KazTransOil JSC

Consolidated financial statements

For the year ended 31 December 2022
with the independent auditor's report

Building a better working world

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Independent auditor's report

To the Shareholders and Board of Directors of KazTransOil JSC

Opinion

We have audited the consolidated financial statements of KazTransOil JSC and its subsidiaries (hereinafter, the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as at 31 December 2022 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' (IESBA) 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 the 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 this matter. 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 matter 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
Fair value of property, plant and equipment	
The Group assessed fair value of its property, plant and equipment in 2022. The Group has property, plant and equipment in Kazakhstan and in Georgia. Property, plant and equipment located in Kazakhstan and in Georgia makes up a significant portion of total assets of the Group as at 31 December 2022. Due to high level of subjectivity in respect of assumptions underlying the assessment of the fair value of property, plant and equipment, we believe that this matter is of the most significance in our audit. The Group uses independent external appraisers in the process of valuation. The fair value of the Group's assets in Kazakhstan was appraised using the cost and income approaches under the economic impairment test for specialized oil transportation assets, cost approach for specialized water transportation assets and the market approach for non-specialized assets. Significant assumptions used in calculating the fair value included future transportation volumes, tariffs, discount rate and long-term growth rate. The assets in Georgia were divided into two groups for revaluation purposes: the "Batumi Sea Port" (BSP) and the "Batumi Oil Terminal" (BOT). Fair value of all BOT's assets and BSP's non-specialized assets was determined using market approach. Fair value of specialized BSP's assets has been determined using income approach. Significant assumptions used in calculating the fair value of BSP included expected volume of transshipment services provided, tariffs, the amount of capital and operating expenditures, discount rate and long-term growth rate. Information about property, plant and equipment is disclosed in Note 6 to the consolidated financial statements; a description of the accounting policy and key judgements and estimates is included in Notes 4 and 5 to the consolidated financial statements.	We overviewed the Group's valuation process and assessed the independence and expertise of the external appraisers. For assets revalued using the income and the cost approaches, and assets to which an economic impairment was applied, we compared input data used by the independent external appraisers with the Group's business plans. We assessed underlying assumptions and compared them with historical data. We engaged our internal valuation specialists to assess the valuation methods applied. We compared data used in discount rate and long-term growth rate calculations with available external information and checked arithmetical accuracy of these calculations. For the assets, revalued using indexation, we assessed calculation of indexes and compared indexes used in calculation of fair value to available external data. For the assets, revalued using direct cost approach, we compared major inputs (technical characteristics of assets (length, width, volume, etc.), cost of materials, cost of construction works, labor input coefficients) to the Group's internal technical documentation. For the assets, revalued using market approach we compared inputs with available market data for similar items. We checked mathematical accuracy of the fair value calculations. We analyzed the disclosures made in the financial statements about the revaluation of property, plant and equipment.

Other information included in the Group's Annual report 2022

Other information consists of the information included in the Group's 2022 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2022 Annual Report is expected to be made available to us after the date of this auditor's report.

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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 audit committee 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 the 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.

Audit committee 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 audit committee 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 audit committee 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.

From the matters communicated with audit committee, 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 Adil Syzdykov.

Ernst & Young LLP

Adil Syzdykov
Auditor

Rustamzhan Sattarov
General Director
Ernst & Young LLP

Auditor Qualification Certificate
No. МФ 0000172 dated 23 December 2013

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

050060, Republic of Kazakhstan, Almaty
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6 March 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of Tenge	Notes	31 December 2022	31 December 2021
Assets			
Non-current assets			
Property, plant and equipment	6	**974,595,927**	803,073,178
Right-of-use assets	7	**917,065**	1,111,472
Intangible assets	8	**8,515,332**	7,352,234
Investments in joint ventures	9	**94,588,186**	74,096,113
Advances to suppliers for property, plant and equipment	10	**29,219,803**	6,443,725
VAT recoverable	14	**4,314,632**	4,356,465
Other long-term accounts receivable	12	**883,284**	913,384
Bank deposits	16	**945,452**	1,424,328
Deferred tax assets	35	**–**	2,254,677
Other non-current assets		**360,146**	93,701
		1,114,339,827	901,119,277
Current assets			
Inventories	11	**8,758,265**	8,141,938
Trade and other accounts receivable	12	**8,366,581**	7,143,184
Advances to suppliers	13	**1,787,294**	414,279
Prepayment for income tax		**1,878,426**	1,777,447
VAT recoverable and other prepaid taxes	14	**8,439,215**	8,149,910
Other current assets	15	**6,668,085**	6,649,961
Bank deposits	16	**–**	8,665,145
Cash and cash equivalents	17	**85,157,538**	40,498,972
		121,055,404	81,440,836
Non-current assets held for sale	18	**22,729**	602,408
		121,078,133	82,043,244
Total assets		**1,235,417,960**	983,162,521

The accounting policy and explanatory notes on pages 8 through 66 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In thousands of Tenge	Notes	31 December 2022	31 December 2021
Equity and liabilities			
Equity			
Share capital	19	**61,937,567**	61,937,567
Treasury shares repurchased from shareholders	19	**(9,549)**	(9,549)
Asset revaluation reserve	19	**423,217,162**	285,685,165
Foreign currency translation reserve	19	**46,952,044**	40,632,765
Other capital reserves	19	**(188,145)**	(4,310,257)
Retained earnings		**380,544,246**	353,172,325
Total equity		**912,453,325**	737,108,016
Non-current liabilities			
Loans received	20	**29,760,793**	–
Employee benefit obligations	21	**18,096,363**	21,433,483
Deferred tax liabilities	35	**107,509,698**	81,019,373
Provision for asset retirement and land recultivation obligation	26	**40,664,979**	34,547,151
Contract liabilities to customers	22	**35,132,179**	30,179,505
Lease liabilities	24	**198,450**	267,714
		231,362,462	167,447,226
Current liabilities			
Current part of employee benefit obligations	21	**1,046,911**	722,893
Income tax payable		**1,470,302**	1,129,157
Trade and other accounts payable	23	**19,230,822**	20,020,122
Lease liabilities	24	**942,217**	1,393,200
Contract liabilities to customers	22	**29,529,193**	21,850,025
Other taxes payable	25	**8,740,967**	6,191,424
Provisions	26	**1,309,778**	1,441,364
Other current liabilities	27	**29,331,983**	25,859,094
		91,602,173	78,607,279
Total liabilities		**322,964,635**	246,054,505
Total equity and liabilities		**1,235,417,960**	983,162,521
Book value per ordinary share (in Tenge)	19	**2,350**	1,897

Signed and approved for issue on 6 March 2023.

Acting General Director (Chairman of the Management Board) ______ *Sagiyev E.B.*

Chief Accountant ______ *Akhmedina A.S.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
In thousands of Tenge	**Notes**	**2022**	2021
Revenue	28	**255,627,309**	238,176,116
Cost of sales	29	**(219,434,650)**	(173,246,278)
Gross profit		**36,192,659**	64,929,838
General and administrative expenses	30	**(16,539,471)**	(15,549,677)
Other operating income	31	**2,027,914**	3,095,309
Other operating expenses	32	**(1,011,127)**	(926,182)
Impairment of property, plant and equipment, net	6	**(12,911,982)**	(336,434)
Operating profit		**7,757,993**	51,212,854
Net foreign exchange gain/(loss), net		**1,944,638**	(88,376)
Finance income	33	**4,028,576**	3,201,187
Finance costs	34	**(4,778,915)**	(4,116,159)
Share in income of joint ventures	9	**15,973,820**	12,788,333
Profit before income tax		**24,926,112**	62,997,839
Income tax expense	35	**(5,124,419)**	(12,390,832)
Net profit for the year		**19,801,693**	50,607,007
Basic and diluted earnings per share (in Tenge)	19	**51**	132

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In thousands of Tenge	Notes	For the year ended 31 December 2022	2021
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange difference from translation of foreign operations of the Group		**6,319,279**	2,307,423
Total other comprehensive income to be reclassified to profit or loss in subsequent periods, net		**6,319,279**	2,307,423
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Revaluation and impairment of property, plant and equipment of the Group, net	6	**170,785,590**	101,153,661
Income tax effect	35	**(33,286,881)**	(20,230,732)
		137,498,709	80,922,929
Reversal of provision for asset retirement and land recultivation obligation of the Group	26	**6,810,783**	185,471
Income tax effect	35	**(1,362,157)**	(37,094)
		5,448,626	148,377
Revaluation and impairment of property, plant and equipment of joint ventures, net		**11,611,744**	
Income tax effect		**(2,322,349)**	–
	9	**9,289,395**	–
Reversal/(charge) of provision for asset retirement and land recultivation obligation of joint ventures		**3,582,283**	(392,854)
Income tax effect		**(716,457)**	78,571
	9	**2,865,826**	(314,283)
Actuarial income from employee benefit obligations of the Group	21	**4,238,724**	1,737,723
Income tax effect	35	**(116,499)**	(47,760)
		4,122,225	1,689,963
Actuarial loss from employee benefit obligations of joint venture		**(141)**	(940)
Income tax effect		**28**	188
	9	**(113)**	(752)
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods, net		**159,224,668**	82,446,234
Total other comprehensive income for the year, net of tax		**165,543,947**	84,753,657
Total comprehensive income for the year, net of tax		**185,345,640**	135,360,664

Signed and approved for issue on 6 March 2023.

Acting General Director (Chairman of the Management Board) Sagyndykov E.B.

Chief Accountant *Akhmedina A.S.*

The accounting policy and explanatory notes on pages 8 through 66 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of Tenge	Notes	For the year ended 31 December 2022	2021
Cash flows from operating activities			
Profit before income tax		**24,926,112**	62,997,839
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortization	29, 30	**54,873,727**	53,658,036
Share in income of joint ventures	9	**(15,973,820)**	(12,788,333)
Impairment of property, plant and equipment, net	6	**12,911,982**	336,434
Finance costs	34	**4,778,915**	4,116,159
Finance income	33	**(4,028,576)**	(3,201,187)
Amortization of deferred income	22, 31	**(2,441,250)**	(1,667,283)
Net foreign exchange (gain)/loss, net		**(1,944,638)**	88,376
Reversal and revision of estimates on provision on asset retirement and land recultivation obligation, net	31	**(853,813)**	(1,528,063)
Employee benefit obligations, current services costs	29, 30	**725,176**	982,173
Write-off of inventory value to net realisable value	32	**394,769**	–
Loss on disposal of property, plant and equipment, net	32	**313,510**	440,587
Charge of expected credit losses, net	30	**308,922**	27,052
Write-off of VAT recoverable	30	**132,234**	74,466
Income from recognition of inventories	31	**(21,758)**	(182,492)
Gain on disposal of non-current assets held for sale, net	31	**(10,824)**	(46,677)
(Reversal)/charge of current provisions, net	30, 31	**(7,836)**	354,482
Actuarial loss	32	**4,163**	20,748
Others		**93,259**	89,715
Operating cash flows before working capital changes		**74,180,254**	103,772,032
(Increase)/decrease in operating assets			
Inventories		**156,418**	989,971
Trade and other accounts receivable		**(1,470,580)**	(2,684,856)
Advances to suppliers		**(1,360,094)**	323,595
VAT recoverable and other prepaid taxes		**(1,326,542)**	(1,841,880)
Other current assets		**85,834**	2,355,460
Increase/(decrease) in operating liabilities			
Trade and other accounts payable		**(1,226,263)**	438,924
Contract liabilities to customers		**7,656,256**	(2,034,063)
Other taxes payable		**4,149,327**	310,394
Other current and non-current liabilities and employee benefit obligations		**282,972**	(968,596)
Cash flows from operating activities		**81,127,582**	100,660,981
Income taxes paid		**(10,732,060)**	(16,170,464)
Interest received		**3,117,385**	2,486,301
Net cash flows from operating activities		**73,512,907**	86,976,818

The accounting policy and explanatory notes on pages 8 through 66 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In thousands of Tenge	Notes	For the year ended 31 December 2022	2021
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(64,234,328)**	(69,751,893)
Withdrawal of bank deposits, net		**9,212,398**	21,387,629
Dividends received from joint ventures	9	**7,636,855**	1,800,000
Proceeds from disposal of property, plant and equipment and non-current assets held for sale		**54,179**	412,935
Proceeds from bonds redemption	15	**42,452**	182,430
Net cash flows used in investing activities		**(47,288,444)**	(45,968,899)
Cash flows from financing activities			
Proceeds from loans	20	**29,592,745**	–
Dividends paid	19	**(10,000,331)**	(50,770,909)
Payment of lease liabilities	24	**(2,048,030)**	(2,031,517)
Other payments	20	**(533,127)**	–
Net cash flows received from / (used in) financing activities		**17,011,257**	(52,802,426)
Net change in cash and cash equivalents		**43,235,720**	(11,794,507)
Net foreign exchange difference		**1,424,711**	279,916
Change in allowance for expected credit losses	17	**(1,865)**	(1,049)
Cash and cash equivalents at the beginning of the year		**40,498,972**	52,014,612
Cash and cash equivalents at the end of the year	17	**85,157,538**	40,498,972

Signed and approved for issue on 6 March 2023.

Acting General Director (Chairman of the Management Board) _____ *Sagiyev E.B.*

Chief Accountant _____ *Akhmedina A.S.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of Tenge	Share capital	Treasury shares repur-chased from shareholders	Asset revaluation reserve	Foreign currency translation reserve	Other capital reserves	Retained earnings	Total
As at 31 December 2020	61,937,567	(9,549)	221,632,815	38,325,342	(5,999,468)	336,631,554	652,518,261
Net profit for the year	–	–	–	–	–	50,607,007	50,607,007
Other comprehensive income	–	–	80,757,023	2,307,423	1,689,211	–	84,753,657
Total comprehensive income for the year	–	–	80,757,023	2,307,423	1,689,211	50,607,007	135,360,664
Amortization of revaluation reserve for property, plant and equipment	–	–	(16,704,673)	–	–	16,704,673	–
Dividends *(Note 19)*	–	–	–	–	–	(50,770,909)	(50,770,909)
As at 31 December 2021	61,937,567	(9,549)	285,685,165	40,632,765	(4,310,257)	353,172,325	737,108,016
Net profit for the year	–	–	–	–	–	**19,801,693**	**19,801,693**
Other comprehensive income	–	–	**155,102,556**	**6,319,279**	**4,122,112**	–	**165,543,947**
Total comprehensive income for the year	–	–	**155,102,556**	**6,319,279**	**4,122,112**	**19,801,693**	**185,345,640**
Amortization of revaluation reserve for property, plant and equipment	–	–	**(17,570,559)**	–	–	**17,570,559**	–
Dividends *(Note 19)*	–	–	–	–	–	**(10,000,331)**	**(10,000,331)**
As at 31 December 2022	**61,937,567**	**(9,549)**	**423,217,162**	**46,952,044**	**(188,145)**	**380,544,246**	**912,453,325**

Signed and approved for issue on 6 March 2023.

Acting General Director (Chairman of the Management Board) Sagiyev E.B.

Chief Accountant Akhmedina A.S.

The accounting policy and explanatory notes on pages 8 through 66 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL

On 2 May 2001, the Government of the Republic of Kazakhstan issued a resolution to create a new closed joint stock company National Company "Transportation of Oil and Gas" (hereinafter − "TNG") owned by the Government. Based on that resolution, the Committee for State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan transferred the NOTC "KazTransOil" CJSC shares to TNG, and, as a result, the NOTC "KazTransOil" CJSC was re-registered and renamed as "KazTransOil" CJSC.

Under Decree of the President of the Republic of Kazakhstan dated on 20 February 2002, on the basis of closed joint-stock companies, National Oil and Gas Company "Kazakhoil" and National Company "Transport of Oil and Gas", reorganized by merger, the National Company "KazMunayGas" Closed Joint-Stock Company was created and became the sole shareholder of "KazTransOil" CJSC.

On 31 May 2004 in accordance with the requirements of Kazakhstani legislation, "KazTransOil" CJSC was re-registered as "KazTransOil" JSC (hereinafter − "Company").

As at 31 December 2022 10% of shares of the Company are owned by minority shareholders who acquired them within the "People's IPO" program. The major shareholder of the Company, who owns the controlling interest of the Company (90%) is National Company "KazMunayGas" JSC (hereinafter "KMG" or "Parent Company"). As at 31 December 2022 87.42% of KMG shares belong to the Government of the Republic of Kazakhstan represented by Sovereign Wealth Fund "Samruk-Kazyna" JSC (hereinafter − "Samruk-Kazyna"), 9.58% of KMG shares belong to the Republic State Institution «National Bank of the Republic of Kazakhstan» and 3% of shares are in free circulation of the Astana International Exchange (AIX) and Kazakhstan Stock Exchange (hereinafter − "KASE"). The Government of the Republic of Kazakhstan is a sole shareholder of Samruk-Kazyna.

