenge was adjusted in retained earnings.

Retained earnings

Construction of social facility

As at 31 December 2020, the Group recognised provision of 1,069,860 thousand tenge related to future financing of the construction of social facility in the city of Turkestan under the social economic development of Turkestan region, 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 provision was recorded as other transactions with the Shareholder through retained earnings. This amount was paid in 2020.

15. DEBT SECURITIES ISSUED

As at 31 December 2021 and 2020, the debt securities issued comprised:

				31 December 2021		31 December 2020	
In thousands of tenge	**Issue**	**Maturity**	**Interest rate**	**US dollar**	**In thousands of tenge**	US dollar	In thousands of tenge
KTG bonds	2017	2027	4.375%	**706,320,000**	**304,988,976**	706,320,000	297,297,151
KTG Aimak bonds	2015	2025	7.5%	**–**	**5,000,000**	–	5,000,000
				706,320,000	**309,988,976**	706,320,000	302,297,151
Plus: interest payable					**3,527,569**		3,440,968
Less: unamortised transaction costs					**(219,280)**		(257,483)
Less: discount					**(812,633)**		(954,158)
Less: amount due for settlement within 12 months from the reporting date					**(3,527,569)**		(3,440,968)
Amounts due for settlement after 12 months					**308,957,063**		301,085,510

In 2020, the Group early redeemed partially Eurobonds for the total amount of 17,816,800 thousand tenge. Respective discount on redemption of 927,194 thousand tenge was recognised as finance income *(Note 26)*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. INTEREST BEARING LOANS

As at 31 December interest bearing loans comprised:

In thousands of tenge	**31 December 2021**	31 December 2020
Interest-bearing loans with floating rate	**135,075,172**	143,576,746
Interest-bearing loans with fixed rate	**36,428,159**	44,626,286
	171,503,331	188,203,032
Plus: interest payable	**1,793,347**	1,498,888
Less: unamortised transaction costs	**(1,072,447)**	(1,404,619)
	172,224,231	188,297,301
Less: amount due for settlement within 12 months from the reporting date	**(20,614,260)**	(20,319,501)
Amounts due for settlement after 12 months	**151,609,971**	167,977,800

Interest bearing loans are denominated in various currencies as follows:

In thousands of tenge	**31 December 2021**	31 December 2020
Russian rubles	**87,272,640**	85,151,430
Tenge	**84,230,691**	103,051,602
	171,503,331	188,203,032

Interest-bearing loans with floating rate

VTB Bank Kazakhstan JSC and VTB Bank (PJSC)

In accordance with the loan agreements dated 16 November 2020, in 2020, KTG received a loan from VTB Bank Kazakhstan JSC and VTB Bank (PJSC) for the total amount of 84,621,155 thousand tenge (equivalent to 15,151,500 thousand Russian rubles) for refinancing the current loan from the Corporate and Investment Banking Division of Société Générale at the rate of Key Rate of Central Bank of Russia (KR CBR) + 2.15% per annum. This loan is repayable on 16 November 2023.

As at 31 December 2021, KTG has total principal payable to VTB Bank Kazakhstan JSC and VTB Bank (PJSC) under the above loan agreements of 87,272,640 thousand tenge (31 December 2020: 85,151,430).

European Bank for Reconstruction and Development

In accordance with the loan agreement dated 26 May 2016, during 2020, ICA received the third tranche of a loan from the EBRD of 4,314,938 thousand tenge for the modernization of the Bozoi UGS facility, which will be repaid in 26 (twenty six) equal quarterly instalments starting from March 2020. The interest rate of this loan equals to 6m Consumer Price Index (CPI) + 2.15% per annum + 100 basis points cost.

During 2021, ICA repaid principal under the loan agreement of 8,474,619 thousand tenge (2020: 11,079,997 thousand tenge).

As at 31 December 2021, ICA has principal payable to European Bank for Reconstruction and Development under the above loan agreement of 37,978,477 thousand tenge (31 December 2020: 46,610,405 thousand tenge).

In 2021, KTG Aimak repaid principal under the loan agreement of 2,148,165 thousand tenge (2020: 2,148,165 thousand tenge).

As at 31 December 2021, KTG Aimak has total principal payable to European Bank for Reconstruction and Development under the above loan agreement of 9,666,746 thousand tenge (2020: 11,814,911 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, 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-Bozoi-Shymkent" at the rate of 3 months LIBOR + 1.35% per annum.

In 2020, KTG fully repaid principal under the loan agreement of 84,954,000 thousand tenge (equivalent to 200,000 thousand US dollars).

As at 31 December 2021 and 2020, interest-bearing loans with floating rates are not secured by any collateral.

16. INTEREST BEARING LOANS (continued)

Interest-bearing loans with fixed rate

Development Bank of Kazakhstan JSC

KTG Aimak concluded several revolving credit line agreements with the Development Bank of Kazakhstan JSC 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 2020, KTG Aimak received additional financing of 3,546,971 thousand tenge under the loan agreement. During 2021, KTG Aimak repaid principal of 8,198,127 thousand tenge (2020: 7,843,430 thousand tenge).

As at 31 December 2021, KTG Aimak has total principal payable to Development Bank of Kazakhstan JSC under the above loan agreements of 36,428,159 thousand tenge (2020: 44,626,286 thousand tenge).

As at 31 December 2021 and 2020, KTG acts as a guarantor under the loan agreements with Development Bank of Kazakhstan JSC and European Bank for Reconstruction and Development.

As at 31 December 2021 and 2020, interest-bearing loans with fixed rates are not secured by any collateral.

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. As at 31 December 2021 and 2020, the Group complies with all covenants.