As at 31 December 2022 and 2021 the Company had ownership interest in the following companies:

	Place of incorporation	Principal activities	Ownership 31 December 2022	Ownership 31 December 2021
"MunaiTas" NWPC LLP (hereinafter − "MunaiTas")	Kazakhstan	Oil transportation	**51%**	51%
"Kazakhstan-China Pipeline" LLP (hereinafter − "KCP")	Kazakhstan	Oil transportation	**50%**	50%
"Batumi Oil Terminal" (hereinafter − "BOT")*	Georgia	Forwarding, transshipment and storage of oil and oil products and operating of Batumi Sea Port	**100%**	100%
"Petrotrans Limited" (hereinafter − "PTL")	United Arab Emirates	Forwarding of oil and oil products	**100%**	100%
"Main Waterline" LLP (hereinafter − "Main Waterline")	Kazakhstan	Water transportation	**100%**	100%

* *BOT has the exclusive right to manage 100% of the shares of "Batumi Sea Port" LLC (hereinafter − "BSP").*

The Company and its subsidiaries are hereinafter referred to as the "Group".

The Company's head office is located in Astana, Kazakhstan, at 20 Turan Avenue.

The Company has production facilities, which are located in Mangystau, Atyrau, Western-Kazakhstan, Aktubinsk, Karaganda, Pavlodar, Turkestan, North − Kazakhstan regions of the Republic of Kazakhstan and in Shymkent, also branches, which are located in Almaty (Research and Development Centre) and in Astana (Oil Transportation Control Centre) and representative offices in Russian Federation (Moscow, Omsk and Samara).

The Company is the national operator of the Republic of Kazakhstan on the main oil pipeline. The Group operates network of main oil pipelines of 5,373 km and water pipelines of 2,105 km. The Company provides services on oil transportation via main pipelines, a transport expedition of Kazakhstani oil via pipeline networks of other states, services for the operation and maintenance of oil pipelines of other companies, including joint ventures of the Group. Group's joint ventures MunaiTas and KCP own Kenkiyak-Atyrau, Kenkiyak-Kumkol, and Atasu-Alashankou pipelines mainly used for transportation of Kazakhstani crude oil, and also for transit of Russian oil to China.

The Company is a natural monopolist and, respectively, is subject to regulation of the Committee on Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter − "CRNM"). CRNM is responsible for approving the methodology for calculating the tariff and tariff rates for oil transportation in domestic market of the Republic of Kazakhstan.

1. GENERAL (continued)

According to the Law of the Republic of Kazakhstan *On Natural Monopolies* transit of crude oil through the pipelines on the territory of the Republic of Kazakhstan and export from the Republic of Kazakhstan are excluded from the regulation of natural monopolies.

Starting from 1 January 2022 to 31 August 2022, the approved temporary compensating tariff for pumping oil to the domestic market is 3,728.82 Tenge per ton for 1,000 kilometers without VAT, from 1 September 2022 to 30 November 2022 amounted 4,328.04 Tenge per ton for 1,000 kilometers without VAT. Starting from 1 December 2022 approved tariff for specified service is 4,355.57 Tenge per ton for 1,000 kilometers without VAT (from 1 January 2021 to 30 November 2021: 4,355.57 Tenge per ton for 1,000 kilometers without VAT; from 1 December 2021 to 31 December 2021: 4,328.04 Tenge per ton for 1,000 kilometers without VAT).

Tariff for pumping oil on export from the Republic of Kazakhstan Starting from 1 March 2020, was 7,358.76 Tenge per ton for 1,000 kilometers without VAT. Starting from 1 June 2022, tariff for the specified service was put into effect in the amount of 8,830.51 Tenge per ton for 1,000 km without VAT.

Tariff for pumping oil for transit through Kazakhstani part of main oil pipeline "Tuymazy − Omsk − Novosibirsk-2" starting from 1 April 2018 is 4,292.40 Tenge per ton for 1,000 kilometers without VAT.

Starting from 1 January 2019 tariff for transportation of Russian oil through the territory of Kazakhstan to the People's Republic of China on the route border of Russian Federation-border of Republic of Kazakhstan (Priirtyshsk) − Atasu (Republic of Kazakhstan) − Alashankou (People's Republic of China) is 4.23 US Dollars per ton (in Priirtyshsk − Atasu sector).

In general, tariff rates are based on the cost of capital return on operating assets. In accordance with the legislation of the Republic of Kazakhstan on regulation of natural monopolies, tariff rates cannot be lower than the expenditures required to provide services, and should provide for entity's profitability at the level ensuring effective functioning of a natural monopoly.

These consolidated financial statements were approved by Internal Audit Committee of the Company's Board of Directors and signed by the Acting General Director (Chairman of the Management Board) and the Chief Accountant on 6 March 2023.

2. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on a historical cost basis, except for property, plant and equipment, which are stated at revalued amounts, and other items described in the accounting policies and notes to the consolidated financial statements.

The consolidated financial statements are presented in Tenge and all amounts are rounded to the nearest thousands, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;

3. BASIS OF CONSOLIDATION (CONTINUED)

- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Interest in a joint venture

The Group has interests in joint operations in the form of joint ventures.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Factors considered in determining joint control are similar to the factors considered in determining the existence of control of subsidiaries.

The Group's investment in its joint ventures is accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The Group's share of profit or loss of a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit. It represents profit or loss after tax of the joint venture.

Financial statements of joint ventures are prepared for the same reporting period as for the Group. Where 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 additional impairment loss on own investments in its joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investment in a 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 value and recognises the amount in consolidated statement of comprehensive income under "Share in profit or loss of joint ventures".

Upon loss of significant influence over the joint control over the joint ventures, the Group measures and recognises its remaining investment at its fair value. Any differences between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Foreign currency translation

The Group's consolidated financial statements are presented in Tenge. 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. Functional currency of the Company, Main Waterline and the joint ventures MunaiTas and KCP is Tenge. Functional currency of PTL and BOT is US Dollar, functional currency of BSP is Georgian Lari.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction first qualified for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All exchange differences arising from repayment and recalculation of monetary items, are included in consolidated profit or loss and other 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. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Tenge at the rate of exchange prevailing at the reporting date and their income statements are translated at weighted average currency exchange rates. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange at the reporting date.

Exchange rates

Weighted average currency exchange rates established by the KASE are used as official currency exchange rates in the Republic of Kazakhstan.

Weighted average currency exchange rates for the year ended 31 December 2022 and 2021 are as follows:

	For the year ended 31 December	
Tenge	**2022**	2021
US Dollars	**460.93**	426.06
Russian Rubles	**6.92**	5.78
Euro	**485.29**	503.96
Georgian Lari	**160.65**	133.39

As at 31 December the currency exchange rates of KASE are as follows:

Tenge	**2022**	2021
US Dollars	**462.65**	431.80
Russian Rubles	**6.43**	5.76
Euro	**492.86**	489.10
Georgian Lari	**173.28**	140.74

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Current versus non-current classification of assets and liabilities

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

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 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 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 normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

4.4 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sale will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of comprehensive income.

Additional disclosures are provided in *Note 18*. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 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; or
- 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 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 models 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 in the consolidated financial statements are categorized 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 − quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 − valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group and external appraisers also compare changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purposes of the disclosure of the fair value the Group classified assets and liabilities based on their nature, characteristics and risks inherent in them, as well as the applicable level in the fair value hierarchy, as described above.

An analysis of the fair value of property, plant and equipment and additional information about the methods of its definition are provided in *Note 5*.

4.6 Property, plant and equipment

Property, plant and equipment initially are recognized at cost. The subsequent accounting is at fair value less accumulated depreciation (except for land, technological oil and construction in process) and impairment losses recognised after the date of the revaluation.

In identifying excess of technological oil the Group assesses whether the transferred item from customers meets the definition of an asset, and if it is so, recognises the transferred asset as property, plant and equipment. At initial recognition such property, plant and equipment is measured at zero cost and revalued at each reporting date.

The Group periodically engages independent appraisers to revalue property, plant and equipment to their fair value. According to Accounting Policy property, plant and equipment is revalued at least 1 time in 3 years (except for technological oil, which is revalued during the period when the fair value changes) in order to ensure that fair value of the revalued asset does not significantly differ from its book value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Property, plant and equipment (continued)

Any revaluation surplus is recorded in other comprehensive income and, credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as expense in the statement of comprehensive income, in this case the increase is recognised through profit in the statement of comprehensive income. A revaluation deficit is recognised as expense in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation and impairment as at the revaluation date, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. 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 profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Further detailed information about the recognized asset retirement and land recultivation obligation is disclosed in *Notes 5*, *26*.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Buildings and constructions	5-50
Machinery and equipment	3-30
Pipeline systems	15-30
Other transportation assets	5-12
Other	2-10

According to the Group's accounting policy technological oil, construction in progress and land are not subject to depreciation.

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 statement of comprehensive income when the asset is derecognised.

Residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

4.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Intangible assets (continued)

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization is provided on a straight-line basis over the estimated useful economic life of the assets. Intangible assets are generally amortized over seven-ten years. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible assets.

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

4.8 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 indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit (hereinafter − "CGU") fair value 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. When 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 selling costs, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded 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 Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations (including impairment on inventories) are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for the previously overvalued property, plant and equipment when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount previously conducted revaluation.

At each reporting date the Group makes an assessment 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 CGU's recoverable amount. 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 exceeds 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 through profit or loss, unless the asset is carried at revalued amount. In the latter case the reversal is treated as a revaluation increase.

Information on impairment of non-financial assets is disclosed in *Notes 5*, *6*.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income 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 or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, 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.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

The Group's financial assets include cash and short-term bank deposits, trade and other receivables, and investments in bonds.

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

This category is the most relevant 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 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 trade and other accounts receivables, funds in credit institutions (cash and cash equivalents, bank deposits).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

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

The Group includes bonds of "Special financial company DSFK" LLP to this category *(Note 15)*.

Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group doesn't have financial assets of this category.

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group doesn't have financial assets of this category.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised (e.g., removed from the Group's consolidated statement of financial position) when:

- 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial assets (continued)

Derecognition (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of 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.

4.10 Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions *(Note 5)*;
- Trade and other accounts receivable *(Note 12)*;
- Bank deposits *(Note 16)*;
- Cash and cash equivalents *(Note 17)*.

The Group recognises an allowance for expected credit losses (ECLs) for all loans and other debt financial assets that are 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. ECLs are discounted at an approximation of the original effective interest rate for a similar instrument with a similar credit rating.

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 model that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For funds in credit institutions (bank deposits, cash and cash equivalents), investments in bonds, the Group calculated ECLs based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Also it is considered a financial asset in default when contractual payment are 90 days past due. However, 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.

4.11 Financial liabilities

Initial recognition and measurement

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Financial liabilities (continued)

Subsequent measurement

For the purposes of the subsequent measurement of financial liabilities are classified into following categories:

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

Financial liabilities at fair value through profit or loss

The category "financial liabilities at fair value through profit or loss" includes financial liabilities held for trading and financial liabilities classified at the Group's discretion at initial recognition as at fair value through profit or loss.

The Group has no financial liabilities classified as at fair value through profit or loss.

Financial liabilities at amortised cost

This category is the most significant for the Group. After initial recognition, such liabilities are measured at amortised cost using the effective interest method. Gains and losses on such financial liabilities are recognized in profit or loss as depreciation is calculated using the effective interest rate. Amortized cost is calculated taking into account discounts or premiums on acquisition, as well as commissions or costs, which are an integral part of the effective interest rate. Depreciation of the effective interest rate is included in finance costs in the statement of profit or loss.

In this category, the Group includes trade and other payables, loans and lease obligations.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of such an asset. Other borrowing costs are recognized as expenses at the time of occurrence. More detailed information is provided in *Note 20*.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

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 recognized in the statement of comprehensive income as income or expense.

4.12 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

4.13 Inventories

Inventories are stated at the lower of cost and net realizable value.

Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cost of inventories is determined by using of FIFO basis.

4.14 Cash and cash equivalents

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss excluding any reimbursement.

The Group records a provision on asset retirement and land recultivation obligation. Provisions on asset retirement and land recultivation obligation are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement and land recultivation obligation. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of comprehensive income as a finance cost.

The estimated future costs on asset retirement and land recultivation obligation are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset *(Notes 5, 26)*.

4.16 Employee benefits

The Group provides long-term employee benefits to employees before, on and after retirement, in accordance with the Collective agreements between the Group's companies and its employees and Company's Rule of social support of non-working pensioners and disabled people. The Collective agreement provides for one-off retirement payments, financial aid for employees' disability, anniversaries and funeral. The entitlement to benefits is usually conditional on the employee remaining in service up to retirement age.

The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans with defined payments on the end of labor activity. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements are recognised in the current period, including current service cost, any past services cost and the effect of any curtailments or settlements.

The most significant assumptions used in accounting for defined benefit obligations are discount rate and mortality rate. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the consolidated statement of comprehensive income as interest cost. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

The results of the revaluation of employee benefits obligations, including actuarial gains and losses, are recognized by the Group as follows:

- Remuneration after termination of employment through other comprehensive income. In subsequent periods, the revaluation results will not be reclassified to profit or loss;
- Other long-term benefits through profit or loss.

Net interest is calculated by applying the discount rate to the net defined benefit obligations. The Group recognises the following changes in the net defined benefit obligation under "cost of sales", "administration expenses" and "finance expenses" in consolidated statement of comprehensive income (by function):

- Service costs comprising current service costs, past-service costs;
- Net interest expense or income.

Employee benefits are considered as other long-term employee benefits. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plan.

These obligations are valued by independent qualified actuaries on an annual basis.

More information is disclosed in *Notes 5*, *21*.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Revenue and other income recognition

The Group's activities mainly relates to the transportation of oil and water through main pipelines on the territory of the Republic of Kazakhstan, as well as to the transshipment of oil and oil products in Georgia.

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.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The Group has concluded that it is acting as a principal in all of its revenue arrangements (as it typically controls the goods or services before transferring them to the customer), except for transportation expedition contract where the Group is acting as an agent for which the Group recognizes revenue commission for its services.

In the consolidated financial statements, the Group generally recognizes revenue for the following types:

Rendering of transportation services

Revenue from rendering of transportation and transshipment services is recognized at a point in time on the basis of actual volumes of oil and water transported during the reporting period.

Rendering of pipeline operation and maintenance services

Revenues from pipeline operation and maintenance services are recognized over time, as the buyer simultaneously receives and benefits from the performance of the Group's contractual obligations.

Rendering of other services

Revenue from rendering of other services is recognized as services are provided.

Interest income

For all financial instruments measured at amortized cost and at fair value through profit or loss, as well as at fair value through other comprehensive income, interest income or expense are recognized using the effective interest method. The effective interest rate 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. Interest income is included in finance income in the consolidated statement of comprehensive income.

Dividends

Dividend income is recognized when the Group's right to receive the payment is established (on the date of dividends approval).

Fees for undelivered oil volumes

Income from fees for undelivered oil volumes is recognized for nominated and non-delivered oil volumes under oil transportation contracts on "ship or pay" terms.

In preparing to adopt IFRS 15, the Group is considering the following:

Variable consideration

IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue.

The variable consideration is absent in contracts with customers, due to the absence of discounts, credit payment, concessions in price, incentives, bonuses for results or other similar items. This update will have no effect on revenue recognition.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Revenue and other income recognition (continued)

Principal versus agent considerations

IFRS 15 requires assessment of whether the Group controls a specified good or service before it is transferred to the customer / customer's buyer.

The Group determined that it acts as a principal for all contracts under which revenue is recognized (since it controls the promised service before it is transferred to customer or to customer's buyer), except for contracts on oil transportation coordination services where Group determined that it does not control the services before they are accepted by the customer's buyer. Hence, Group is an agent, rather than principal in these contracts on oil transportation coordination services.

Advances received from customers

Advance payments received from customers are contractual obligations. The contractual obligations are the obligation to transfer to the buyer the goods or services for which the Group has received compensation from the buyer. If the buyer pays compensation before the Group transfers the product or service to the buyer, the contractual obligation is recognized at the time the payment is made or at the time the payment becomes payable (whichever is earlier). Contractual liabilities are recognized as revenue when the Group fulfills its contractual obligations.

Under IFRS 15, the Group must determine whether there is a significant financing component in its contracts.

The Group receives only short-term advances from its customers. They are presented as part of contract liabilities to customers. The Group determined that the length of time between the delivery of the services to the customer by the Group and the time when the customer pays for such services is relatively short. Therefore, the Group has concluded that given contracts do not contain significant financing component.

In accordance with the requirements for the consolidated financial statements, the Group has detailed information on revenue recognized under contracts with customers in categories reflecting how economic factors influence the nature, size, timing and uncertainty of revenue and cash flows. Disclosure of detailed revenue is discussed in *Note 28*.

The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. These changes did not affect to the consolidated financial statements of the Group.

4.18 Taxes

Current income tax

Current income tax assets and liabilities 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 in other comprehensive income is recognised in equity and not in the statement of comprehensive income. Management of the Group 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Taxes (continued)

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. Deferred 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;
- 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 utilised, except:

- Where the deferred tax asset 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;
- 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 reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax 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 other comprehensive income or 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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Value added tax (VAT)

VAT related to sales is payable to the budget when goods are shipped or services are rendered. Input VAT can be offset against output VAT upon the receipt of a tax invoice from a supplier.

Revenue, expenses and assets are recognized after deduction of VAT, except for instances, where amount of VAT is recognized as a part of costs for asset acquisitions or as a part of expenses.

Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases unsettled at the balance sheet date is stated in the consolidated statement of financial position on a net basis.

Due to specifics of tax legislation and the Group's operations a certain part of input VAT can be carried over into subsequent years. Such portion of VAT is classified as long-term asset and assessed for impairment and considered as a corporate asset allocated to existing CGU.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Taxes (continued)

Value added tax (VAT) (continued)

Receivables and payables are stated including VAT.

The net amount of sales tax recoverable from or payable to, the taxation authority is included as part of VAT recoverable, other taxes prepaid and other taxes payable in the statement of financial position.

4.19 Equity

Share capital

External costs directly attributable to the issue of new shares, excluding business combinations are shown as a deduction from the proceeds from share issue in equity.

Treasury shares repurchased from shareholders

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

Dividends

The Group recognises a liability to make cash or non-cash distributions to shareholders, when the distribution is authorised and the distribution is no longer at the discretion of the Company. According to legislation of the Republic of Kazakhstan, distribution is authorised by the shareholders. A corresponding amount is recognised directly in equity.

At the moment of distribution of non-monetary assets the difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in consolidated statement of comprehensive income.

Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before consolidated financial statements are authorized for issue.

4.20 Changes in accounting policies and disclosures

The applied accounting policy is in line with the accounting policy applied in the previous reporting year, with the exception of the acceptance of the following new IFRS effective from 1 January 2022.

New standards, interpretations and amendments to existing standards and interpretations

Some standards and amendments are applied for the first time in 2022. The nature and the impact of each new standard or amendment are described below:

Onerous Contracts − Costs of Fulfilling a Contract − Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

This amendment had no impact on the consolidated financial statements of the Group, as there are no onerous contracts in the Group.

Reference to the Conceptual Framework − Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's *Conceptual Framework* with a reference to the current version issued in March 2018 without significantly changing its requirements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Changes in accounting policies and disclosures (continued)

New standards, interpretations and amendments to existing standards and interpretations (continued)

Reference to the Conceptual Framework − Amendments to IFRS 3 (continued)

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

Property, Plant and Equipment: Proceeds before Intended Use − Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards − Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

IFRS 9 Financial Instruments − Fees in the ‘10 per cent’ test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to apply practical simplifications in future periods, if necessary.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.These amendments had no impact on the consolidated financial statements of the Group as this standard is not applicable to the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Changes in accounting policies and disclosures (continued)

New standards, interpretations and amendments to existing standards and interpretations (continued)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

The amendments address the conflict between IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

These amendments had no impact on the Group's consolidated financial statements. The Group intends to apply these amendments in future periods, if necessary.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Issuance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required.

Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IAS 1 Clarification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 and 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

Amendments to IAS 1 Clarification of Liabilities as Current or Non-current (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. These amendments are not expected to have a material impact on the Group's financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted, subject to disclosure of this fact.

These amendments are not expected to have a material impact on the Group's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application possibilities. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information and it is not necessary to specify an effective date for these amendments. The Group is currently assessing the impact of the amendments.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Group is currently assessing the impact of the amendments.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

Amendments to IFRS 16 are effective for annual periods beginning on or after 1 January 2024. In September 2022, the Board issued Amendments to IFRS 16.

The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

The Group is currently assessing the impact of the amendments.

5. 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, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Financial risk management and policies *(Note 39)*;
- Sensitivity analyses disclosures *(Note 39)*.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair value measurement of the Group's property, plant and equipment

The Group accounts the property, plant and equipment at revalued amounts. During 2022 the Group engaged independent external appraisers to perform valuation of its property, plant and equipment.

The valuation methods used by the Group in assessment and analyses of the fair value of property, plant and equipment are considered from the perspective of the best and most efficient use of the valued asset. The best and most efficient use of the Group's assets, except BOT and Main Waterline, is their use in operating activities. The best and most efficient use of the BOT's assets is their realization. The best and most efficient use of the Main Waterline's assets is their use in conjunction with the assets of oil production companies in the region.

The initial data used to determine the fair value of the Group's office buildings in the cities of the Republic of Kazakhstan with the relevant land plots, land plots in Georgia (Batumi), as well as vehicles and certain other non-specialized assets, refer to Level 2 in the fair value hierarchy (unquoted observable inputs).

The remaining property, plant and equipment of the Group are specialized and the initial data used for determining their fair value refer to Level 3 in the fair value hierarchy (unobservable inputs).

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Fair value measurement of the Group's property, plant and equipment (continued)

The methodology used in valuation of the specialized assets of the Group's companies, except BOT, was initially based on the valuation of the depreciable replacement cost ("cost method"). The fair value of BOT's assets was determined using market approach.

As part of the valuation, the appraiser performed a test for adequate profitability using the income approach to determine the amount of economic depreciation of the Group's specialized property, plant and equipment. Recoverable amount of property, plant and equipment of the Group's companies, except BOT and Main Waterline, is determined by assessing value in use. The value in use of assets is defined as the value of the business, adjusted for the fair value of net working capital. Cash flow forecasting was based on the budgets and business plans of the Group's companies approved by the management of the Group for 2022 and for the period 2023-2027, respectively. The cash flows in the post-forecast period are determined on the basis of extrapolation of forecast data using long-term growth rate.

The above assets were grouped into cash flow generating units ("CGU") − Oil Transportation (Company) CGU and BSP CGU. The following basic assumptions were applied in determining the value in use:

	Cash-generating unit	
	Oil transportation (Company)	BSP
Discount rate (WACC)	17.07%	13.5%
Long-term growth rate	4%	2%

The results obtained in terms of value in use were lower than those measured at the amortized replacement cost and, therefore, were taken as the fair value of the Group's property, plant and equipment.

According to the results of an independent assessment in 2022, the carrying value of property, plant and equipment of the Group (excluding technological oil) increased by 135,460,032 thousand Tenge *(Note 6)*. At the same time the net revaluation through revaluation reserve was amounted to 148,348,617 thousand Tenge and impairment through profit and loss was amounted to 12,888,585 thousand Tenge.

The results of assessing the value in use are sensitive to change of discount rate and long-term growth rate indicators and also to forecasts regarding the volume of sales of services provided, the level of tariffs for services provided, the size of capital and current costs.

Sensitivity analysis of value of property plant and equipment for the change in the discount rate and long-term growth rate is as follows:

		(Decrease)/increase in value of property, plant and equipment	
In millions of Tenge	(Decrease)/ increase in rate	Oil transportation (Company) CGU	BSP CGU
Discount rate	-0.5%	8,830	1,132
	+0.5%	(8,366)	(1,037)
Long-term growth rate	-0.5%	(16.970)	(725)
	+0.5%	18,320	790

Revaluation of technological oil

Technological oil is revalued at each reporting date, due to the fact that fluctuations are quite frequent and significant. Technological oil of the Company was revalued on each reporting date of interim periods and on 31 December 2022 and 2021.

Input data for determining the fair value of technological oil refer to Level 2 in the fair value hierarchy (unquoted observable inputs).

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Revaluation of technological oil (continued)

The following judgments were taken into account by the Group's management when determining fair value of technological oil:

- Technological oil is an integral part of the process of operating the pipeline without which the transportation is not possible and, accordingly, the object of valuation is a specialized asset;
- Technological oil cannot be sold or otherwise disposed due to restrictions on the type of activities allowed by CRNM;
- Tariffs are being closely monitored by CRNM and the Government (except export tariffs and transit through the territory of Kazakhstan) to ensure they will not adversely affect general price index in the country, and thus may be set at the level which will not allow to recover cost of oil, if it was valued at international market price;
- And if the Group needs to buy additional oil to fill in new parts of pipeline, it would use the terms of the transportation agreements, according to which the oil extracting entities, upon the request of the Group, provide oil to fill the system of the Group's main pipelines;
- For the oil extracting entities there is an internal or tolling price for oil, which is delivered to the refineries of the KMG Group.

Taking into account all these factors as at 31 December 2022 the fair value of the Group's technological oil was determined based on the price of 84,050 Tenge per ton (as at 31 December 2021: 76,648 Tenge per ton). Other comprehensive income from the effect of the change in fair value of the technological oil during 2022 was equal to 19,423,763 thousand Tenge (during 2021: other comprehensive income of 100,258,238 thousand Tenge). In addition, during 2022 other comprehensive income from the revaluation of technological oil surplus in the amount of 3,229,453 thousand Tenge (during 2021: 998,073 thousand Tenge net of with the oil shortage write-off in 230,517 thousand Tenge) and a loss from the write-off of oil shortage in the amount of 282,934 thousand Tenge were recognized (as at 31 December 2022: 183.922 thousand Tenge) *(Note 6)*. During 2022 as a result of revaluation the net other comprehensive income was equal to 22,653,216 thousand Tenge (during 2021: other comprehensive income for 101,256,311 thousand Tenge) *(Note 6)*.
The volume of oil in the pipeline as at 31 December 2022 amounted to 2,663 thousand tons (31 December 2021: 2,628 thousand tons). According to the results of stock count of oil held at the end of 2022 the surpluses in the amount of 38,423 tons (for 2021: 16,029 tons). For 2021 a shortage in the amount of 5,730 tons were recognized.

Useful lives of items of property, plant and equipment

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, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Asset retirement and land recultivation obligation

The reserve was determined at the end of the reporting period using the projected inflation rate for the expected period of fulfillment of obligations, and the discount rate at the end of the reporting period which is presented below:

As a percentage	**2022**	2021
Discount rate	**10.46%**	6.72%
Inflation rate	**6.23%**	5.49%
Period of fulfillment of obligations	**12 years**	13 years

As there is no an active market for highly liquid corporate bonds in the Republic of Kazakhstan and due to the insufficiency of transactions on government bonds the Group considers to use risk-free rates of US Treasury bonds as an estimated discount rate adjusted for country risk and inflation rate of the Republic of Kazakhstan with maturities corresponding to the expected duration of the asset retirement and land recultivation obligation.

As at 31 December 2022 the carrying amount of the provision for the obligation to decommission assets and land recultivation was 40,664,979 thousand Tenge (31 December 2021: 34,547,151 thousand Tenge) *(Note 26)* and includes the corresponding provisions for oil pipelines, oil pumping stations (OPS) and landfills.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Provisions for oil pipelines

According to the Law of the Republic of Kazakhstan *About the Main Pipeline* which came into force on 4 July 2012, the Group has a legal obligation to decommission its oil pipelines at the end of their operating life and to restore the land to its original condition. Activities on land recultivation are carried out when replacing the pipelines at the end of their useful life.

This provisions are estimated based on the value of the work to decommission and rehabilitate calculated by the Group in accordance with the technical regulations of the Republic of Kazakhstan. Pipeline decommission expense as at 31 December 2022 is equal to 7,793 thousand Tenge per kilometer (as at 31 December 2021: 6,922 thousand Tenge).

Provisions for OPS

In accordance with the amendments made to the Environmental Code of the Republic of Kazakhstan, after the termination of the operation of facilities that have a negative impact on the environment, the operators (owners) of facilities are obliged to ensure the elimination of the consequences of the operation of facilities in accordance with the requirements of the legislation of the Republic of Kazakhstan. As part of the elimination of the consequences of the operation of facilities that have a negative impact on the environment, work should be carried out to bring land plots into a condition that ensures the safety and (or) human health, environmental protection and suitable for their further use for their intended purpose, in accordance with the procedure provided for by the land legislation of the Republic of Kazakhstan. According to the Environmental Code of the Republic of Kazakhstan, the objects of the Group belong to category II, which have a moderate negative impact on the environment. Accordingly, in 2022, the Group created a reserve for decommissioning and recultivation of the OPS lands. The discounted value of the initially recognized liability is calculated based on the design and estimated costs for the liquidation of the OPS and dismantling of tanks and amounts to 14,748,415 thousand tenge. As at 31 December 2022, the carrying amount of the obligation, taking into account the revision of the estimated assumptions, is 12,078,865 thousand Tenge.

Provisions for landfills

The provisions for landfills are created in 2013 in accordance with the requirements of Environmental Code of the Republic of Kazakhstan.

Assessing the cost of rehabilitation of the environment is subject to potential changes in environmental requirements and interpretations of the law. Furthermore uncertainties in the estimates of these costs include potential changes in regulatory requirements, alternative disposal and recovery of damaged land and levels of discount and inflation rates, and the time, when such obligations will be due.

Asset retirement and land recultivation obligation

Sensitivity analysis of asset retirement and land recultivation obligation for the change in significant assumptions as at 31 December 2022 is as follows:

In thousands of Tenge	**(Decrease)/ increase in rate**	**(Decrease)/ increase in liability**
Discount rate	-0.5%	2,261,132
	+0.5%	(2,131,916)
Inflation rate	-0.5%	(2,224,478)
	+0.5%	2,342,681

Reserves for the impairment of advances to suppliers

The Group recognized reserve for the impairment of long-term and short-term advances to suppliers. In estimating the reserve historical and anticipated suppliers performance are considered. Changes in the economy, industry and specific characteristics may affect the reserves recorded in the consolidated financial statements.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Reserves for the impairment of advances to suppliers (continued)

As at 31 December 2022 and 2021 these reserves have been created for the amount of 886,666 thousand Tenge and 831,136 thousand Tenge, respectively *(Notes 10, 13)*.

Allowances for financial assets

The Group recognises allowances for expected credit losses for trade accounts receivable and funds in credit institutions (cash and cash equivalents, bank deposits).

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated expected credit losses based on lifetime of these financial instruments. The Group used a provision model that is prepared taking into account historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For funds in credit institutions (bank deposits, cash and cash equivalents), investments in bonds, the Group calculated expected credit losses based on the 12-month period. The 12-month expected credit losses is the portion of lifetime expected credit losses that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit losses.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Also it is considered a financial asset in default when contractual payment are 90 days past due. However, 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. As at 31 December 2022 and 2021 allowance for expected credit losses was created in the amount of 6,313,128 thousand Tenge and 5,621,137 thousand Tenge, respectively *(Notes 12, 16, 17)*. The main amount of the accrued reserve is related to overdue accounts receivable of consumers of oil transshipment services (BOT and PTL).

Tax provision

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of inspections by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax inspections and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the country.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The amount of recognized deferred tax assets as at 31 December 2022 was 18,461,648 thousand Tenge, net off with the amount of deffered tax liabilities (as at 31 December 2021: 14,970,493 thousand Tenge, partially net off with the amount of deffered tax liabilities) *(Note 35)*. As at 31 December 2022 and 2021 the Group did not have unrecognized deferred tax assets.

Employee benefits

The cost of defined long-term employee benefits to employees before, on and after retirement and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Employee benefits (continued)

As there is no an active market for highly liquid corporate bonds of the Republic of Kazakhstan and due to the insufficiency of transactions on government bonds the Group uses risk-free rates of US Treasury bonds as an estimated discount rate, with maturities corresponding to the expected term for fulfilling of employee benefits obligations adjusted for country risk and inflation rate of the Republic of Kazakhstan.

The mortality rate is based on publicly available mortality tables. Increase in future salary and pension is based on expected future inflation rates for the respective country.

Principal actuarial assumptions used for valuation of employee benefit obligations as at 31 December 2022 and 2021 were as follows:

	2022	2021
Discount rate	**10.46%**	6.72%
Future salary increase	**5.74%**	5.43%
Mortality rate	**5.81%**	5.81%

As at 31 December 2022 the average period of post-retirement benefit obligations were 18.7 years (as at 31 December 2021: 18.2 years).