17. LOANS FROM RELATED PARTY

As at 31 December loans from related parties comprised:

In thousands of tenge	**31 December 2021**	31 December 2020
Fixed interest rate borrowing	**24,109,052**	–
Interest-free borrowing	**318,236**	318,236
	24,427,288	318,236
Plus: interest payable	**255**	–
Less: unamortised discount	**(2,569,552)**	–
	21,857,991	318,236
Less: amount due for settlement within 12 months from the reporting date	**(7,164,345)**	(318,236)
Amounts due after 12 months	**14,693,646**	–

Fixed interest rate borrowings

On 23 November 2021, the Group received long-term loan from NC KazMunayGas JSC in the amount of 24,104,026 thousand tenge (equivalent to: 55,850,655 US dollars) at the rate of 0.01% per annum for general corporate purposes. The loan is indexed to US dollar. The difference between the nominal value and the fair value of the loan at the date of recognition of 2,703,208 thousand tenge was recognised as finance income *(Note 26)*. The maturity date of the loan is 23 November 2024.

In September 2014 the Group received long-term loan from NC KazMunayGas JSC in the total amount of 14,881,897 thousand tenge at the rate of 4.10% with maturity in September 2024. During 2020, the Group fully repaid principal of 14,881,897 thousand tenge ahead of schedule and recognized unwinding of discount of 4,332,652 thousand tenge through finance cost in consolidated statement of comprehensive income *(Note 26)*.

As at 31 December 2021 and 2020, loans from related parties are not secured by any collateral.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. PROVISIONS

In thousands of tenge	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 2019	27,964,986	2,542,294	72,448,140	30,911	316,198	103,302,529
Arising during the year	–	67,648	–	72,616	2,822,732	2,962,996
Foreign exchange loss	2,800,957	–	–	–	–	2,800,957
Change in estimates *(Note 4)*	–	130,087	1,514,194	–	–	1,644,281
Unwinding of discount *(Note 26)*	–	181,774	5,906,667	–	–	6,088,441
Utilised	–	–	–	(30,644)	(1,509,077)	(1,539,721)
At 31 December 2020	30,765,943	2,921,803	79,869,001	72,883	1,629,853	115,259,483
Arising during the year	–	**200,628**	–	**81,628**	**63,837**	**346,093**
Foreign exchange loss	**795,993**	–	–	–	–	**795,993**
Change in estimates *(Note 4)*	–	**149,445**	**3,091,844**	–	–	**3,241,289**
Unwinding of discount *(Note 26)*	–	**204,149**	**5,700,657**	–	–	**5,904,806**
Utilised	–	–	–	**(72,574)**	**(1,605,197)**	**(1,677,771)**
At 31 December 2021	**31,561,936**	**3,476,025**	**88,661,502**	**81,937**	**88,493**	**123,869,893**
Current provisions as at 31 December 2021	**31,561,936**	–	–	**81,937**	**79,173**	**31,723,046**
Non-current provisions as at 31 December 2021	–	**3,476,025**	**88,661,502**	–	**9,320**	**92,146,847**
Current provisions as at 31 December 2020	30,765,943	–	–	72,883	1,617,987	32,456,813
Non-current provisions as at 31 December 2020	–	2,921,803	79,869,001	–	11,866	82,802,670

Provision for gas transportation expenses

As at 31 December 2021, 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 31,561,936 thousand tenge) (2020: USD 73,094 thousand (equivalent to 30,765,943 thousand tenge) under the gas borrowing agreement.

In 2021 foreign exchange difference on the provisions in the amount of 795,993 thousand tenge was recognised in foreign exchange loss (2020: foreign exchange loss of 2,800,957 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 2021, provision for abandonment of gas pipelines and site rehabilitation of 88,661,502 thousand tenge (2020: 79,869,001 thousand tenge) represents the current costs of abandonment of gas pipelines and site rehabilitation expected to be incurred from 2021 till 2084.

19. CONTRACT LIABILITIES

In thousands tenge	**31 December 2021**	31 December 2020
Contract liabilities to third parties	**17,077,985**	13,367,710
Contract liabilities to related parties *(Note 28)*	**2,821,650**	1,260,230
Other	**324,257**	449,727
	20,133,892	15,077,667
Less: current portion of contract liabilities	**(8,569,659)**	(6,212,608)
Non-current portion of contract liabilities	**11,564,233**	8,865,059

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. TRADE AND OTHER PAYABLES

In thousands of tenge	31 December 2021	31 December 2020
Due to related parties *(Note 28)*	**149,058,493**	152,443,628
Due to third parties	**31,848,604**	52,467,920
	180,907,097	204,911,548

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:

In thousands of tenge	31 December 2021	31 December 2020
Tenge	**164,515,213**	170,623,930
US dollar	**13,069,371**	21,197,018
Russian rubles	**3,308,531**	13,075,847
Other	**13,982**	14,753
	180,907,097	204,911,548

21. OTHER CURRENT LIABILITIES

In thousands of tenge	31 December 2021	31 December 2020
Accrued bonuses	**11,764,144**	8,785,658
Payables to pension and social insurance funds	**1,227,464**	942,070
Other payments to the budget	**885,060**	–
Other	**365,741**	1,061,498
	14,242,409	10,789,226

22. REVENUE FROM CONTRACTS WITH CUSTOMERS

In thousands of tenge	Timing of revenue recognition	2021	2020
Type of goods or services			
Revenue from sales of gas	Over time	**706,715,103**	792,348,447
Revenue from gas transportation services	Over time	**151,770,251**	121,976,756
Revenue from technical maintenance of gas pipelines	Over time	**13,641,567**	17,096,661
Management fee	Over time	**19,143,871**	13,531,548
Other	Over time	**4,984,419**	566,691
		896,255,211	945,520,103
Geographical markets			
China		**432,774,610**	531,652,102
Kazakhstan		**358,543,578**	320,055,922
Commonwealth of Independent States		**104,937,023**	93,812,079
		896,255,211	945,520,103