Sensitivity analysis of employee benefit obligations for the change in significant estimates as at 31 December 2022 is as follows:

In thousands of Tenge	**(Decrease)/ increase in rate**	**(Decrease)/ increase in obligation**
Discount rate	-0.5%	1,182,733
	+0.5%	(1,081,616)
Future financial aid change	-1%	(2,182,591)
	+1%	2,374,977
Future salary change	-1%	(203,609)
	+1%	236,846
Life duration	-1 year	(111,145)
	+1 year	276,938

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 31 December 2021 and 2022 are as follows:

In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
Gross carrying amount as at 1 January 2021	25,675,555	255,382,248	22,716,444	94,724,034	177,842,763	100,345,811	10,463,016	53,235,624	740,385,495
Foreign currency translation	506,451	–	259,284	686,073	361,773	–	13,158	47,265	1,874,004
Additions	1,523	12,750	1,527,383	81,208	26,580,431	–	450,942	58,093,571	86,747,808
Disposals	(4,057)	(3,373,320)	(106,422)	(374,488)	(659,473)	(183,922)	(347,115)	(64,680)	(5,113,477)
Additions on asset retirement and land recultivation obligation *(Note 26)*	–	340,189	–	–	–	–	–	–	340,189
Revaluation of impairment (through revaluation reserve)	–	–	–	–	–	101,256,311	–	–	101,256,311
Transfers to non-current assets held for sale *(Note 18)*	(31,068)	–	(4,631)	(13,495)	–	–	–	–	(49,194)
Transfers from construction-in-progress	–	24,370,001	624,475	5,736,955	29,370,511	–	830,901	(60,932,843)	–
Transfers to intangible assets *(Note 8)*	–	–	–	–	–	–	–	(341,793)	(341,793)
Transfers and reclassifications	–	–	–	–	–	–	(8,171)	8,171	–
Gross carrying amount as at 31 December 2021	26,148,404	276,731,868	25,016,533	100,840,287	233,496,005	201,418,200	11,402,731	50,045,315	925,099,343
Foreign currency translation	**1,446,528**	**–**	**807,443**	**1,875,708**	**1,067,951**	**–**	**72,308**	**50,098**	**5,320,036**
Additions	**–**	**3,466**	**2,073,803**	**3,594,052**	**5,569,049**	**–**	**288,115**	**39,632,697**	**51,161,182**
Capitalized costs of the borrowed loan *(Note 20)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**434,328**	**434,328**
Disposals	**(33,338)**	**(1,623,594)**	**(190,860)**	**(285,832)**	**(1,224,495)**	**(282,934)**	**(543,034)**	**(244,073)**	**(4,428,160)**
Additions on asset retirement and land recultivation obligation *(Note 26)*	**–**	**346,567**	**–**	**13,612,707**	**–**	**–**	**–**	**–**	**13,959,274**
Changes in estimates on asset retirement and land recultivation obligation *(Note 26)*	**–**	**–**	**–**	**(3,359,391)**	**–**	**–**	**–**	**–**	**(3,359,391)**
Revaluation (through revaluation reserve)	**7,924,207**	**38,830,932**	**7,937,633**	**21,305,154**	**64,070,030**	**22,653,216**	**7,855,504**	**425,157**	**171,001,833**
Impairment and revaluation through profit or loss due to revaluation, net	**198,463**	**236,171**	**(825,371)**	**(3,965,391)**	**(5,850,733)**	**–**	**13,800**	**(2,695,524)**	**(12,888,585)**
Transfers from construction-in-progress	**412**	**21,976,427**	**812,642**	**4,439,206**	**31,802,550**	**–**	**158,483**	**(59,189,720)**	**–**
Transfers from non-current assets held for sale *(Note 18)*	**73,519**	**–**	**102,667**	**672,938**	**31,483**	**–**	**604**	**–**	**881,211**
Substruction of accumulated depreciation and impairment due to revaluation	**–**	**(47,983,967)**	**(9,875,606)**	**(24,034,638)**	**(80,290,437)**	**–**	**(7,489,914)**	**(180,880)**	**(169,855,442)**
Transfers and reclassifications	**–**	**230,913**	**(85,550)**	**–**	**(164,563)**	**–**	**19,200**	**–**	**–**
Gross carrying amount as at 31 December 2022	**35,758,195**	**288,748,783**	**25,773,334**	**114,694,800**	**248,506,840**	**223,788,482**	**11,777,797**	**28,277,398**	**977,325,629**

6. PROPERTY, PLANT AND EQUIPMENT (continued)

In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
Accumulated depreciation and impairment as at 1 January 2021	–	(19,452,527)	(4,066,407)	(9,257,007)	(35,601,123)	–	(4,494,361)	(34,012)	(72,905,437)
Foreign currency translation	–	–	(68,363)	(41,725)	(76,393)	–	(2,284)	–	(188,765)
Depreciation charge	–	(14,981,077)	(2,951,544)	(7,012,540)	(24,471,447)	–	(2,155,754)	–	(51,572,362)
Disposals	–	1,773,496	105,084	210,649	622,867	–	341,373	–	3,053,469
Impairment (through profit and loss)	–	(11,387)	–	–	(709)	–	–	(324,338)	(336,434)
Impairment (through revaluation reserve)	(14,838)	(31,127)	–	–	(2,643)	–	–	(54,042)	(102,650)
Transfers to non-current assets held for sale *(Note 18)*	14,838	–	1,822	7,458	–	–	–	–	24,118
Transferred to intangible assets *(Note 8)*	–	–	–	–	–	–	–	1,896	1,896
Accumulated depreciation and impairment as at 31 December 2021	–	(32,702,622)	(6,979,408)	(16,093,165)	(59,529,448)	–	(6,311,026)	(410,496)	(122,026,165)
Foreign currency translation	**–**	**–**	**(196,035)**	**(124,655)**	**(216,993)**	**–**	**(7,872)**	**–**	**(545,555)**
Depreciation charge	**–**	**(15,890,284)**	**(3,031,604)**	**(8,117,800)**	**(23,704,766)**	**–**	**(1,745,090)**	**–**	**(52,489,544)**
Disposals	**–**	**628,479**	**189,278**	**149,395**	**1,068,892**	**226,758**	**531,541**	**229,616**	**3,023,959**
Impairment (through profit and loss)	**–**	**(12,882)**	**–**	**–**	**–**	**(10,515)**	**–**	**–**	**(23,397)**
Impairment (through revaluation reserve)	**–**	**–**	**–**	**–**	**–**	**(216,243)**	**–**	**–**	**(216,243)**
Transfers from non-current assets held for sale *(Note 18)*	**–**	**–**	**(71,087)**	**(231,183)**	**(5,325)**	**–**	**(604)**	**–**	**(308,199)**
Substruction of accumulated depreciation and impairment due to revaluation	**–**	**47,983,967**	**9,875,606**	**24,034,638**	**80,290,437**	**–**	**7,489,914**	**180,880**	**169,855,442**
Transfers and reclassifications	**–**	**(6,658)**	**5**	**–**	**6,653**	**–**	**–**	**–**	**–**
Accumulated depreciation and impairment as at 31 December 2022	**–**	**–**	**(213,245)**	**(382,770)**	**(2,090,550)**	**–**	**(43,137)**	**–**	**(2,729,702)**

6. PROPERTY, PLANT AND EQUIPMENT (continued)

In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
As at 31 December 2022									
Gross carrying amount	**35,758,195**	**288,748,783**	**25,773,334**	**114,694,800**	**248,506,840**	**223,788,482**	**11,777,797**	**28,277,398**	**977,325,629**
Accumulated depreciation and impairment	**–**	**–**	**(213,245)**	**(382,770)**	**(2,090,550)**	**–**	**(43,137)**	**–**	**(2,729,702)**
Net book value	**35,758,195**	**288,748,783**	**25,560,089**	**114,312,030**	**246,416,290**	**223,788,482**	**11,734,660**	**28,277,398**	**974,595,927**
As at 31 December 2021									
Gross carrying amount	26,148,404	276,731,868	25,016,533	100,840,287	233,496,005	201,418,200	11,402,731	50,045,315	925,099,343
Accumulated depreciation and impairment	–	(32,702,622)	(6,979,408)	(16,093,165)	(59,529,448)	–	(6,311,026)	(410,496)	(122,026,165)
Net book value	26,148,404	244,029,246	18,037,125	84,747,122	173,966,557	201,418,200	5,091,705	49,634,819	803,073,178

The carrying value of each revalued class of property, plant and equipment that would have been recognized in the consolidated financial statements had the assets been carried at cost less any accumulated depreciation and any accumulated impairment loss is as follows:

In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
As at 31 December 2022	**25,830,607**	**189,124,116**	**18,600,228**	**77,129,454**	**167,289,377**	**30,270,506**	**3,616,687**	**30,654,199**	**542,515,174**
As at 31 December 2021	20,102,948	185,514,566	16,818,436	64,592,153	148,909,207	30,324,706	4,521,158	49,698,567	520,481,741

6. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2022 and 2021 construction in progress mainly includes the following production facilities:

- Replacement of pipeline sections of main oil pipelines;
- Replacement of pipeline sections of main waterline;
- Replacement, reconstruction and construction of the objects of main oil pipelines and main waterline (oil reservoirs, technological pipelines, pumping stations, communication lines, power supply).

As at 31 December 2022:

- The gross carrying amount and corresponding accumulated depreciation of fully depreciated plant and equipment still in use were zero Tenge (as at 31 December 2021: 3,540,654 thousand Tenge);
- Construction in progress included materials and spare parts in the amount of 3,191,264 thousand Tenge (as at 31 December 2021: 4,187,311 thousand Tenge), which were acquired for construction works.

Under the agreement on cooperation on the construction of a waterline, in April 2021 a new waterline for technical water "Kulsary-Tengiz" (1st stage) in the amount of 24,987,181 thousand Tenge, and in November 2022 a pumping station for technical water (2nd stage) for the amount 7,467,625 thousand Tenge were received free of charge and put into operation *(Note 22)*.

Depreciation for the year ended 31 December 2022, included in the cost of construction in progress amounted to 21,500 thousand Tenge (for the year ended 31 December 2021: 20,337 thousand Tenge).

7. RIGHT-OF-USE ASSETS

Right-of-use assets as at 31 December 2021 and 2022 are as follows:

	Right-of-use assets				
In thousands of Tenge	**Land and other assets**	**Transpor-tation assets**	**Buildings and con-structions**	**Machinery, equipment and transfer devices**	**Total**
Net book value as at 1 January 2021	78,952	2,002,829	291,704	174,334	2,547,819
Additions *(Note 24)*	–	–	4,407	–	4,407
Modification *(Note 24)*	–	–	7,071	–	7,071
Amortization charge	(5,722)	(1,254,808)	(122,732)	(64,563)	(1,447,825)
Net book value as at 31 December 2021	73,230	748,021	180,450	109,771	1,111,472
Additions *(Note 24)*	**2,249**	**–**	**13,912**	**114,694**	**130,855**
Disposals	**(2,872)**	**–**	**–**	**–**	**(2,872)**
Modification *(Note 24)*	**–**	**994,358**	**265,523**	**–**	**1,259,881**
Amortization charge	**(3,535)**	**(1,379,309)**	**(134,865)**	**(64,562)**	**(1,582,271)**
Net book value as at 31 December 2022	**69,072**	**363,070**	**325,020**	**159,903**	**917,065**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INTANGIBLE ASSETS

Intangible assets as at 31 December 2021 and 2022 are as follows:

In thousands of Tenge	Licenses	Software	Right for land use	Other	Total
Net book value as at 1 January 2021	576,513	821,001	5,747,027	22,823	7,167,364
Additions	2,556	–	11,078	8,707	22,341
Transfers from construction in progress *(Note 6)*	4,833	142,181	–	192,883	339,897
Amortization charge	(174,121)	(267,330)	(212,604)	(4,131)	(658,186)
Disposals	(10,357)	(299,001)	–	(42,021)	(351,379)
Accumulated depreciation on disposal	10,357	299,001	–	42,021	351,379
Foreign currency translation	2,092	–	478,031	695	480,818
Net book value as at 31 December 2021	411,873	695,852	6,023,532	220,977	7,352,234
Additions	**240,641**	**27,148**	**107,858**	**232,349**	**607,996**
Transfers from construction in progress	**111,622**	**149,120**	**–**	**(260,742)**	**–**
Amortization charge	**(258,809)**	**(303,861)**	**(255,738)**	**(5,004)**	**(823,412)**
Disposals	**(54,788)**	**(199,081)**	**–**	**–**	**(253,869)**
Accumulated depreciation on disposal	**54,788**	**199,081**	**–**	**–**	**253,869**
Foreign currency translation	**5,079**	**–**	**1,369,910**	**3,525**	**1,378,514**
Net book value as at 31 December 2022	**510,406**	**568,259**	**7,245,562**	**191,105**	**8,515,332**
As at 31 December 2022					
At cost	**1,802,424**	**4,837,538**	**11,064,260**	**228,675**	**17,932,897**
Accumulated amortization and impairment	**(1,292,018)**	**(4,269,279)**	**(3,818,698)**	**(37,570)**	**(9,417,565)**
Net book value	**510,406**	**568,259**	**7,245,562**	**191,105**	**8,515,332**
As at 31 December 2021					
At cost	1,467,316	4,860,351	8,907,587	253,543	15,488,797
Accumulated amortization and impairment	(1,055,443)	(4,164,499)	(2,884,055)	(32,566)	(8,136,563)
Net book value	411,873	695,852	6,023,532	220,977	7,352,234

9. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures as at 31 December 2021 and 2022 are as follows:

In thousands of Tenge	KCP	MunaiTas	Total
As at 1 January 2021	36,908,378	26,514,437	63,422,815
Share in income of joint ventures	11,608,225	1,180,108	12,788,333
Share in other comprehensive loss of joint ventures	(305,412)	(9,623)	(315,035)
Dividends	(1,800,000)	–	(1,800,000)
As at 31 December 2021	46,411,191	27,684,922	74,096,113
Share in income of joint ventures	**14,725,683**	**1,248,137**	**15,973,820**
Share in other comprehensive income of joint ventures	**10,924,328**	**1,230,780**	**12,155,108**
Dividends	**(5,000,000)**	**(2,636,855)**	**(7,636,855)**
As at 31 December 2022	**67,061,202**	**27,526,984**	**94,588,186**

9. INVESTMENTS IN JOINT VENTURES (continued)

The following tables below show summarized financial information about joint ventures, including the Group's proportionate share:

	KCP			
	31 December 2022		31 December 2021	
In thousands of Tenge	**50%**	**100%**	50%	100%
Assets and liabilities of joint ventures				
Current assets	**21,051,574**	**42,103,148**	40,337,525	80,675,050
Non-current assets	**105,906,418**	**211,812,836**	101,235,203	202,470,406
Current liabilities	**(23,207,502)**	**(46,415,004)**	(28,468,773)	(56,937,546)
Non-current liabilities	**(36,689,288)**	**(73,378,576)**	(66,692,764)	(133,385,528)
Net assets / net book value of investment	**67,061,202**	**134,122,404**	46,411,191	92,822,382
Additional information				
Cash and cash equivalents	**8,935,742**	**17,871,484**	29,199,195	58,398,390
Short-term financial liabilities, net of trade and other payables and provisions	**(16,950,288)**	**(33,900,576)**	(22,308,592)	(44,617,184)
Long-term financial liabilities, net of trade and other payables and provisions	**(16,098,652)**	**(32,197,304)**	(47,196,527)	(94,393,053)

Long-term and short-term financial liabilities of KCP are represented by liabilities under loan agreement from 27 June 2018 with the Industrial and Commercial Bank of China Limited jointly with Industrial and Commercial Bank of China in Almaty JSC, acting as an agent. The loan amount was 540 million US Dollars (equivalent to 191,756,400 thousand Tenge at the date of attraction), the loan period is 6 years with the possibility of early repayment.The purpose of the loan is to refinance the loans from Industrial and Commercial Bank of China and ING Bank N.V. The interest rate on the loan is floating ans amounts to Libor plus 2.3750%. Effective rates applied for the 12 months ended 31 December 2022 nad 31 December 2021 were 4.71% and 2.89% respectively.

The Company along with the second participant of KCP did not guarantee the loan.

In August 2022, KCP early repaid 80 million US Dollars (equivalent to 38,063,200 thousand Tenge as at the payment date) and 100 million US Dollars (equivalent to 49,201,538 thousand Tenge as at the payment date) in accordance with repayment schedule of the principal debt under the loan agreement.

As at 31 December 2022 total payable under loan including interest equals to 142,868 thousand US Dollars (equivalent to 66,097,880 thousand Tenge), as at 31 December 2021 to 321,932 thousand US Dollars (equivalent to 139,010,237 thousand Tenge).

	MunaiTas			
	31 December 2022		31 December 2021	
In thousands of Tenge	**51%**	**100%**	51%	100%
Assets and liabilities of joint ventures				
Current assets	**7,949,707**	**15,587,661**	7,607,439	14,916,548
Non-current assets	**25,364,269**	**49,733,861**	23,982,568	47,024,643
Current liabilities	**(1,530,761)**	**(3,001,492)**	(1,177,905)	(2,309,618)
Non-current liabilities	**(4,256,231)**	**(8,345,551)**	(2,727,180)	(5,347,412)
Net assets / net book value of investment	**27,526,984**	**53,974,479**	27,684,922	54,284,161
Additional information				
Cash and cash equivalents	**4,335,843**	**8,501,653**	3,713,748	7,281,859

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVESTMENTS IN JOINT VENTURES (continued)

	KCP			
	For the year ended 31 December			
	2022		2021	
In thousands of Tenge	**50%**	**100%**	50%	100%
Information on profit or loss and other comprehensive income of joint ventures for the year				
Revenue	**43,159,420**	**86,318,840**	37,009,274	74,018,547
Income from continuing operations for the year	**14,725,683**	**29,451,366**	11,608,225	23,216,450
Income from discontinued operations for the year	**–**	**–**	–	–
Other comprehensive income/ (loss)	**10,924,328**	**21,848,656**	(305,412)	(610,824)
Total comprehensive income	**25,650,011**	**51,300,022**	11,302,813	22,605,626
Dividends	**(5,000,000)**	**(10,000,000)**	(1,800,000)	(3,600,000)
Additional information				
Depreciation and amortization	**(8,019,870)**	**(16,039,740)**	(7,545,965)	(15,091,930)
Interest income	**178,304**	**356,608**	112,918	225,835
Interest expense	**(2,296,651)**	**(4,593,302)**	(2,375,151)	(4,750,302)
Loss on exchange differences	**(1,866,634)**	**(3,733,268)**	(1,349,933)	(2,699,866)
Income tax expense	**(3,837,018)**	**(7,674,036)**	(2,983,438)	(5,966,876)

	MunaiTas			
	For the year ended 31 December			
	2022		2021	
In thousands of Tenge	**51%**	**100%**	51%	100%
Information on profit or loss and other comprehensive income of joint ventures for the year				
Revenue	**6,833,301**	**13,398,629**	5,205,111	10,206,100
Income from continuing operations for the year	**1,248,137**	**2,447,327**	1,180,108	2,313,937
Income from discontinued operations for the year	**–**	**–**	–	–
Other comprehensive income/(loss)	**1,230,780**	**2,413,294**	(9,623)	(18,868)
Total comprehensive income	**2,478,917**	**4,860,621**	1,170,485	2,295,069
Dividends	**(2,636,855)**	**(5,170,304)**	–	–
Additional information				
Depreciation and amortization	**(1,766,778)**	**(3,464,271)**	(1,508,053)	(2,956,966)
Interest income	**618,212**	**1,212,180**	363,533	712,810
Income tax expense	**(347,113)**	**(680,614)**	(315,721)	(619,061)

10. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

Advances to suppliers for property, plant and equipment as at 31 December 2022 and 2021 are as follows:

In thousands of Tenge	**31 December 2022**	31 December 2021
Advances to third parties for property, plant and equipment and construction services	**30,105,831**	7,274,223
Less: impairment allowance	**(886,028)**	(830,498)
Total	**29,219,803**	6,443,725

10. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT (continued)

Movement in reserve for impairment of advances given to suppliers for property, plant and equipment was as follows:

In thousands of Tenge	**2022**	2021
As at 1 January	**830,498**	810,896
Foreign currency translation	**55,530**	19,602
As at 31 December	**886,028**	830,498

As at 31 December 2022, the increase in advances issued for property, plant and equipment is due to the payment of an advance payment to the contractor for the project "Reconstruction and expansion of the main waterline "Astrakhan-Mangyshlak (1st stage)" *(Note 20)*.

11. INVENTORIES

Inventories as at 31 December 2022 and 2021 are as follows:

In thousands of Tenge	**31 December 2022**	31 December 2021
Spare parts	**3,475,045**	3,281,213
Goods	**1,971,359**	1,508,412
Fuel	**1,367,681**	1,382,563
Construction materials	**843,012**	819,295
Overalls	**482,238**	555,781
Chemical reagents	**178,643**	194,259
Other	**440,287**	400,415
Total	**8,758,265**	8,141,938

12. TRADE AND OTHER ACCOUNTS RECEIVABLE

Other long-term accounts receivable as at 31 December 2022 and 2021 are as follows:

In thousands of Tenge	**31 December 2022**	31 December 2021
Other accounts receivable from third parties	**961,102**	1,059,900
Less: allowance for expected credit losses	**(77,818)**	(146,516)
Total	**883,284**	913,384

Movement in allowance for expected credit losses related to other long-term accounts receivable is as follows:

In thousands of Tenge	**2022**	2021
As at 1 January	**146,516**	163,195
Reversal for the year, net *(Note 30)*	**(68,698)**	(16,679)
As at 31 December	**77,818**	146,516

Current trade and other accounts receivable as at 31 December 2022 and 2021 are as follows:

In thousands of Tenge	**31 December 2022**	31 December 2021
Trade accounts receivable from third parties	**7,576,115**	8,841,213
Trade accounts receivable from related parties *(Note 37)*	**6,291,233**	3,034,307
Other accounts receivable from third parties	**705,492**	710,537
Other accounts receivable from related parties *(Note 37)*	**509**	509
Less: allowance for expected credit losses	**(6,206,768)**	(5,443,382)
Total	**8,366,581**	7,143,184

12. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)

Movement in allowance for expected credit losses related to trade and other receivables is as follows:

In thousands of Tenge	**2022**	2021
As at 1 January	**5,443,382**	5,272,466
Charge for the year, net *(Note 30)*	**377,620**	43,731
Used when write-off	**(31,368)**	–
Currency translation	**417,134**	127,185
As at 31 December	**6,206,768**	5,443,382

Trade and other accounts receivable as at 31 December 2022 and 2021 are denominated in the following currencies:

In thousands of Tenge	**31 December 2022**	31 December 2021
Tenge	**7,719,948**	5,121,063
US Dollar	**635,219**	2,013,051
Russian Ruble	**2,624**	2,161
Other currency	**8,790**	6,909
Total	**8,366,581**	7,143,184

Information on the Group's exposure to credit risk from trade and other accounts receivable using the estimated reserves model is provided:

	Trade and other accounts receivable					
		Past due payments				
In thousands of Tenge	**Unexpired**	**Less than 30 days**	**From 31 to 60 days**	**From 61 to 90 days**	**More than 91 days**	**Total**
As at 31 December 2022						
Expected credit loss rate	**1.25%**	**0.24%**	**7.04%**	**10.13%**	**95.88%**	
Trade and other accounts receivable	**8,178,845**	**805,205**	**65,802**	**48,279**	**6,436,320**	**15,534,451**
Expected credit losses	**(102,100)**	**(1,919)**	**(4,634)**	**(4,889)**	**(6,171,044)**	**(6,284,586)**
	8,076,745	**803,286**	**61,168**	**43,390**	**265,276**	**9,249,865**

	Trade and other accounts receivable					
		Past due payments				
In thousands of Tenge	Unexpired	Less than 30 days	From 31 to 60 days	From 61 to 90 days	More than 91 days	Total
As at 31 December 2021						
Expected credit loss rate	3.01%	4.09%	0.94%	0.53%	95.18%	
Trade and other accounts receivable	5,997,888	868,472	87,489	1,053,741	5,638,876	13,646,466
Expected credit losses	(180,630)	(35,556)	(826)	(5,628)	(5,367,258)	(5,589,898)
	5,817,258	832,916	86,663	1,048,113	271,618	8,056,568

13. ADVANCES TO SUPPLIERS

Advances to suppliers as at 31 December 2022 and 2021 are as follows:

In thousands of Tenge	**31 December 2022**	31 December 2021
Advances to third parties	**1,786,915**	413,848
Advances to related parties *(Note 37)*	**1,017**	1,069
	1,787,932	414,917
Less: impairment	**(638)**	(638)
Total	**1,787,294**	414,279

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. VAT RECOVERABLE AND OTHER PREPAID TAXES

VAT recoverable and other prepaid taxes as at 31 December 2022 and 2021 are as follows:

In thousands of Tenge	**31 December 2022**	31 December 2021
Current VAT recoverable	**8,098,661**	7,647,401
Non-current VAT recoverable	**4,314,632**	4,356,465
Other taxes prepaid	**340,554**	502,509
Total	**12,753,847**	12,506,375

15. OTHER CURRENT ASSETS

Other current assets as at 31 December 2022 and 2021 are as follows:

In thousands of Tenge	**31 December 2022**	31 December 2021
Due for oil transportation coordination services	**5,299,968**	5,378,118
Investments in bonds	**809,649**	753,707
Deferred expenses from third parties	**304,312**	309,530
Prepaid insurance	**223,958**	171,623
Other	**30,198**	36,983
Total	**6,668,085**	6,649,961

Investments in bonds

In December 2017, in accordance with the Decision of the Government of the Republic of Kazakhstan dated 7 November 2017, the Group purchased bonds of “Special Financial Company DSFK” LLP (hereinafter − “DSFK bonds”) using the funds placed with RBK Bank JSC. The nominal amount of the bonds was 5,019,520 thousand Tenge, the number of bonds is 5,019,520 thousand units. DSFK bonds carry coupon interest of 0.01% per annum and mature in 15 years. The above mentioned bonds are secured by a financial guarantee of “Kazakhmys Corporation” LLP of 1,379,913 thousand Tenge. The guarantee is exercisable upon request of the Group not earlier than the fifth anniversary after the inception of the bonds.

In 2022 the Group revised the fair value of bonds and, as a result, recognized income in the amount of 98,394 thousand Tenge (in 2021: 22,391 thousand Tenge) *(Note 33)*. Thus, the book value of the investments in bonds as at 31 December 2022 amounted to 809,649 thousand Tenge (as at 31 December 2021: 753,707 thousand Tenge).

During the 2022 and 2021 years the issuer repurchased 42,452 thousand units of bonds and 182,430 thousand units of bonds at a price of 1 Tenge per 1 bond, respectively.

16. BANK DEPOSITS

Bank deposits as at 31 December 2022 and 2021 are as follows:

In thousands of Tenge	**31 December 2022**	31 December 2021
Long-term bank deposits − Tenge	**947,247**	1,426,867
Short-term bank deposits − US Dollars	**−**	8,636,000
Accrued interest on deposits − Tenge	**−**	31,380
Accrued interest on deposits − US Dollars	**−**	1,583
Less: allowance for expected credit losses	**(1,795)**	(6,357)
Total	**945,452**	10,089,473

Movement in allowance for expected credit losses on short-term bank deposits is as follows:

In thousands of Tenge	**2022**	2021
As at 1 January	**3,818**	86,358
Reversal for the year, net *(Note 33)*	**(3,818)**	(82,540)
As at 31 December	**−**	3,818

16. BANK DEPOSITS (continued)

Movement in allowance for expected credit losses on long-term bank deposits is as follows:

In thousands of Tenge	**2022**	2021
As at 1 January	**2,539**	19,293
Reversal for the year, net *(Note 33)*	**(744)**	(16,754)
As at 31 December	**1,795**	2,539

As at 31 December 2022 and 2021 bank deposits comprised restricted long-term bank deposits with interest from 2% to 3.5% per annum maturing in 2028 and in 2030, arranged for the purpose of preferential lending rates for the Company's employees for the purchase of residential property.

As at 31 December 2021 US Dollars denominated deposits with maturity from 3 to 12 months were placed at interest rate 0.6% per annum, the maturity of which expired in June 2022.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2022 and 2021 are as follows:

In thousands of Tenge	**31 December 2022**	31 December 2021
Time deposits with banks − Tenge	**68,970,977**	20,630,285
Current accounts with banks − US Dollar	**14,426,202**	17,073,471
Current accounts with banks – Georgian Lari	**1,234,813**	339,827
Current accounts with banks − Tenge	**499,992**	2,425,219
Current accounts with banks – other currency	**39,710**	29,900
Other current accounts with banks	**12,335**	24,923
Cash in hand	**256**	229
Less: allowance for expected credit losses	**(26,747)**	(24,882)
Total	**85,157,538**	40,498,972

Movement in allowance for expected credit losses on cash and cash equivalents is as follows:

In thousands of Tenge	**2022**	2021
As at 1 January	**24,882**	23,833
(Reversal)/charge for the year, net *(Note 33)*	**(819)**	488
Foreign currency translation	**2,684**	561
As at 31 December	**26,747**	24,882

As at 31 December 2022:

- current accounts and placed in Tenge interests ranged from 6.75% to 7% per annum (as at 31 December 2021: from 6.75% per annum);
- time deposits with maturity less than 3 months in Tenge interests ranged from 14.75% to 16.05% per annum (as at 31 December 2021: from 7.50% to 9.05% per annum);
- interests for current accounts placed in US Dollars ranged from 0.25% to 3% per annum (as at 31 December 2021: from 0.25% to 3% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. NON-CURRENT ASSETS HELD FOR SALE

Changes in non-current assets held for sale for the twelve-month period ended 31 December 2022 and 2021 are as follows:

In thousands of Tenge	**2022**	2021
As at 1 January	**602,408**	630,839
Transfers from property, plant and equipment *(Note 6)*	**–**	25,076
Sold	**(6,667)**	(45,565)
Impairment for the year	**–**	(7,942)
Transfers to property, plant and equipment *(Note 6)*	**(573,012)**	–
As at 31 December	**22,729**	602,408

As at 31 December 2021 non-current assets held for sale were represented by property of the administrative building in Almaty, as well as unused vehicles. During 2022, due to the change in the plans of the Group's Management for the sale of the asset, the administrative building in Almaty and some of vehicles was reclassified as part of fixed assets.

As at 31 December 2022 non-current assets held for sale are represented unused vehicles. These assets are recognized at the lower of their carrying amount and fair value less costs to sell and are available for immediate sale in their present condition. At the end of the reporting period, the carrying amount of the given assets does not exceed their fair value less costs to sell.

The net amount of income from the sale of non-current assets held for sale during 12 months 2022 amounted to 10,824 thousand Tenge (during 12 months 2022: 46,677 thousand Tenge) *(Note 31)*.

19. EQUITY

Share capital

As at 31 December 2022 and 2021 the Company's share capital comprised of 384,635,600 common shares authorized, issued and fully paid in the amount of 62,503,284 thousand Tenge, except for 1 share, which was authorized but not issued and not paid.

As at 31 December 2022 and 2021 the share capital was equal to 61,937,567 thousand Tenge, net of consulting costs related to the issuance of shares in the amount of 565,717 thousand Tenge.

Treasury shares repurchased from shareholders

In 2016 based on request of a minority shareholder and the subsequent decision of the Board of Directors, the Company repurchased the announced common shares in the amount of 7,500 units for 9,549 thousand Tenge.

Asset revaluation reserve

Revaluation reserve was formed based on revaluation and devaluation of property, plant and equipment of the Group and share in the asset revaluation reserve of the joint ventures.

In thousands of Tenge	**31 December 2022**	31 December 2021
Revaluation reserve for property, plant and equipment of the Group	**385,975,268**	258,179,742
Share in the asset revaluation reserve of the joint ventures	**37,241,894**	27,505,423
Total	**423,217,162**	285,685,165

Foreign currency translation reserve

As at 31 December 2022 foreign currency translation reserve was equal to 46,952,044 thousand Tenge (as at 31 December 2021: 40,632,765 thousand Tenge). Change in foreign currency translation reserve is due to the translation of the operations of the foreign subsidiaries as a result of changes in exchange rates *(Note 4.2)*.

19. EQUITY (continued)

Other capital reserves

As at 31 December 2022 other capital reserves represent a accumulated loss amounted to 188,145 thousand Tenge (as at 31 December 2021: 4,310,257 thousand Tenge). Change in this reserve is due to recognition of actuarial gains and losses from revaluation of the Group's and joint ventures' employee benefits obligations under defined benefit plans. Actuarial gains from revaluation of the Group's employee benefits obligations under defined benefit plans amounted to 4,238,724 thousand Tenge *(Note 21)*, income tax effect of which amounted to 116,499 thousand Tenge *(Note 35)*. For the same period of 2021 actuarial gains from revaluation of the Group's employee benefits obligations under defined benefit plans amounted to 1,737,723 thousand Tenge *(Note 21)*, income tax effect of which amounted to 47,760 thousand Tenge *(Note 35)*.

Dividends

During 2022 the Company accrued dividends as the result of 2021 year based on the decision of the general meeting of shareholders dated 19 May 2022 in the amount of 10,000,331 thousand Tenge (calculated as 26 Tenge per 1 share), including 9,000,473 thousand Tenge *(Note 37)* which paid to KMG and 999,858 thousand Tenge to minority shareholders.

During 2021 the Company accrued dividends as the result of 2020 year to the shareholders based on the decision of the general meeting of shareholders dated 26 May 2021 in the amount of 50,770,909 thousand Tenge (calculated as 132 Tenge per 1 share), including 45,694,709 thousand Tenge *(Note 37)* which paid to KMG and 5,076,200 thousand Tenge to minority shareholders.

Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period.

Since the Company, as the Parent of the Group, does not issue convertible financial instruments, basic earnings per share of the Group are equal to diluted earnings per share.

The following reflects the net profit and share data used in the basic earnings per share computations:

In thousands of Tenge	**2022**	2021
Net profit for the period attributable to ordinary equity holders of the Parent of the Group	**19,801,693**	50,607,007
Weighted average number of ordinary shares for the year for basic and diluted earnings per share	**384,628,099**	384,628,099
Basic and diluted earnings per share, in relation to profit for the year attributable to ordinary equity holders of the Company, as a Parent company of the Group (in Tenge)	**51**	132

Book value per ordinary share

Book value per ordinary share is calculated in accordance with requirements of KASE of the Parent of the Group is as follows:

In thousands of Tenge	**31 December 2022**	31 December 2021
Total assets	**1,235,417,960**	983,162,521
Less: intangible assets *(Note 8)*	**(8,515,332)**	(7,352,234)
Less: total liabilities	**(322,964,635)**	(246,054,505)
Net assets for calculation of book value per ordinary share	**903,937,993**	729,755,782
Number of ordinary shares	**384,628,099**	384,628,099
Book value per ordinary share (in Tenge)	**2,350**	1,897

20. LOANS RECEIVED

Movements in loans received for twelve months ended 31 December 2022 are as follows:

In thousands of Tenge	**2022**
Loans with a floating interest rate	
As at 1 January	**–**
Received within a year	29,592,745
Accrued remuneration	375,197
Recognition of additional costs associated with the organization of the loan	(207,149)
As at 31 December	**29,760,793**

On 25 November 2022, Main Waterline entered into an agreement on the provision of a credit line with JSC "Halyk Bank of Kazakhstan". The amount of a credit line is 66,700,000 thousand Tenge, the interest rate is floating, at the level of the base rate of the National Bank of the Republic of Kazakhstan plus 2.5%, the loan term is 120 months from the date of conclusion of an agreement. The purpose of this loan is to finance the project "Reconstruction and expansion of the main waterline "Astrakhan-Mangyshlak" 1st stage".