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. COST OF SALES

In thousands of tenge	2021	2020
Cost of gas sold	**216,891,482**	366,972,188
Transportation expenses	**301,880,264**	323,917,747
Payroll and related contributions	**57,977,223**	51,880,902
Depreciation and amortization	**37,719,462**	38,215,856
Depreciation of the right-of-use assets	**31,862,307**	–
Fuel gas and gas losses	**19,012,773**	16,197,421
Taxes other than income tax	**10,634,670**	10,442,161
Billing services	**5,958,041**	6,177,532
Repair and maintenance	**4,666,562**	4,165,536
Security	**3,307,448**	3,341,167
Expenses on other services rendered	**2,394,984**	–
Business trip expenses	**1,646,293**	1,099,593
Electricity	**1,641,146**	1,379,656
Materials and supplies	**1,556,097**	924,382
Communication expenses	**1,240,175**	1,148,908
Insurance	**885,524**	817,909
Expense relating to short-term leases	**408,658**	3,921,157
Short-term employee benefits under finance lease	**–**	2,337,534
Other	**4,643,647**	3,271,881
	704,326,756	836,211,530

In accordance with the arbitration award on a dispute on the accuracy of the approach to calculating the contract price under the gas sale and purchase agreement, the parties reached an agreement on recalculating the contract price in favour of KTG. In 2021, the cost of gas sold was adjusted in the amount of 102,327,773 thousand tenge (equivalent to 239,648 thousand US dollars), fines and penalties in the amount of 13,556,064 thousand tenge (equivalent to 31,762 thousand US dollars) and reimbursement of expenses for arbitration disputes in the amount of 732,612 thousand tenge (equivalent to 1,716 thousand US dollars) were recognized as other operating income *(Note 25)*. As at 31 December 2021, the total amount received from the parties by the arbitration award was 134,750,060 thousand tenge, including VAT (equivalent to 315,432 thousand US dollars).

24. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of tenge	2021	2020
Payroll and related contributions	**13,948,271**	13,515,417
Repair and maintenance	**3,418,776**	2,820,407
Taxes other than income tax	**2,247,117**	2,279,607
Consulting services	**2,443,269**	1,508,607
Depreciation of the right-of-use assets	**2,184,732**	2,688,155
Depreciation and amortization	**1,957,090**	1,853,620
Other payments to the budget	**885,060**	–
Expense relating to short-term leases and leases of low-value assets	**525,286**	458,254
Office maintenance expenses	**338,386**	471,198
Festive and cultural events expenses	**229,192**	237,553
Communication services	**210,593**	184,967
Business trip expenses	**203,813**	123,167
Bank charges	**168,809**	112,279
Security costs	**111,872**	110,112
Personnel development and qualification upgrade	**89,302**	92,971
Short-term employee benefits under finance lease	**–**	672,299
Other	**3,489,887**	3,322,120
	32,451,455	30,450,733

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. OTHER OPERATING INCOME

In thousands of tenge	2021	2020
Fines and penalties	**13,723,870**	739,923
Compensation for arbitration disputes *(Note 23)*	**732,612**	–
Gain on disposal of assets held for sale *(Note 4)*	**645,225**	–
Income from sale of inventories	**248,517**	156,216
Impairment recovery of property plant and equipment	**75,862**	198,735
Income from technical services	**24,136**	1,632,286
Gain on curtailment	**–**	1,013,709
Other	**281,461**	2,529,779
	15,707,547	6,270,648

26. FINANCE INCOME AND FINANCE COSTS

In thousands of tenge	2021	2020
Finance income		
Interest income on bank deposits	**10,370,205**	5,645,263
Interest income on loans to related party	**9,656,710**	9,566,961
Amortization of financial guarantee obligations	**3,487,884**	4,220,433
Discount on loan from related party *(Note 17)*	**2,703,208**	–
Other income from financial assets	**–**	1,351,338
Discount on redemption of debt securities issued *(Note 15)*	**–**	927,194
Other	**328,757**	54,674
	26,546,764	21,765,863
Finance costs		
Interest on bank loans and overdrafts	**(16,415,865)**	(10,181,719)
Interest on debt securities issued	**(15,388,229)**	(13,424,967)
Unwinding of discount on abandonment and site restoration provision *(Note 18)*	**(5,904,806)**	(6,088,441)
Interest on lease obligations	**(2,211,309)**	(48,013)
Financial guarantee obligations to the joint venture	**(672,375)**	–
Amortization of capitalized costs related to loan arrangement	**(336,715)**	(456,307)
Amortization of discount on debt securities issued	**(152,383)**	(139,546)
Unwinding of discount on financial liabilities *(Note 17)*	**(134,337)**	(4,332,652)
Interest on loans from related party	**(255)**	(399,992)
Other	**(1,062,704)**	(1,839,689)
	(42,278,978)	(36,911,326)

27. INCOME TAX EXPENSES

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

In thousands of tenge	2021	2020
Current income tax expense	**47,336,037**	11,781,531
Deferred income tax expense	**19,890,196**	8,211,075
Adjustment of prior year income tax	**157,280**	1,034,179
	67,383,513	21,026,785

27. INCOME TAX EXPENSES (continued)

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:

In thousands of tenge	2021	2020
Profit before income tax	**467,576,069**	287,529,236
Statutory tax rate	**20%**	20%
Theoretical income tax expense	**93,515,214**	57,505,847
Tax effect of permanent differences		
Investments in joint venture	**18,015,076**	–
Non-deductible expenses related to additional costs of gas purchased	**5,900,000**	–
Dividend income from joint venture	**3,600,000**	–
Taxes other than income tax	**3,208,221**	212,638
Loss on disposal of property, plant and equipment	**1,539,420**	262,312–
Non-deductible interest expense	**1,382,516**	448,398
Unwinding of discount – historical costs and abandonment and site restoration provision	**1,180,961**	1,217,688
Change in provision for deferred tax assets	**673,891**	756,930
Non-deductible foreign exchange differences, net	**447,710**	1,975,284
Excess gas losses and related taxes	**416,210**	354,027
Write-off of expected credit losses	**84,626**	653,900
Unwinding of discount on financial liabilities	**57,344**	866,530
Short-term employee benefits under finance lease	–	633,371
Adjustments with respect to deferred income tax of prior year	–	76,930
Accrual of tax provision	–	15,069
Reversal of impairment of property, plant and equipment and exploration and evaluation assets	–	(39,747)
Adjustments with respect to current income tax of prior year	**157,280**	1,034,179
Discount on loans from related party	**(540,642)**	–
Share in income of joint ventures	**(63,822,872)**	(46,076,015)
Other non-deductible expenses	**1,568,558**	1,391,756
	67,383,513	21,026,785
Tax expense recognised in other comprehensive income	**1,455**	7,824
Income tax expenses reported in the consolidated statement of comprehensive income	**67,384,968**	21,034,609

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. INCOME TAX EXPENSES (continued)

As at 31 December 2021 and 2020, components of deferred income tax assets and liabilities are as follows:

In thousands of tenge	**2021**	**Charged to profit and loss**	**Charged to other comprehensive income**	2020	Charged to profit and loss	Charged to other comprehensive income	2019
Deferred tax assets							
Accumulated loss	**–**	**(482,865)**	**–**	482,865	482,865	–	–
Allowance for expected credit loss	**887,497**	**(70,118)**	**–**	957,615	(552,899)	–	1,510,514
Provision for gas transportation expenses	**6,884,957**	**159,198**	**–**	6,725,759	560,192	–	6,165,567
Other provisions	**3,570,821**	**653,932**	**–**	2,916,889	577,270	–	2,339,619
Loss under trust management agreement	**1,263,353**	**514,694**	**–**	748,659	196,740	–	551,919
Deferred income	**2,380,535**	**598,174**	**–**	1,782,361	131,047	–	1,651,314
Other	**457,753**	**(151,764)**	**(1,455)**	610,972	229,009	(7,824)	389,787
	15,444,916	**1,221,251**	**(1,455)**	14,225,120	1,624,224	(7,824)	12,608,720
Less: provision for deferred tax assets of the Group	**(8,148,309)**	**(673,891)**	**–**	(7,474,418)	(756,930)	–	(6,717,488)
	7,296,607	**547,360**	**(1,455)**	6,750,702	867,294	(7,824)	5,891,232
Deferred tax liabilities							
Property, plant and equipment and intangible assets	**(66,720,891)**	**(2,620,552)**	**–**	(64,100,339)	(8,833,607)	–	(55,266,732)
Investments in joint venture	**(18,015,076)**	**(18,015,076)**	**–**	–	–	–	–
Discounting on financial liabilities	**(40,198)**	**39,813**	**–**	(80,011)	48,462	–	(128,473)
Other non-current liabilities	**(852,625)**	**158,259**	**–**	(1,010,884)	(293,224)	–	(717,660)
	(85,628,790)	**(20,437,556)**	**–**	(65,191,234)	(9,078,369)	–	(56,112,865)
Net deferred tax liabilities	**(78,332,183)**	**(19,890,196)**	**(1,455)**	(58,440,532)	(8,211,075)	(7,824)	(50,221,633)

27. 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:

In thousands of tenge	**31 December 2021**	31 December 2020
Deferred tax assets	**890,484**	1,529,479
Deferred tax liabilities	**(79,222,667)**	(59,970,011)
Net deferred tax liabilities	**(78,332,183)**	(58,440,532)

As at 31 December 2021 the Group had corporate income tax prepaid of 4,582,882 thousand tenge (2020: 34,288,692 thousand tenge) and corporate income tax payable of 95,443 thousand tenge (2020: nil).

28. 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, Samruk-Kazyna Group companies (entities under common control), the Government (other state-controlled entities) and joint ventures, in which Samruk-Kazyna and the Government are the venturers.

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 incash, except as indicated below. For the years ended 31 December 2021 and 2020, 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 2021 and 2020 were as follows:

In thousands of tenge	**2021**	2020*
Sales of goods and services		
Joint ventures in which the Group is a venturer	**54,781,080**	59,032,855
Entities under common control of Samruk-Kazyna and the Government	**50,672,804**	45,859,694
Joint ventures in which Samruk-Kazyna and the Government is a venturers	**15,487,552**	32,268,374
	120,941,436	137,160,923

Sales of goods and services to the joint ventures in which the Group is a venturer for the year ended 31 December 2021, 31 December 2020 and 31 December 2019, are mostly represented by the sales of compressor stations for the following amounts.