Samruk-Kazyna acted as the guarantor of the obligations of the Main Waterline under the agreement on the provision of a credit line.

As part of the agreement on the provision of a credit line, a bank loan agreement in the amount of 29,592,745 thousand Tenge was signed on 28 November 2022. The nominal interest rate is floating and is 18.5% per annum (subject to revision every 6 months). The bank loan agreement establishes the beginning of repayment of the loan and payment of remuneration from 1 December 2025 and 30 May 2025, respectively, with a frequency of 1 every six months.

On 28 November 2022, under the bank loan agreement, the Main Waterline received a loan (the 1st tranche) in the amount of 29,592,745 thousand Tenge, aimed at paying an advance payment to the contractor for the project "Reconstruction and expansion of the main waterline "Astrakhan-Mangyshlak" 1st stage" *(Note 10)*. The loan amount was recognized at fair value less borrowing costs.

Group capitalizes the borrowing costs into the value of the qualifying asset.

Main Waterline paid the loan costs in the form of a commission fee to the bank for the legal and economic expertise of the financing project and for the organization of a credit line of 533,127 thousand Tenge.

The effective interest rate on the loan was 15.57%. The total amount of capitalized loan costs in the value of the qualifying asset for the reporting period amounted to 434,328 thousand Tenge *(Note 6)*.

Covenants

The Group must ensure the fulfillment of non-financial covenants in accordance with the Agreement on the provision of a credit line. As at 31 December 2022, the Group complies with all non-financial covenants.

21. EMPLOYEE BENEFIT OBLIGATIONS

Group has employee benefit obligations, mainly consisting of additional payments for pensions and jubilee obligations, applicable to all employees. These payments are unfunded.

Employee benefit obligations as at 31 December 2022 and 2021 are as follows:

In thousands of Tenge	**31 December 2022**	31 December 2021
Non-current portion of employee benefit obligations	**18,096,363**	21,433,483
Current portion of employee benefit obligations	**1,046,911**	722,893
Total	**19,143,274**	22,156,376

21. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Changes in the present value of employee benefit obligations for the years ended 31 December 2022 and 2021 are as follows:

In thousands of Tenge	**2022**	2021
Employee benefit obligations as at 1 January	**22,156,376**	22,252,243
Interest cost *(Note 34)*	**1,456,152**	1,465,083
Current services cost *(Notes 29, 30)*	**725,176**	982,173
Actuarial loss through profit and loss *(Note 32)*	**4,163**	20,748
Actuarial gain through other comprehensive income *(Note 19)*	**(4,238,724)**	(1,737,723)
Benefits paid	**(959,869)**	(826,148)
Employee benefit obligations as at 31 December	**19,143,274**	22,156,376

22. CONTRACT LIABILITIES TO CUSTOMERS

Long-term contract liabilities to customers as at 31 December 2022 and 31 December 2021 are as follows:

In thousands of Tenge	**31 December 2022**	31 December 2021
Deferred income from related parties *(Note 37)*	**26,125,466**	21,516,739
Deferred income from third parties	**9,006,713**	8,662,766
Total	**35,132,179**	30,179,505

Short-term contract liabilities to customers as at 31 December 2022 and 31 December 2021 are as follows:

In thousands of Tenge	**31 December 2022**	31 December 2021
Advances received from related parties *(Note 37)*	**17,774,325**	11,118,754
Advances received from third parties	**8,238,141**	7,977,802
Current part of deferred income from related parties *(Note 37)*	**2,799,157**	2,082,265
Current part of deferred income from third parties	**717,570**	671,204
Total	**29,529,193**	21,850,025

Deferred income from related parties relates to the free of charge receipt Main Waterline of the new waterline for technical water "Kulsary-Tengiz" (1st stage) in April 2021 and pumping station (2nd stage) in November 2022, built at the expense of water transportation services customer under the agreement on cooperation on the construction of a waterline in the amount 24,987,181 thousand Tenge and 7,467,625 thousand Tenge, respectively. As the Group has to provide the appropriate volume and rate of water supply to the facilities of the customer via the waterline of technical water Kulsary-Tengiz for the entire period of operations of given customer of water transportation services, the received assets were recognized as a non-cash consideration from the customer for the services provided. The Group recognized the contract liability and property, plant and equipment for the indicated amount. The amortization of contract liability for the period is recognized by the Group as revenue from the provision of water transportation services in the amount of 2,142,006 thousand Tenge (as at 31 December 2021: 1,388,177 thousand Tenge).

Revenue recognized in respect of contracts with customers

During the current reporting period, the Group recognized the revenue in the amount of 20,100,542 thousand Tenge in respect of contract liabilities to customers as at the beginning of the reporting period (2021: 20,035,986 thousand Tenge).

23. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 31 December 2022 and 2021 are as follows:

In thousands of Tenge	**31 December 2022**	31 December 2021
Accounts payable to third parties for goods and services	**16,530,280**	17,784,506
Accounts payable to related parties for goods and services *(Note 37)*	**1,389,533**	1,059,611
Other accounts payable to third parties	**1,311,009**	1,176,005
Total	**19,230,822**	20,020,122

23. TRADE AND OTHER ACCOUNTS PAYABLE (continued)

Trade and other accounts payable included payables to related and third parties, related to property, plant and equipment and construction in progress in the amount of 8,288,535 thousand Tenge (as at 31 December 2021: 9,542,331 thousand Tenge), including the overhaul with the replacement of main oil pipeline sections.

Trade and other accounts payable as at 31 December 2022 and 2021 are in the following currencies:

In thousands of Tenge	**31 December 2022**	31 December 2021
Tenge	**18,416,184**	18,176,135
US Dollars	**182,469**	1,423,305
Russian Rubles	**4,352**	7,880
Euro	**2,313**	1,295
Other currency	**625,504**	411,507
Total	**19,230,822**	20,020,122

24. LEASE LIABILITIES

Lease liabilities as at 31 December 2022 and 2021 are as follows:

In thousands of Tenge	**31 December 2022**	31 December 2021
Current portion of obligations	**942,217**	1,393,200
Non-current portion of obligations	**198,450**	267,714
Total	**1,140,667**	1,660,914

Changes in the present value of obligations for the twelve months ended 31 December 2022 and 2021 are as follows:

In thousands of Tenge	**2022**	2021
As at 1 January	**1,660,914**	3,410,296
Modification *(Note 7)*	**1,259,881**	7,071
Payments for the period	**(2,048,030)**	(2,031,517)
Unwinding of discount on obligations *(Note 34)*	**125,280**	270,657
Additions for the period *(Note 7)*	**130,855**	4,407
Exchange rate difference	**13,401**	–
Disposals for the period	**(1,634)**	–
As at 31 December	**1,140,667**	1,660,914

The information below describes the cost of expenses related with lease reflected in the consolidated statement of comprehensive income for 2022 and 2021:

In thousands of Tenge	**For the year ended 31 December 2022**	For the year ended 31 December 2021
Right-of-use assets amortization *(Note 7)*	**1,582,271**	1,447,825
Unwinding of discount on obligations *(Note 34)*	**125,280**	270,657
Low-value assets lease expenses *(Notes 29, 30)*	**52,886**	46,179
Total	**1,760,437**	1,764,661

25. OTHER TAXES PAYABLE

Other taxes payable as at 31 December 2022 and 2021 are as follows:

In thousands of Tenge	**31 December 2022**	31 December 2021
Personal income tax	**4,360,239**	3,581,447
Withholding tax at the source of payment to non-residents	**1,396,278**	1,131,316
VAT payable	**1,114,808**	18,651
Social tax	**763,335**	680,913
Property tax	**386,785**	328,083
Other taxes	**719,522**	451,014
Total	**8,740,967**	6,191,424

26. PROVISIONS

Movements in provisions for the years ended 31 December 2021 and 2022 are as follows:

Short-term provisions

In thousands of Tenge	Tax provisions (BOT, BSP)	Other provisions	Total
As at 1 January 2021	432,695	836,655	1,269,350
Charge/(reversal) for the year, net *(Notes 30, 31)*	873,423	(518,941)	354,482
Provisions used	–	(298,533)	(298,533)
Transfers and reclassifications	–	6,391	6,391
Foreign currency translation	103,277	6,397	109,674
As at 31 December 2021	1,409,395	31,969	1,441,364
Reversal for the year, net *(Note 30)*	**(7,836)**	**–**	**(7,836)**
Provisions used	**(330,026)**	**(34,109)**	**(364,135)**
Foreign currency translation	**238,229**	**2,156**	**240,385**
As at 31 December 2022	**1,309,762**	**16**	**1,309,778**

Long-term provisions

Asset retirement and land recultivation obligation

В тысячах тенге	Provision for oil pipelines and landfills	Provision for OPS	Total
As at 1 January 2021	33,688,837		33,688,837
Charge for the period through asset *(Note 6)*	340,189	–	340,189
Revision of estimates through profit and loss *(Note 31)*	(205,769)	–	(205,769)
Revision of estimates through other comprehensive loss	(185,471)	–	(185,471)
Reversed through profit and loss *(Note 31)*	(1,322,294)	–	(1,322,294)
Unwinding of discount *(Note 34)*	2,231,659	–	2,231,659
As at 31 December 2021	34,547,151	–	34,547,151
Charge for the period through asset *(Note 6)*	**346,567**	**13,612,707**	**13,959,274**
Charge for the profit and loss *(Note 31)*	**–**	**1,135,708**	**1,135,708**
Revision of estimates through other comprehensive loss	**(6,810,783)**	**–**	**(6,810,783)**
Revision of estimates through asset *(Note 6)*	**–**	**(3,359,391)**	**(3,359,391)**
Revision of estimates through profit and loss *(Note 31)*	**(1,648,210)**	**(280,274)**	**(1,928,484)**
Reversed through profit and loss *(Note 31)*	**(61,037)**	**–**	**(61,037)**
Unwinding of discount *(Note 34)*	**2,212,426**	**970,115**	**3,182,541**
As at 31 December 2022	**28,586,114**	**12,078,865**	**40,664,979**

In accordance with the amendments in the Environmental Code of the Republic of Kazakhstan, the Group recognized an obligation to decommission oil pumping stations (OPS) in the amount of 14,748,415 thousand Tenge *(Note 5)*.

27. OTHER CURRENT LIABILITIES

Other current liabilities as at 31 December 2022 and 2021 are as follows:

In thousands of Tenge	**31 December 2022**	31 December 2021
Salaries and other compensations	**14,613,072**	11,625,437
Accounts payable for oil transportation coordination services to related parties *(Note 37)*	**8,039,904**	8,873,343
Accounts payable for oil transportation coordination services to third parties	**4,701,932**	4,163,649
Accounts payable to pension fund	**1,221,720**	912,044
Other accruals	**755,355**	284,621
Total	**29,331,983**	25,859,094

Salaries and other compensations comprise of current salary payable, remunerations based on the year results and vacation payments payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. REVENUE

Revenue for the years ended 31 December 2022 and 2021 are as follows:

	2022				
In thousands of Tenge	Oil transportation and related services	Oil transshipment	Water transportation	Others	Total segments
Crude oil transportation	184,915,654	–	–	–	184,915,654
Pipeline operation and maintenance services	24,064,009	–	–	–	24,064,009
Oil transshipment and railway shipment	–	22,498,915	–	–	22,498,915
Water transportation	–	–	11,929,886	–	11,929,886
Seaport services	–	–	–	8,061,204	8,061,204
Fees for undelivered oil volumes	1,789,534	–	–	–	1,789,534
Oil storage services	52,700	1,063,826	–	–	1,116,526
Oil transportation coordination services	475,794	–	–	–	475,794
Other	23,553	–	918	751,316	775,787
Total	211,321,244	23,562,741	11,930,804	8,812,520	255,627,309
Geographic regions*					
Kazakhstan	184,062,946	15,532,419	11,930,804	–	211,526,169
Russia	27,258,298	–	–	–	27,258,298
Georgia	–	1,788,409	–	8,802,380	10,590,789
Other states	–	6,241,913	–	10,140	6,252,053
Total revenue under contracts with customers	211,321,244	23,562,741	11,930,804	8,812,520	255,627,309
Timing of revenue recognition					
At a point in time	187,257,235	23,562,741	11,930,804	8,812,520	231,563,300
Over time	24,064,009	–	–	–	24,064,009
Total	211,321,244	23,562,741	11,930,804	8,812,520	255,627,309

28. REVENUE (continued)

	2021				
In thousands of Tenge	Oil transportation and related services	Oil transshipment	Water transportation	Others	Total segments
Crude oil transportation	191,849,479	–	–	–	191,849,479
Pipeline operation and maintenance services	18,091,320	–	–	–	18,091,320
Oil transshipment and railway shipment	–	7,044,050	–	–	7,044,050
Water transportation	–	–	9,051,473	–	9,051,473
Seaport services	–	–	–	6,611,173	6,611,173
Fees for undelivered oil volumes	3,407,088	–	–	–	3,407,088
Oil storage services	52,925	–	–	–	52,925
Oil transportation coordination services	581,187	–	–	–	581,187
Other	45,746	–	2,871	1,438,804	1,487,421
Total	214,027,745	7,044,050	9,054,344	8,049,977	238,176,116
Geographic regions*					
Kazakhstan	188,066,665	3,516,699	9,054,344	–	200,637,708
Russia	25,961,080	–	–	–	25,961,080
Georgia	–	2,868,236	–	7,870,180	10,738,416
Other states	–	659,115	–	179,797	838,912
Total revenue under contracts with customers	214,027,745	7,044,050	9,054,344	8,049,977	238,176,116
Timing of revenue recognition					
At a point in time	195,936,425	7,044,050	9,054,344	8,049,977	220,084,796
Over time	18,091,320	–	–	–	18,091,320
Total	214,027,745	7,044,050	9,054,344	8,049,977	238,176,116

*the revenue information in the tables above is given according to the location of the customers

For the year ended 31 December 2022 revenue from the five major customers amounted to 49,329,056 thousand Tenge, 29,342,243 thousand Tenge, 12,664,538 thousand Tenge, 10,206,161 thousand Tenge and 4,822,807 thousand Tenge (for 2021: revenue from these customers amounted to 48,807,792 thousand Tenge, 31,154,096 thousand Tenge, 12,279,512 thousand Tenge, 11,403,005 thousand Tenge and 5,669,602 thousand Tenge, respectively).

29. COST OF SALES

Cost of sales for the years ended 31 December 2022 and 2021 are as follows:

In thousands of Tenge	**2022**	2021
Personnel costs	**89,137,471**	61,566,739
Depreciation and amortization	**53,437,487**	52,201,466
Railway services	**13,066,905**	2,858,437
Taxes other than income tax	**10,977,655**	9,436,495
Security services	**9,754,979**	6,098,889
Electric energy	**9,704,329**	8,587,955
Materials and fuel	**9,051,219**	9,432,337
Repair and maintenance	**8,672,145**	8,261,419
Gas expense	**3,373,645**	2,957,696
Food and accommodation	**2,195,513**	2,131,772
Environmental protection	**1,520,301**	2,361,777
Insurance	**1,078,972**	822,292
Business trip expenses	**930,505**	883,427
Post-employment benefits *(Note 21)*	**679,851**	925,416
Air services	**642,193**	481,475
Diagnostics of production assets	**621,083**	346,156
Outstaffing services	**559,937**	486,417
Communication services	**355,908**	373,371
Transportation services	**137,223**	127,848
Leases of low-value assets *(Note 24)*	**23,847**	19,337
Other	**3,513,482**	2,885,557
Total	**219,434,650**	173,246,278

The increase in personnel costs in the reporting period is mainly due to the increase of salary, including the transition to the new wage system for employees of the Company's production divisions.

The increase in railway services costs is mainly associated with an increase in volumes and tariffs for the transportation of products (PTL).

30. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December 2022 and 2021 are as follows:

In thousands of Tenge	**2022**	2021
Personnel costs	**11,041,841**	9,834,304
Depreciation and amortization	**1,436,240**	1,456,570
Office maintenance	**490,653**	575,699
Auditing and consulting services	**433,512**	321,232
Social sphere expenses	**431,866**	143,092
Repair and maintenance	**344,389**	281,691
Charge of allowance for expected credit losses, net *(Note 12)*	**308,922**	27,052
Outstaffing services	**304,334**	267,819
Taxes other than income tax	**269,515**	328,000
Business trip expenses	**256,035**	213,294
Information services	**142,885**	136,447
Write-off of VAT recoverable	**132,234**	74,466
Communication services	**106,486**	126,778
Materials and fuel	**67,145**	65,123
Bank costs	**66,184**	69,942
Post-employment benefits *(Note 21)*	**45,325**	56,757
Leases of low-value assets *(Note 24)*	**29,039**	26,842
(Reversal)/charge of short-term provisions *(Note 26)*	**(7,836)**	873,423
Other	**640,702**	671,146
Total	**16,539,471**	15,549,677

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. OTHER OPERATING INCOME

Other operating income for the years ended 31 December 2022 and 2021 is as follows:

In thousands of Tenge	**2022**	2021
Income from revision of estimates and reversal of provision on asset retirement and land recultivation obligation, net *(Note 26)*	**853,813**	1,528,063
Income from fines and penalties	**718,681**	218,409
Amortization of deferred revenue	**299,244**	279,106
Income from recognition of inventories	**21,758**	182,492
Income from sale of non-current assets held for sale, net *(Note 18)*	**10,824**	46,677
Income from sale of inventories, net	**8,303**	190,320
Income from reversal of short-term provisions *(Note 26)*	**–**	518,941
Income from reimbursement of insurance payment	**–**	60,010
Other income	**115,291**	71,291
Total	**2,027,914**	3,095,309

32. OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2022 and 2021 are as follows:

In thousands of Tenge	**2022**	2021
Write-off of inventory value to net realisable value	**394,769**	–
Loss on disposal of property, plant and equipment, net	**313,510**	440,587
Loss on liquidation of inactive production facilities	**208,649**	167,099
Actuarial loss *(Note 21)*	**4,163**	20,748
Other expenses	**90,036**	297,748
Total	**1,011,127**	926,182

33. FINANCE INCOME

Finance income for the years ended 31 December 2022 and 2021 is as follows:

In thousands of Tenge	**2022**	2021
Interest income on bank deposits and current accounts	**3,721,377**	2,866,486
Unwinding of discount on long-term receivables	**185,447**	197,740
Income from revision the fair value of bonds *(Note 15)*	**98,394**	22,391
Reversal of allowance for expected credit losses on cash and cash equivalents and bank deposits, net *(Notes 16, 17)*	**5,381**	98,806
Other finance income	**17,977**	15,764
Total	**4,028,576**	3,201,187

34. FINANCE COSTS

Finance costs for the years ended 31 December 2022 and 2021 are as follows:

In thousands of Tenge	**2022**	2021
Unwinding of discount on asset retirement and land recultivation obligation *(Note 26)*	**3,182,541**	2,231,659
Interest cost on employee benefit obligations *(Note 21)*	**1,456,152**	1,465,083
Unwinding of discount on lease liabilities *(Note 24)*	**125,280**	270,657
Other finance costs	**14,942**	148,760
Total	**4,778,915**	4,116,159

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. INCOME TAX EXPENSE

Income tax expense for the years ended 31 December 2022 and 2021 is as follows:

In thousands of Tenge	**2022**	2021
Current income tax expense	**11,005,876**	15,872,679
Prior years adjustments	**139,049**	290,975
Deferred income tax benefits	**(6,020,506)**	(3,772,822)
Income tax expense	**5,124,419**	12,390,832

A reconciliation of income tax expense on accounting profit, multiplied by income tax rate and current income tax expense for the years ended 31 December 2022 and 2021 is as follows:

In thousands of Tenge	**2022**	2021
Profit before income tax	**24,926,112**	62,997,839
Statutory rate	**20%**	20%
Income tax expense on accounting profit	**4,985,222**	12,599,568
Prior years adjustments	**139,049**	290,975
Intragroup income and non-deductible losses of foreign operations, net	**1,209,423**	812,305
Non-deductible expense on long-term employee benefit obligations	**375,448**	424,310
Gain on surplus of technological oil	**786,355**	254,487
Revision of estimates on taxable temporary differences related to property, plant and equipment	**117,182**	(147,200)
Non-deductible expense on disposal of property, plant and equipment	**221,367**	320,782
Other non-deductible expenses, net	**485,137**	393,272
Tax effect of other adjustments		
Profit of joint ventures recognized based on equity method	**(3,194,764)**	(2,557,667)
Income tax expense reported in the consolidated statement of comprehensive income	**5,124,419**	12,390,832

Starting from 1 January 2020 amendments to the Tax Code of the Republic of Kazakhstan came into force in terms of taxation of controlled foreign companies (hereinafter – “CFC”).

According to the Tax Code a CFC is an entity which meets the following conditions at the same time: 1) a non-resident legal entity; 2) 25 and more percent of the participation interest (voting shares) in the entity directly or indirectly, or constructively belong to a legal entity or an individual which is the resident of the Republic of Kazakhstan; 3) the effective income tax rate of a non-resident legal entity is less than 10 percent.

The profit of CFC indicated in its separate financial statements is a subject of income tax for resident company of the Republic of Kazakhstan.

The Group’s management has analysed and determined that the following companies of the Group fall under the definition of CFC: BOT, PTL and BSP. In this respect, the Company, as the parent company of the Group, has included in its taxable income for 2022 the profits of separate companies BSP and BOT, PTL’s figures were not included in the Company’s taxable income as PTL recognized a net loss in its separate financial statements for 2022. The taxable income of the Company for 2021 has included the profit of individual BSP, BOT and PTL companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. INCOME TAX EXPENSE (continued)

Deferred income tax balances, calculated by applying the statutory income tax rates in effect at the respective statement of financial position dates to the temporary differences between the basis of assets and liabilities and the amounts reported in the consolidated financial statements, comprised the following at 31 December 2022 and 2021:

In thousands of Tenge	**31 December 2022**	**Charged to profit and loss**	**Charged to other comprehen-sive income**	**Other**	31 December 2021	Charged to profit and loss	Charged to other comprehen-sive income	Other	1 January 2021
Deferred tax assets									
Employee benefits and other employee related accrued liabilities	**2,479,429**	**266,979**	**(116,499)**	**29**	2,328,920	106,132	(47,760)	(9)	2,270,557
Reserve for impairment of advances to suppliers	**10,780**	**–**	**–**	**–**	10,780	(1)	–	–	10,781
Provision for obsolete and slow-moving inventories	**1,243**	**209**	**–**	**–**	1,034	(39,821)	–	–	40,855
Provision for assets retirement and land recultivation obligation and other provisions	**8,132,999**	**465,746**	**(1,362,157)**	**2,119,977**	6,909,433	140,661	(37,094)	68,038	6,737,828
Lease liabilities	**185,676**	**(384,673)**	**–**	**278,147**	292,202	(392,152)	–	2,295	682,059
Taxes payable	**166,717**	**28,569**	**–**	**–**	138,148	(3,669)	–	–	141,817
Revaluation of investments in bonds	**–**	**(19,679)**	**–**	**–**	19,679	(119,104)	–	–	138,783
Transfer of losses for subsequent periods	**1,254,363**	**1,254,363**	**–**	**–**	–	(2,464,878)	–	–	2,464,878
Unrealized income from intragroup transactions	**42,187**	**(63,636)**	**–**	**–**	105,823	18,760	–	–	87,063
Provision for expected credit losses	**252,021**	**(4,255)**	**–**	**–**	256,276	14,544	–	–	241,732
Discount on long-term accounts receivables	**151,308**	**(37,089)**	**–**	**–**	188,397	(39,532)	–	–	227,929
Deferred income	**5,784,925**	**1,065,124**	**–**	**–**	4,719,801	4,719,801	–	–	–
Less: deferred tax assets net-off deferred tax liabilities	**(18,461,648)**	**–**	**–**	**(5,745,832)**	(12,715,816)	–	–	328,466	(13,044,282)
Deferred tax assets	**–**	**2,571,658**	**(1,478,656)**	**(3,347,679)**	2,254,677	1,940,741	(84,854)	398,790	–
Deferred tax liabilities									
Property, plant and equipment	**(125,790,222)**	**3,129,531**	**(33,286,881)**	**(2,119,977)**	(93,512,895)	1,542,516	(20,230,732)	(68,038)	(74,756,641)
Right-of-use assets	**(181,124)**	**319,317**	**–**	**(278,147)**	(222,294)	289,565	–	(2,295)	(509,564)
Add: deferred tax assets net-off deferred tax liabilities	**18,461,648**	**–**	**–**	**5,745,832**	12,715,816	–	–	(328,466)	13,044,282
Deferred tax liabilities	**(107,509,698)**	**3,448,848**	**(33,286,881)**	**3,347,708**	(81,019,373)	1,832,081	(20,230,732)	(398,799)	(62,221,923)
Net deferred income tax liabilities	**(107,509,698)**	**6,020,506**	**(34,765,537)**	**29**	(78,764,696)	3,772,822	(20,315,586)	(9)	(62,221,923)

35. INCOME TAX EXPENSE (continued)

The deferred taxes on property, plant and equipment represent differences between tax and book base of property, plant and equipment due to different depreciation rates in tax and accounting books and impairment of property, plant and equipment.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

36. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its services and has four reportable segments, as follows:

- Oil transportation and related services;
- Oil transshipment;
- Water transportation;
- Other segments.

Segments that are identified, but do not separately exceed quantitative limits (amount of separate segment revenue comprises less than 10% of combined revenue) are combined in "Other segments". Such services include transshipment of dry cargo (sugar-airbrick, ammonium nitrate, cement, grain, sunflower and oil cake) in BSP with operation of dry-cargo, ferry and container terminals, and also passenger terminal services.

Oil transportation and related services provided by the Company, which do not exceed quantitative limits and are intimately connected with the Group's main operating activities, or with main asset of the Group − pipelines, such as: oil storage, expedition services, services on support and maintenance of pipelines, are included into service related to oil transportation. Separate management report is not provided to the Management of the Group on some types of these services and accordingly they cannot be identified as separate segments.

Services on transshipment of oil and oil-products through BSP with operation of BOT are included in "Oil transshipment" segment. Revenue from oil terminal is generated through storage, transshipment of oil and oil-products and expedition. Expedition services rendered by PTL, represent transshipment of oil and oil-products services through railway from Azerbaijanian-Georgian border to oil terminal in Batumi. This type of activity is directly related to oil transshipment, and therefore is not shown as a separate segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

36. SEGMENT INFORMATION (continued)

In thousands of Tenge	**For the year ended 31 December 2022**						For the year ended 31 December 2021					
	Oil transportation and related services (Kazakhstan)	**Oil transshipment (Georgia)**	**Water transportation (Kazakhstan)**	**Other**	**Adjustments and exceptions**	**Total segments (consolidated)**	Oil transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Water transportation (Kazakhstan)	Other	Adjust-ments and exceptions	Total segments (consolidated)
Revenue												
External customers	**211,321,244**	**23,562,741**	**11,930,804**	**8,812,520**	**–**	**255,627,309**	214,027,745	7,044,050	9,054,344	8,049,977	–	238,176,116
Intersegmental	**814,952**	**–**	**72,100**	**–**	**(887,052)**	**–**	805,240	–	77,950	–	(883,190)	–
Total revenue	**212,136,196**	**23,562,741**	**12,002,904**	**8,812,520**	**(887,052)**	**255,627,309**	214,832,985	7,044,050	9,132,294	8,049,977	(883,190)	238,176,116
Financial results												
(Charge)/reversal of impairment of property, plant and equipment and intangible assets through profit and loss	**(12,621,560)**	**(444,336)**	**88,001**	**65,913**	**–**	**(12,911,982)**	(336,434)	–	–	–	–	(336,434)
Depreciation and amortization	**(46,678,407)**	**(918,173)**	**(6,051,995)**	**(1,225,152)**	**–**	**(54,873,727)**	(46,189,522)	(806,532)	(5,680,766)	(981,216)	–	(53,658,036)
Interest income	**3,343,695**	**100,944**	**143,991**	**132,747**	**–**	**3,721,377**	2,235,726	31,528	492,291	106,941	–	2,866,486
Share in income of joint ventures	**15,973,820**	**–**	**–**	**–**	**–**	**15,973,820**	12,788,333	–	–	–	–	12,788,333
Income tax (expense)/benefits	**(6,175,462)**	**–**	**1,061,572**	**(461)**	**(10,068)**	**(5,124,419)**	(13,429,793)	–	1,092,248	(72,430)	19,143	(12,390,832)
Segment profit/(loss) for the period	**16,706,240**	**2,124,886**	**(4,252,968)**	**1,338,538**	**3,884,997**	**19,801,693**	49,500,742	(1,601,985)	(4,537,552)	2,779,614	4,466,188	50,607,007
Other disclosures												
Total assets	**1,093,895,555**	**55,089,123**	**145,839,799**	**23,739,961**	**(83,146,478)**	**1,235,417,960**	910,330,857	30,810,657	94,232,078	29,827,018	(82,038,089)	983,162,521
Total liabilities	**238,046,342**	**11,089,259**	**60,832,330**	**13,802,700**	**(805,996)**	**322,964,635**	200,598,316	7,611,338	26,322,626	13,222,148	(1,699,923)	246,054,505
Investments in joint ventures *(Note 9)*	**94,588,186**	**–**	**–**	**–**	**–**	**94,588,186**	74,096,113	–	–	–	–	74,096,113
Capital expenditures	**39,190,642**	**809,854**	**2,795,844**	**1,574,999**	**(69,786)**	**44,301,553**	38,214,943	1,125,651	20,557,347	944,574	(131,737)	60,710,778
Property, plant and equipment	**38,739,832**	**790,495**	**2,781,547**	**1,451,469**	**(69,786)**	**43,693,557**	38,206,236	1,125,651	20,557,347	930,940	(131,737)	60,688,437
Intangible assets	**450,810**	**19,359**	**14,297**	**123,530**	**–**	**607,996**	8,707	–	–	13,634	–	22,341

37. RELATED PARTY TRANSACTIONS

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

Related party transactions were made on terms agreed to between the parties 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.

The following tables provide the total amount of transactions, which have been entered into with related parties during 2022 and 2021 and the related balances as at 31 December 2022 and 2021.

Trade and other accounts receivables from related parties are as follows:

In thousands of Tenge	**Notes**	**31 December 2022**	31 December 2021
Trade and other accounts receivable from related parties			
Trade accounts receivable from entities under common control of Samruk-Kazyna		**2,564,823**	953,600
Trade accounts receivable from entities under common control of KMG		**2,185,711**	911,188
Trade accounts receivable from joint ventures		**1,540,699**	1,169,519
Total trade accounts receivable from related parties	12	**6,291,233**	3,034,307
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna		**509**	509
Total other accounts receivable from related parties	12	**509**	509
Less: allowance for expected credit losses		**(7,407)**	(7,311)
Total		**6,284,335**	3,027,505

Advances provided to related parties are as follows:

In thousands of Tenge	**Notes**	**31 December 2022**	31 December 2021
Advances paid to related parties			
Advances paid to entities under common control of Samruk-Kazyna		**1,017**	1,069
Total advances paid to related parties	13	**1,017**	1,069

Contract liabilities to customers to related parties are as follows:

In thousands of Tenge	**Notes**	**31 December 2022**	31 December 2021
Contract liabilities to customers to related parties			
Non-current part of deferred income under contracts with entities under common control of KMG		**26,125,466**	21,516,739
Total non-current contract liabilities to customers to related parties	22	**26,125,466**	21,516,739
Advances received from entities under common control of KMG		**17,573,782**	10,949,194
Advances received from entities under common control of Samruk-Kazyna		**200,543**	169,560
Current part of deferred income under contracts with entities under common control of KMG		**2,799,157**	2,082,265
Total current contract liabilities to customers to related parties	22	**20,573,482**	13,201,019
Total contract liabilities to customers to related parties		**46,698,948**	34,717,758

37. RELATED PARTY TRANSACTIONS (continued)

Trade and other accounts payable to related parties are as follows:

In thousands of Tenge	Notes	**31 December 2022**	31 December 2021
Trade accounts payable to related parties for goods and services			
Trade accounts payable to entities under common control of KMG		**1,001,456**	563,504
Trade accounts payable to entities under common control of Samruk-Kazyna		**379,159**	484,562
Trade accounts payable to joint ventures		**8,918**	11,545
Total trade accounts payable to related parties for goods and services	23	**1,389,533**	1,059,611

Other current liabilities to related parties are as follows:

In thousands of Tenge	Notes	**31 December 2022**	31 December 2021
Accounts payable for oil transportation coordination services to related parties			
Accounts payable for oil transportation coordination services to entities under common control of KMG		**8,039,904**	8,873,343
Total of accounts payable for oil transportation coordination services to related parties	27	**8,039,904**	8,873,343
Employee benefits obligation of key management personnel			
Employee benefits obligation of key management personnel		**68,028**	26,649
Total employee benefits obligation of key management personnel		**68,028**	26,649
Total other current liabilities to related parties		**8,107,932**	8,899,992

During the years ended 31 December the Group had the following transactions with the related parties:

	For the year ended 31 December	
In thousands of Tenge	**2022**	2021
Sales to related parties		
Revenue from main activities with entities under common control of KMG	**134,763,488**	122,869,017
Revenue from main activities with joint ventures	**14,862,954**	10,807,469
Revenue from main activities with entities under common control of Samruk-Kazyna	**9,244,131**	7,585,939
Income from other activities with entities under common control of KMG	**113,402**	3,297
Income from other activities with entities under common control of Samruk-Kazyna	**110,700**	22,351
Total	**159,094,675**	141,288,073

Revenue from main activities with entities under common control of KMG is related to the services of oil and water transportation.