In thousands of tenge	**2021**	2020	2019*
Sales of goods and services			
Joint ventures in which the Group is a venturer	**54,781,080**	59,032,855	50,224,987
	54,781,080	59,032,855	50,224,987

* *The disclosure of sale of goods and services to the joint ventures in which the Group is a venturer for 2019 is shown at gross basis and differs from its presentation in the consolidated financial statements of as of 31 December 2020 and 31 December 2019, where it was presented on net basis.*

Below the Group summarizes the sales of compressor stations:

In thousands of tenge	**2021**	2020	2019
Sales price excluding VAT	**42,886,487**	43,666,925	32,695,630
Book value of compressor stations	**42,241,262**	44,516,291	28,585,929
Gain/(loss) on disposal	**645,225**	(849,366)	4,109,701

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. RELATED PARTY TRANSACTIONS (continued)

Terms and conditions of transactions with related parties (continued)

	2021	2020*
Management fee		
Entities under common control of Samruk-Kazyna and the Government	**19,143,871**	13,531,548
	19,143,871	13,531,548
Purchases of goods and services		
Joint ventures in which the Group is a venturer	**289,767,016**	307,687,564
Entities under common control of Samruk-Kazyna and the Government	**8,337,387**	6,769,397
Joint ventures in which Samruk-Kazyna and the Government are venturers	**135,081,504**	125,711,543
	433,185,907	440,168,504
Fines and penalties		
Joint ventures in which Samruk-Kazyna and the Government are venturers	**2,338,053**	–
	2,338,053	–
Finance income		
Joint ventures in which the Group is a venturer	**13,144,594**	15,138,732
Joint ventures in which Samruk-Kazyna and the Government are venturers	**2,703,208**	–
	15,847,802	15,138,732
Finance costs		
Joint ventures in which the Group is a venturer	**323,740**	208,884
Entities under common control of Samruk-Kazyna and the Government	**4,116,060**	8,959,640
Joint ventures in which Samruk-Kazyna and the Government are venturers	**2,141,780**	242,309
	6,581,580	9,410,833
Other expenses		
Entities under common control of Samruk-Kazyna and the Government	**2,491,784**	–
	2,491,784	–
Other non-current financial assets		
Joint ventures in which the Group is a venturer	**–**	2,445,348
	–	2,445,348
Trade receivables and other receivables		
Joint ventures in which the Group is a venturer	**9,756,762**	5,251,022
Entities under common control of Samruk-Kazyna and the Government	**5,466,720**	6,321,892
Joint ventures in which Samruk-Kazyna and the Government are venturers	**39,573**	10,079
	15,263,055	11,582,993
Loans to related party		
Joint ventures in which the Group is a venturer	**176,660,416**	172,151,228
	176,660,416	172,151,228
Advances paid		
Entities under common control of Samruk-Kazyna and the Government	**10,510**	373,054
Joint ventures in which Samruk-Kazyna and the Government are venturers	**–**	4,432,249
	10,510	4,805,303

28. RELATED PARTY TRANSACTIONS (continued)

Terms and conditions of transactions with related parties (continued)

In thousands of tenge	2021	2020*
Trade and other payables		
Joint ventures in which the Group is a venturer	**73,978,941**	84,446,323
Entities under common control of Samruk-Kazyna and the Government	**4,651,531**	2,723,131
Joint ventures in which Samruk-Kazyna and the Government are venturers	**70,428,021**	65,274,174
	149,058,493	152,443,628
Loans		
Entities under common control of Samruk-Kazyna and the Government	**58,592,812**	45,329,645
	58,592,812	45,329,645
Lease liabilities		
Joint ventures in which Samruk-Kazyna and the Government are venturers	**4,056,603**	–
	4,056,603	–
Guarantees liabilities		
Joint ventures in which the Group is a venturer	**4,980,194**	6,639,364
	4,980,194	6,639,364
Other financial liabilities		
Entities under common control of Samruk-Kazyna and the Government	**34,938**	33,001
Joint ventures in which Samruk-Kazyna and the Government are venturers	**1,834,470**	2,356,024
	1,869,408	2,389,025
Contract liabilities		
Joint ventures in which the Group is a venturer	**359,972**	–
Entities under common control of Samruk-Kazyna and the Government	**5,383**	149,011
Joint ventures in which Samruk-Kazyna and the Government are venturers	**2,456,295**	1,111,219
	2,821,650	1,260,230

* *The disclosure of transactions with related parties under common control of Samruk-Kazyna and the Government in the table above for 2020 differ from its presentation in the consolidated financial statements as of 31 December 2020, as the Group omitted disclosure of this amount in the 2020 consolidated financial statements.*

In 2021, NC KazMunayGas JSC provided to the Group long-term financing of 24,104,026 thousand tenge (equivalent to: 55,850,655 US dollars) (2020: nil).

During 2021, BShP repaid interest of 9,627,922 thousand tenge (2020: interest of 9,336,492 thousand tenge). In 2020, BShP fully repaid principal under the loan agreement of 48,132,457 thousand tenge.

During 2020, the Group fully repaid principal and interest under the loan agreements of 14,881,897 thousand tenge and 495,583 thousand tenge, respectively, to NC KazMunayGas JSC.

During 2020, KTG Aimak received additional financing of 3,546,971 thousand tenge from Development Bank of Kazakhstan JSC under the loan agreement. During 2021, KTG Aimak repaid principal and interest of 8,198,127 thousand tenge and 4,059,930 thousand tenge, respectively (2020: 7,843,430 thousand tenge and 4,282,347 thousand tenge, respectively).

ICA signed lease agreement with AstanaGas KMG JSC. AstanaGas KMG JSC is an enterprise under joint control of Samruk-Kazyna. As of the date of conclusion of the agreement, the present value of the lease liability and right-of-use assets was 32,498,293 thousand tenge with an estimated incremental borrowing rate of 11% per annum. As at 31 December 2021, the carrying amount of the lease liability was 4,056,603 thousand tenge.

Compensation to key management personnel

Key management personnel comprise members of the Management Board and independent directors of the Company. In 2021 and 2020 total amount of compensation to key management was equal to 377,262 thousand tenge and 528,735 thousand tenge, respectively, consisting mainly of salaries and other payments and was included in general and administrative expenses in the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. 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.

Unconditional gas purchase obligations to the joint ventures

As at 31 December 2021, the Group has unconditional purchase obligation of 126,291,924 thousand tenge without VAT to AGP (2020: 214,678,296 thousand tenge) comprising gas transportation services.

As at 31 December 2020, the Group has unconditional purchase obligation of 201,629,177 thousand tenge without VAT to BShP comprising gas transportation services.

Commitments for capital expenditures

As at 31 December 2021, the Group has capital commitments of approximately 148,819,202 thousand tenge, excluding VAT (2020: 83,738,131 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 related to purchase and construction of property, plant and equipment is as follow as at 31 December:

In thousands of tenge	**2021**	2020
AGP	**4,042,566**	2,317,140
BShP	**52,678,558**	53,576,512

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.

Tax contingencies of BShP

According to the terms of the intergovernmental agreement between the Republic of Kazakhstan and the People's republic of China on cooperation in the construction and operation of the Kazakhstan-China gas pipeline dated 18 August 2007 (the "Agreement"), as well as the clarifications of the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan dated 30 December 2014, BShP, which was established on the territory of the Republic of Kazakhstan for the purposes of the Project, is exempt from paying value added tax on goods imported into the territory of the Republic of Kazakhstan until the completion of construction. In addition, BShP is exempt from corporate income tax and property tax until the date of repayment of loans obtained for the construction of the "Beineu-Bozoi-Shymkent" gas pipeline.

Management believes that as at 31 December 2021, it correctly interpreted the relevant provisions of legislation, and the probability of retaining the tax preferences mentioned above over the established period is high.

In addition, BShP is carrying out a project to amend the above Agreement, the implementation of which will confirm the current exemption from the above taxes in connection with the refinancing of the initial loan raised for the construction of the Second section of the Kazakhstan-China gas pipeline.

If BShP did not have tax preferences mentioned above related to modification of loan terms, following tax liabilities would have reduced share in income of joint ventures and investments in joint ventures: corporate income tax of 27,535,514 thousand tenge, including fines and penalties of 13,767,757 thousand tenge, property tax of 4,443,596 thousand tenge, including fines and penalties of 1,974,932 thousand tenge and deferred tax liability of 8,848,813 thousand tenge.

29. COMMITMENTS AND CONTINGENCIES (continued)

Taxation (continued)

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 2021. 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.

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 Gas 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 Kumyrly-Koskudyk, Anabay-Maldybai, Barkhannaya-Sultankudyk, Ucharal-Ucharal North and Kempirtobe fields.

According to the subsurface use contract, Amangeldy Gas is required to comply with minimal working program. As of 31 December 2021 and 2020, Amangeldy Gas complied with the minimal working program.

30. 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, debt securities issued, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has 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.

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2021 and 2020.

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.

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 (KR CBR 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.

In thousands of tenge	Increase/ decrease in basis points	Effect on profit before income tax
2021		
KR CBR	**3.00%**	**(2,618,179)**
CPI	**1.00%**	**(442,103)**
KR CBR	**-3.00%**	**2,618,179**
CPI	**-1.00%**	**442,103**
2020		
KR CBR	1.25%	(1,064,393)
CPI	0.25%	(549,526)
KR CBR	-0.75%	638,636
CPI	-0.25%	549,526

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.

In thousands of tenge	Increase/ decrease in the rate	Effect on profit before income tax
2021		
US dollar	**13%**	**2,411,662**
	-10%	**(1,855,125)**
2020		
US dollar	14%	(17,686,811)
	-11%	13,896,780

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Currency risk (continued)

In thousands of tenge	Increase/ decrease in the rate	Effect on profit before income tax
2021		
Ruble	**13%**	**(11,842,693)**
	-13%	**11,842,693**
2020		
Ruble	15%	(14,801,038)
	-15%	14,801,038

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, Fitch Ratings, Moody's and Thomas Murray credit rating symbols.

In thousands of tenge	**Location**	**2021**		2020		**2021**	2020
First Heartland Jysan Bank JSC	Kazakhstan	**Standard & Poor's**	**B/negative**			**95,654,691**	–
Halyk Bank of Kazakhstan JSC	Kazakhstan	**Standard & Poor's**	**BB+/stable**	Standard & Poor's	BB/stable	**93,659,034**	113,826,614
CitiBank Kazakhstan JSC	Kazakhstan	**Standard & Poor's**	**A+/stable**	Standard & Poor's	A+/stable	**87,301,800**	86,770,473
Sberbank JSC	Kazakhstan	**Moody's**	**Ba1/positive**	–	–	**62,560,061**	–
SB Bank of China	Kazakhstan	**Standard & Poor's**	**A/stable**	Standard & Poor's	A/stable	**44,037,217**	44,609,820
ForteBank JSC	Kazakhstan	**Standard & Poor's**	**B+/positive**	Standard & Poor's	B+/stable	**6,125,620**	4,504,716
VTB Bank Kazakhstan	Kazakhstan	**Standard & Poor's**	**B+/stable**	Standard & Poor's	B+/stable	**4,735,338**	37,526
Altyn Bank JSC	Kazakhstan	**Moody's**	**Baa3/Stable**	Fitch Ratings	BBB-/stable	**4,350,386**	857,602
Central Depository of Securities JSC	Kazakhstan	**Thomas Murray**	**A+/positive/A**	Thomas Murray	A+/positive/A	**420,275**	428
Credit Bank of Moscow PJSC	Russia	**Moody's**	**Baa3/Stable**			**55,101**	–
Societe Generale Private Banking	Netherlands	**Standard & Poor's**	**BB+/stable**	Standard & Poor's	BB+/stable	**1,554**	105,109
GazPromBank JSC	Russia	**Standard & Poor's**	**BB+/stable**	Standard & Poor's	BB+/stable	**110**	108
Citibank N.A. London	England	**Standard & Poor's**	**A+/stable**	Standard & Poor's	A+/stable	**87**	59
ATF Bank JSC	Kazakhstan	**Standard & Poor's**	**B-/stable**	Standard & Poor's	B-/stable	**–**	56
Development Bank of Kazakhstan JSC	Kazakhstan	**Standard & Poor's**	**BB+/stable**	Standard & Poor's	BB+/stable	**6**	20
						398,901,280	250,712,531

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.