Purchase of services and assets from related parties is as follows:

		For the year ended 31 December	
In thousands of Tenge	**Notes**	**2022**	2021
Purchases from related parties			
Purchases of services from entities under common control of KMG		**10,975,928**	5,651,453
Purchases of services from entities under common control of Samruk-Kazyna		**2,906,350**	2,032,314
Purchases of services from joint ventures		**103,924**	83,678
Purchases of inventory from entities under common control of Samruk-Kazyna		**180**	14,825
Purchases of inventory from entities under common control of KMG		**349**	166
Other additions of property, plant and equipment (non-monetary reimbursement of services) from entities under common control of KMG	**6**	**7,467,625**	24,987,181
Total		**21,454,356**	32,769,617

37. RELATED PARTY TRANSACTIONS (continued)

Cash flows to related parties related to the payment of dividends are as follows:

		For the year ended 31 December	
In thousands of Tenge	**Notes**	**2022**	2021
Cash flows to related parties			
Dividends paid to the KMG	19	**(9,000,473)**	(45,694,709)
Dividends received from a joint ventures	9	**7,636,855**	1,800,000
Total		**(1,363,618)**	(43,894,709)

Total accrued compensation to key management personnel for the year ended 31 December 2022 amounts to 739,172 thousand Tenge (for the year ended 31 December 2021: 740,492 thousand Tenge). Payments to key personnel consist primarily of payroll costs and remuneration established by contracts and Company's internal regulations.

38. CONTINGENT LIABILITIES AND COMMITMENTS

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 Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Kazakhstan economy continued to be impacted by a volatility in crude oil prices and a continuing devaluation of Kazakhstani Tenge. The combination of the above along with other factors resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Coronavirus pandemic (Covid-19)

In March 2020, the World Health Organization declared the outbreak of a new type of coronavirus Covid-19 as pandemic. In response to the pandemic, Kazakh authorities launched a range of measures to constrain the spread and mitigate the impact of Covid-19, such as movement prohibitions and restrictions, quarantine, self-isolation and restrictions on commercial activities, including business closures. Some of the specified above measures were subsequently moderated, however as at 31 December 2022 there is still a risk that government agencies may impose additional restrictions in 2023 in response to possible new varieties of the virus.

In the opinion of the Group's Management at the date of issuance of the consolidated financial statements, this event does not have a significant impact on the valuation of assets and liabilities.

The war in Ukraine

The war in Ukraine, started in 2022, triggers a number of IFRS accounting considerations affecting the financial statements. Many countries have imposed, and continue to impose, new sanctions on specified Russian entities and individuals. The situation together with potential fluctuations in commodity prices, foreign exchange rates, restrictions to imports and exports, availability of local materials and services and access to local resources will directly impact entities that have significant operations or exposures in, or to Russia or Ukraine. The war and its direct and indirect consequences may impact entities other than those with direct interests in the involved countries, for instance, as a result of exposure to fluctuations in commodity prices and foreign exchange rates, as well as the possibility of a protracted economic downturn.

As the war continues and new sanctions are introduced the overall impact remains fluid. The long-term consequences of the current economic situation are difficult to predict, and management's current expectations and estimates may differ from actual results.

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 usual, 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.

Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued as at 31 December 2022. As at 31 December 2022 the Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the

38. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Taxation (continued)

Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

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 price determined in accordance with the "arm's length" principle.

The transfer pricing law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance. As a result, application of transfer pricing control to various types of transactions is not clearly regulated.

Because of the uncertainties associated with the Kazakhstan transfer pricing legislation, there is a risk that the tax authorities may take a position that differs from the Group's position, which could result in additional taxes, fines and interest as at 31 December 2022.

As at 31 December 2022 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.

Tax liabilities of enterprises in Georgia

BSP

In 2015 Revenue Service of the Ministry of Finance of Georgia (hereinafter − "Revenue Service") additionally accrued taxes and fines in the amount of 7,289 thousand Georgian Lari (equivalent to 1,263,038 thousand Tenge) as a result of tax inspections of BSP for the period of 2010-2014. As a result of appeals carried during the period from 2015 to 2020 against Revenue Service's decisions, the amount of additionally accrued taxes and fines was reduced and amounted to 5,915 thousand Georgian Lari (equivalent to 1,024,951 thousand Tenge).

At the end of 2022 the amount of recognized tax liabilities by BSP was 4,062 thousand Georgian Lari (equivalent to 703,863 thousand Tenge). The remaining amount of 1,853 thousand Georgian Lari (equivalent to 321,088 thousand Tenge) was not recognized as additional liabilities, since the management believes that BSP's appeal will be successful and estimates the possibility of an outflow of financial resources in this regard as being remote.

As at 31 December 2022 BSP continues challenging the decisions of Revenue Service in the prescribed manner.

BOT

In December 2021 BOT received from Revenue Service a tax audit report for the period from 1 July 2018 to 15 February 2021, according to which taxes and fines were additionally accrued in the amount of 2,605 thousand Georgian Lari (equivalent to 451,394 thousand Tenge). Tax expenses in the amount of 158 thousand Georgian Lari were recognized in the financial statements and a reserve in the amount of 2,447 thousand Georgian Lari was created. As a result of the appeals conducted by BOT during 2022, in December 2022 BOT received a ruling from the Dispute Resolution Board under the Ministry of Finance of Georgia (hereinafter – "Board"), according to which the Board returned the tax audit report to the Revenue Service for the review of the taxes and fines accruals in the amount of 2,124 thousand Georgian Lari (equivalent to 368,047 thousand Tenge). The remaining part of BOT appeal was dismissed. Management expects that the outcome of the appeal to be successful. Due to the taxes and fines presented, as at 31 December 2022, the tax lien/mortgage right arose on property (land plot) in the amount of 5.3 million US dollars (equivalent to 2,452 million Tenge).

Environmental obligations

The enforcement of environmental regulation in Kazakhstan is evolving and subject to ongoing changes. Potential liabilities which may arise as a result of changes in legislation cannot be reasonably estimated. Under existing legislation management believes that there are no probable or possible liabilities which could have a material adverse effect on the Group's financial position or results of operations, except for those disclosed in these consolidated financial statements *(Notes 5, 26).*

38. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

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 generally available.

The Group has insurance coverage over property, third party liability in respect of property or environmental damage arising from accidents on Company's property or relating to the Group's operations.

Commitments to acquire property, plant and equipment

As at 31 December 2022 the Group had contractual commitment to acquire property, plant and equipment, and construction services for the amount of 157,285,948 thousand Tenge (as at 31 December 2021: 51,532,032 thousand Tenge). These contractual commitments are a part of the investment program.

Share of the Group as at 31 December 2022 in contractual commitment of joint ventures to acquire property, plant and equipment, and construction services amounted to 599,618 thousand Tenge (as at 31 December 2021: 642,814 thousand Tenge).

Investment program commitments of the Company

In November 2020, by a joint order of the Ministry of Energy of the Republic of Kazakhstan and the CRNM, an investment program for the period 2021-2025 was approved, according to which the Company has an obligation to fulfill the investment program in the period from 2021 to 2025 for the total amount of 214.2 billion Tenge. As at 31 December 2022, the balance of obligation under the investment program to be fulfilled was 153 billion Tenge.

Legal proceedings

Legal proceedings BOT with business counterparties

On 19 December 2016 the proposal from the law enforcement agencies of Georgia on the implementation of the court ruling was received, which contains the claim of business counterparties of BOT (hereinafter − "plaintiffs") that BOT should not use its dominant position in the market, as well as the requirements on conclusion of the agreement on services. According to this definition, the court decided to arrest the property owned by BOT − the land plot (c. Batumi) and buildings and constructions located on it. The total carrying amount of this property as at 31 December 2022 was 5.1 million US Dollars (equivalent to 2,360 million Tenge). This arrest restricts the alienation of the arrested property, but does not affect the operational and economic activities of BOT. On 23 December 2016, BOT appealed the specified above decision in the court. The BOT management believes that the plaintiffs' claims against the BOT are unfounded and sent to the court a response on the statement of claim with the position of the BOT in this case.

On 12 February 2019, the court decided in favor of the plaintiffs, and also partially satisfied the claim of the BOT on the collection of existing receivables of a business counterparty. As a result of the court decision, BOT's net liabilities to business counterparties amounted to 16.45 million US Dollars (equivalent to 7,611 million Tenge). On 27 February 2020 the court of appeal partially cancelled the decision dated 12 February 2019 and redirected the case for retrial to the court of first instance. As per ruling dated 11 November 2021, the court fully satisfied the claims of business counterparties. The decision of the court has not entered into force. On 24 December 2021, BOT appealed against the court decision dated 11 November 2021 to the court of appeal.

Claim of business counterparty to BOT

On 21 January 2021, the court received a claim from one of the BOT business counterparties on compensation of unearned revenue for the amount 12.5 million US Dollars (equivalent to 5,783 million Tenge), as well as establishing fixed tariffs for transshipment, without the right to change them unilaterally. Earlier, in 2014 BOT and a business counterparty concluded construction agreements, according to which the business counterparty acquired the right to build tanks on the territory of BOT and for BOT services for cargo transshipment. According to the business counterparty, BOT does not comply with the terms of these agreements, in connection with which it initiated the specified claims.

As per court ruling dated 27 January 2021, a ban was imposed on the alienation and mortgage encumbrance on a land plot in Batumi c. with a carrying amount of 4 million US Dollars (equivalent to 1,851 million Tenge) as a security for this claim.

38. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Legal proceedings (continued)

Claim of business counterparty to BOT (continued)

On 12 February 2021, BOT filed a complaint to the court against the specified above ruling and also filed a response to the business counterparty's claim. By the decision of the court of appeal dated 16 April 2021, BOT declined the complaint related to the appeal against the court ruling dated 27 January 2021. According to the decision dated 16 July 2021, the court fully satisfied the claims of the business counterparty. The decision of the court has not entered into force. On 20 August 2021, BOT filed an appeal against the court decision dated 16 July 2021.

By the decision of the court of appeal dated 8 June 2022 the decision of the first instance is upheld. On 27 September 2022, BOT filed a cassation appeal to the Supreme Court of Georgia.

Legal proceedings of BOT against the Georgian Railway

In 2005, Georgian Railway JSC (hereinafter – "GR") filed a claim to the court for the recovery from BOT of the 14 million Georgian Lari (equivalent to 2,426 million Tenge) for using tank wagons and storing cargo due to idle tank wagons in dead ends of BOT in the period related to 2003. On 16 April 2019 the court partially satisfied the claim of the GR in the amount of 8.4 million Georgian Lari (equivalent to 1,456 million Tenge). On 16 April 2020 BOT filed a cassation appeal to the Supreme Court of Georgia. As of 31 December 2022 the Group did not recognize any additional commitments on this matter, as management assesses the risk of an outflow of financial resources as possible.

The termination of the BSP management agreement

In accordance with BSP Management agreement between BOT and the Georgia Government, the last one has the right for termination of this agreement, in case the BSP in the course of 2 years does not meet its obligations on minimum volume of transshipment, which is 4 million tons per year. In addition, if the transshipment volume is less than 6 million tons per year, BOT has to pay the penalties according to the agreement conditions.

The management of the Group believes, as at 31 December 2022 BSP was not subject to the risk of termination of this agreement by the Georgia Government, since the actual transshipment through the BSP for 12 months 2022 amounted to 7.6 million tons (during 2020: 6.2 million tons).

Obligations under the loan agreement

On 28 December 2021 Main Waterline entered into a loan agreement with Eurasian Development Bank. The credit line is 123,652,111 thousand Tenge, the interest rate is 11% per annum for tranches in Tenge and 8.5% per annum for tranches in Rubles, the loan term is 180 months from the date of the first tranche issue. The purpose of this loan is to finance the project "Reconstruction and expansion of the main waterline "Astrakhan-Mangyshlak" 1st stage". Considering the lack of required corporate decisions, as well as due to changes in market conditions, the loan agreement did not enter into force.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has trade receivables and cash and cash equivalents that arise directly from its operations.

The Group is exposed to market risk that comprises: credit risk, currency risk and liquidity risk. The management of the Group reviews and agrees policies for managing each of these risks which are summarized below.

Credit risk

The Group enters into transactions with creditworthy counterparties only. The clients wishing to trade on a commercial loan terms are subject to a credit check procedure.

The receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Maximum exposure is the carrying amount of trade receivables. There are no significant concentrations of credit risk within the Group.

The Group places deposits with Kazakhstani and foreign banks *(Notes 16, 17)*. Management of the Group reviews credit ratings of these banks periodically to eliminate extraordinary credit risk exposure. In accordance with IFRS 9, the Group accruals allowances for expected credit losses in respect of funds with credit institutions.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The table below shows the balances of bank deposits and cash and cash equivalents at the reporting date using the "Moody's", "Fitch" and "Standard & Poor's" credit ratings.

		Rating			
Bank	**Location**	**31 December 2022**	31 December 2021	**31 December 2022**	31 December 2021
"Halyk Bank of Kazakhstan" JSC	Kazakhstan	**BB+/Stable**	BB+/Stable	**31,764,664**	13,161,137
"ForteBank" JSC	Kazakhstan	**BB-/Positive**	B+/Positive	**25,061,488**	16,309,521
"Altyn Bank" JSC (SB China Citic Bank Corporation Ltd)	Kazakhstan	**BBB-/Stable**	–	**18,040,641**	–
Halyk Bank of Georgia	Georgia	**BB-/Stable**	BB+/Stable	**7,443,576**	2,752,725
Emirates NBD Bank PJSC	UAE	**A+/Stable**	A+/Stable	**3,156,661**	1,691,793
TBC Bank	Georgia	**BB-/Stable**	Ba2/Stable	**470,052**	128,245
Hellenic Bank	Cyprus	**BB-/Stable**	B1/Positive	**133,243**	53,111
Bank of Georgia	Georgia	**BB-/Stable**	Ba2/Stable	**25,908**	43,612
Moskommercbank CB	Russia	**–**	–	**4,159**	–
Rosbank PJSC	Russia	**–**	–	**2,342**	–
SB "Sberbank" JSC	Kazakhstan	**–**	BBB-/Stable	**–**	16,442,240
"Sberbank" PJSC	Russia	**–**	BBB/Stable	**–**	5,832
Total				**86,102,734**	50,588,216

Liquidity risk

The Group monitors its risk to a shortage of funds using a current liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e,g. accounts receivables, other financial assets) and projected cash flows from operations.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2022 and 2021 based on contractual undiscounted payments.

In thousands of Tenge	**On demand**	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**	**Total**
As at 31 December 2022						
Loans received	**–**	**–**	**–**	**10,238,566**	**19,728,497**	**29,967,063**
Trade and other accounts payable	**–**	**19,230,822**	**–**	**–**	**–**	**19,230,822**
Lease liabilities	**–**	**986,418**	**111,678**	**103,876**	**383,611**	**1,585,583**
Total	**–**	**20,217,240**	**111,678**	**10,342,442**	**20,112,108**	**50,783,468**
As at 31 December 2021						
Trade and other accounts payable	–	20,020,122	–	–	–	20,020,122
Lease liabilities	–	1,434,031	216,564	79,630	384,927	2,115,152
Total	–	21,454,153	216,564	79,630	384,927	22,135,274

Currency risk

The table below shows the total amount of foreign currency denominated assets and liabilities that give rise to foreign exchange exposure.

In thousands of Tenge	**US Dollar**	**Russian Ruble**	**Euro**	**Other currencies**	**Total**
At 31 December 2022					
Assets	**15,061,421**	**34,932**	**7,402**	**1,243,603**	**16,347,358**
Liabilities	**182,469**	**4,352**	**2,313**	**625,504**	**814,638**
At 31 December 2021					
Assets	27,720,287	32,061	–	346,736	28,099,084
Liabilities	1,423,305	7,880	1,295	411,507	1,843,987

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Group does not have formal arrangements to mitigate foreign exchange risks of the Group's operations. The Group also has transactional currency exposures. Such exposure arises from revenues in US Dollars.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar, Euro and Russian Ruble exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no significant impact on the Group's equity.

In thousands of Tenge	**Increase/ decrease in US Dollar exchange rate**	**Effect on profit before tax**
2022		
US Dollar	**+21,00%**	**3,124,674**
	-21,00%	**(3,124,674)**
Russian Ruble	**+22,05%**	**6,743**
	-22,05%	**(6,743)**
Euro	**+17,99%**	**915**
	-17,99%	**(915)**
2021		
US Dollar	+13,00%	3,418,608
	-10,00%	(2,629,698)
Russian Ruble	+13,00%	3,144
	-13,00%	(3,144)
Euro	+13,00%	(168)
	-10,00%	130

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

As at 31 December 2022 and 2021 the Group has sufficient cash, exceeding its debt as at the reporting date.

Fair value of financial instruments

The carrying amount of cash, bank deposits, trade and other accounts receivable, loans, trade and other accounts payable and other current liabilities approximates their fair value due to the short-term maturity of these financial instruments.

40. SUBSEQUENT EVENTS

On 14 February 2023, the joint venture MunaiTas (51% of the Company's participation) received a pre-trial claim from the contractor that conducted the construction of "Kenkiyak-Atyrau" oil pipeline section under the reverse project in the amount of 8.6 billion Tenge. The essence of the claim is to demand compensation by the customer for the amount of excess actually incurred project costs over the contract amount. The management of MunaiTas considers the claim unfounded. The response with the position of MunaiTas was sent to the contractor on 21 February 2023.

As at 6 March 2023, the exchange rate of US Dollar at the end of the session on the KASE amounted to 432.83 Tenge per 1 US Dollar.