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

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, 11* and *13*. For the financial guarantee issued and put option obligation, the maximum credit risk exposure equals the nominal value of the guaranteed loan agreement and nominal value of obligation if the option is exercised, respectively, 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 2021 and 2020, based on contractual undiscounted payments.

In thousands of tenge	**On demand**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**>5 years**	**Total**
At 31 December 2021						
Debt securities issued	**–**	**6,859,134**	**6,859,134**	**59,498,072**	**318,332,244**	**391,548,584**
Interest bearing loans	**122,923**	**8,673,442**	**27,381,857**	**172,735,694**	**5,214,386**	**214,128,302**
Loans from related party	**–**	**–**	**8,041,183**	**16,079,954**	**–**	**24,121,137**
Trade and other payables	**11,093,930**	**169,813,167**	**–**	**–**	**–**	**180,907,097**
Lease liabilities	**4,056,603**	**–**	**2,272,221**	**315,594**	**–**	**6,644,418**
Put-option obligation	**–**	**–**	**–**	**–**	**40,510,279**	**40,510,279**
Financial guarantee obligations	**–**	**16,302,298**	**48,528,911**	**110,746,368**	**–**	**175,577,577**
Other financial liabilities	**59,692**	**3,587,657**	**25,635**	**1,483,244**	**17,090**	**5,173,318**
	15,333,148	**205,235,698**	**93,108,941**	**360,858,926**	**364,073,999**	**1,038,610,712**

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

In thousands of tenge	On demand	1 to 3 months	3 months to 1 year	1 to 5 years	>5 years	Total
At 31 December 2020						
Debt securities issued	–	6,690,875	6,690,875	58,527,000	323,310,651	395,219,401
Interest bearing loans	132,469	8,000,602	24,999,673	185,903,410	15,670,673	234,706,827
Loans from related party	–	–	318,236	–	–	318,236
Trade and other payables	9,350,946	195,560,602	–	–	–	204,911,548
Lease liabilities	–	107	2,538,819	2,669,259	77,107	5,285,292
Put-option obligation	–	–	–	–	40,510,279	40,510,279
Financial guarantee obligations	–	8,641,306	25,550,009	88,066,871	–	122,258,186
Other financial liabilities	49,192	3,399,538	25,635	2,156,505	51,271	5,682,141
	9,532,607	222,293,030	60,123,247	337,323,045	379,619,981	1,008,891,910

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 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. 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 15, 16* and *17* and equity, comprising primarily share capital, additional paid-in capital and retained earnings as disclosed in *Note 14.*

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:

In thousands of tenge	**2021**	2020
Debt securities issued *(Note 15)*	**312,484,632**	304,526,478
Interest bearing loans *(Note 16)*	**172,224,231**	188,297,301
Loans from related party *(Note 17)*	**21,857,991**	318,236
Less: cash and cash equivalents, bank deposits	**(398,934,245)**	(250,753,255)
Total debt	**107,632,609**	242,388,760
Equity	**1,787,636,112**	1,388,432,615
Debt-to-equity ratio	**0.06**	0.17

Fair value of financial instruments

The carrying value of the Group's financial instruments as of 31 December 2021 and 2020 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

	2021				
			Fair value by level of assessment		
In thousands of tenge	**Carrying amount**	**Fair value**	**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	**176,660,416**	**190,534,947**	–	–	**190,534,947**
Financial liabilities					
Debt securities issued	**(312,484,632)**	**(339,857,062)**	**(339,857,062)**	–	–
Interest bearing loans	**(172,224,231)**	**(169,749,920)**	–	**(169,749,920)**	–
Loans from related party	**(21,539,755)**	**(21,650,082)**	–	**(21,650,082)**	–

	2020				
			Fair value by level of assessment		
In thousands of tenge	Carrying amount	Fair value	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	172,151,228	159,808,893	–	–	159,808,893
Financial liabilities					
Debt securities issued	(304,526,478)	(282,195,749)	(282,195,749)	–	–
Interest bearing loans	(188,297,301)	(184,793,576)	–	(184,793,576)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. 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, short-term loans received and all other financial instruments 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, Level 2 and Level 3 during 2021 and 2020.

Changes in liabilities arising from financial activities

In thousands of tenge	1 January 2021	**Proceeds**	**Repayments**	**Repayment of interest**	**Foreign exchange gains or losses**	**Others**	**31 December 2021**
Financial liabilities							
Interest bearing loans	188,297,301	**–**	**(18,820,911)**	**(15,824,300)**	**2,097,492**	**16,474,649**	**172,224,231**
Loans from related party	318,236	**24,104,026**	**–**	**–**	**4,345**	**(2,568,616)**	**21,857,991**
Debt securities issued	304,526,478	**–**	**–**	**(15,250,586)**	**7,629,925**	**15,578,815**	**312,484,632**
Other financial liabilities (Lease liabilities)	4,580,533	**–**	**(30,323,221)**	**–**	**–**	**32,122,536**	**6,379,848**
Total liabilities arising from financial activities	497,722,548	**24,104,026**	**(49,144,132)**	**(31,074,886)**	**9,731,762**	**61,607,384**	**512,946,702**

In thousands of tenge	1 January 2020	Proceeds	Repayments	Repayment of interest	Foreign exchange gains or losses	Others	31 December 2020
Financial liabilities							
Interest bearing loans	193,337,693	92,483,064	(106,025,592)	(12,995,815)	8,948,474	12,549,477	188,297,301
Loans from related party	10,732,292	318,236	(14,881,897)	(495,583)	–	4,645,188	318,236
Debt securities issued	294,006,172	–	(17,816,800)	(14,176,740)	29,838,219	12,675,627	304,526,478
Other financial liabilities (Lease liabilities)	–	–	(2,440,580)	–	–	7,021,113	4,580,533
Total liabilities arising from financial activities	498,076,157	92,801,300	(141,164,869)	(27,668,138)	38,786,693	36,891,405	497,722,548

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

31. 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.

31. 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 2021:

In thousands of tenge	Gas trading	Transportation and storage of gas	Other segments	Elimination	Total
Revenue from external customers	771,306,613	118,415,432	6,533,166	–	896,255,211
Revenue from other segments	13,354,640	126,214,265	22,672,385	(162,241,290)	–
Total revenue from contracts with customers	**784,661,253**	**244,629,697**	**29,205,551**	**(162,241,290)**	**896,255,211**
Finance income	26,903,674	2,453,829	1,542,979	(4,353,718)	26,546,764
Finance costs	(29,471,176)	(12,518,988)	(766,166)	477,352	(42,278,978)
Depreciation and amortization	(11,144,391)	(24,877,798)	(3,589,516)	–	(39,611,705)
Share in profit of joint ventures	–	319,087,303	27,058	–	319,114,361
Income tax expenses	(45,478,101)	(19,933,249)	(1,972,163)	–	(67,383,513)
Net profit for the year	**175,660,575**	**372,450,445**	**5,740,762**	**(153,659,226)**	**400,192,556**
Other segment information					
Investments in joint ventures	–	685,891,336	1,325,087	–	687,216,423
Capital expenditures	19,807,574	76,036,888	7,823,094	(15,260,703)	88,406,853
Allowance for expected credit losses	(4,396,366)	(385,298)	(42,940)	–	(4,824,604)
Allowances for obsolete inventories and advances paid	(175,181)	(1,471,908)	–	–	(1,647,089)
Assets of the segment	**1,573,930,114**	**1,610,430,682**	**91,432,815**	**(541,591,097)**	**2,734,202,514**
Liabilities of the segment	**747,897,285**	**265,104,919**	**17,147,524**	**(83,583,326)**	**946,566,402**

The following represents information about revenue and net profit, and assets and liabilities of operating segments of the Group for 2020:

In thousands of tenge	Gas trading	Transportation and storage of gas	Other segments	Elimination	Total
Revenue from external customers	848,075,562	96,021,287	1,423,254	–	945,520,103
Revenue from other segments	11,579,626	97,141,538	22,457,844	(131,179,008)	–
Total revenue from contracts with customers	859,655,188	193,162,825	23,881,098	(131,179,008)	945,520,103
Finance income	22,091,409	2,009,011	707,130	(3,041,687)	21,765,863
Finance costs	(28,658,429)	(8,358,069)	(587,933)	693,105	(36,911,326)
Depreciation and amortization	(11,132,376)	(26,108,613)	(2,828,487)	–	(40,069,476)
Impairment provision of property, plant and equipment	–	198,735	(1,021,926)	–	(823,191)
Share in profit of joint ventures	–	230,343,862	36,211	–	230,380,073
Income tax expenses	(3,970,311)	(16,030,994)	(1,025,480)	–	(21,026,785)
Net profit for the year	100,142,135	287,049,348	289,332	(120,978,364)	266,502,451
Other segment information					
Investments in joint ventures	–	428,660,505	1,066,966	–	429,727,471
Capital expenditures	15,955,079	106,861,709	6,390,477	(2,296,559)	126,910,706
Allowance for expected credit losses	(4,683,266)	(375,800)	(80,630)	–	(5,139,696)
Allowances for obsolete inventories and advances paid	(195,094)	(1,471,908)	(285,340)	–	(1,952,342)
Assets of the segment	1,399,083,415	1,317,799,737	81,865,077	(488,666,143)	2,310,082,086
Liabilities of the segment	747,751,741	215,440,812	16,849,832	(58,392,914)	921,649,471

Eliminations represent the exclusion of intra-group turnovers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. SEGMENT REPORTING (continued)

In 2021, the Group generated 48% of its revenues from PetroChina Group (2020: 56%) and 11% from Gazprom Group (2020: 9%).

32. SUBSEQUENT EVENTS

On 2 January 2022 protests started in Mangystau region of Kazakhstan related to significant increase in the liquified natural gas retail price. These protests spread to other cities and resulted in riots, damage to property and loss of life. On 5 January 2022 the government declared a state of emergency.

As a result of the above protests and state of emergency the President of Kazakhstan has made certain public announcements regarding possible measures including amendments to the tax legislation, introducing measures for financial stability, controlling and stabilizing the inflation rate and the tenge exchange rate.

On 19 January 2022, the state of emergency was lifted. The Group is currently unable to quantify what the impact, if any, may be on the Group financial position of any new measures the government may take or any impact from the effect on the Kazakhstan economy as a result of the above protests and state of emergency.