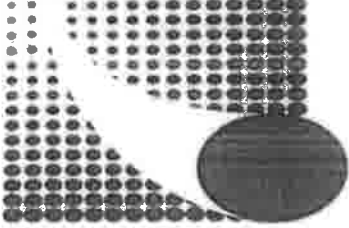


MUNAITAS



MunaiTas NWPC LLP

Financial statements for the year ended
31 December 2022

MUNAITAS NWPC LLP

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MUNAITAS NWPC LLP

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Management is responsible for the preparation of the financial statements presenting fairly in all material respects the financial position of MunaiTas NWPC LLP (further - the "Company") as of 31 December 2022, and its financial performance, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

Management's responsibility for preparation of the financial statements include:


- proper selection and application of the accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions impacting Company's financial position and financial performance; and
- making assessment of the Company's ability to continue as a going concern in the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining an effective and reliable system of internal controls throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with Kazakhstani legislation and accounting standards;
- taking all reasonably available steps to safeguard the assets of the Company; and
- preventing and detecting fraud and other overrides of control.


These financial statements of the Company for the year ended 31 December 2022 were approved by management on 31 January 2023.

On behalf of the Company's management:


Kulekeyev D.Zh.

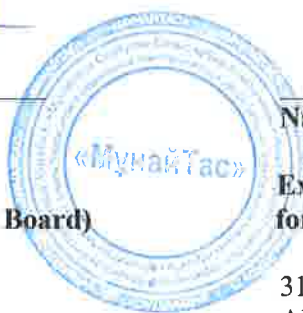
General Director
(Chairman of the Management Board)

31 January 2023
Almaty, Republic of Kazakhstan


Nagayev R.M.

Executive Director
for Economics and Finance

31 January 2023
Almaty, Republic of Kazakhstan





Independent Auditor's Report

To the Participants and Management of NWPC MunaiTas LLP:

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NWPC MunaiTas LLP (the "Company") as at 31 December 2022, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Republic of Kazakhstan that are relevant to our audit of the financial statements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



Independent auditor's report (Continued)

Page 2

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Independent auditor's report (Continued)

Page 3

We communicate with management 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.

On behalf of PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Approved by:




Dana Inkarbekova
Managing Director,
PricewaterhouseCoopers LLP
(General State License of the Ministry of
Finance of the Republic of Kazakhstan
№00000005 dated 21 October 1999)

Signed by:




Anel Aliaskarova
Auditor in charge
(Qualified Auditor's Certificate
#0001197 dated 16 October 2020)

31 January 2023

Almaty, Kazakhstan

MUNAITAS NWPC LLP

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2022

(in thousands of Kazakhstani Tenge)

	Notes	31 December 2022	31 December 2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	48.777.580	45.834.870
Intangible assets		107.758	169.197
Right-of-use assets		305.657	148.395
Other non-current assets	7	542.866	872.182
Total non-current assets		49.733.861	47.024.644
CURRENT ASSETS			
Inventories	8	450.816	533.837
Current income tax prepayments		-	130.011
Assets held for sale		-	1.203
Other current assets	11	570.834	1.325.740
Short-term financial investments	10	6.064.360	5.643.898
Cash and cash equivalents	9	8.501.652	7.281.859
Total current assets		15.587.662	14.916.548
TOTAL ASSETS		65.321.523	61.941.192
EQUITY AND LIABILITIES			
EQUITY			
Charter capital	12	10.048.600	10.048.600
Retained earnings		34.337.382	36.556.031
Revaluation reserve	13	9.588.499	7.679.532
Total equity		53.974.481	54.284.163
NON-CURRENT LIABILITIES			
Provision for asset retirement obligation	14	4.582.195	2.005.298
Deferred tax liability	22	3.580.838	3.342.113
Long-term lease liabilities		182.517	-
Total non-current liabilities		8.345.550	5.347.411
CURRENT LIABILITIES			
Trade payables	15	1.064.925	477.928
Contract liabilities arising from contracts with customers	16	1.262.918	1.267.213
Short-term lease liabilities		263.000	227.172
Other current liabilities		410.649	337.305
Total current liabilities		3.001.492	2.309.618
TOTAL EQUITY AND LIABILITIES		65.321.523	61.941.192

On behalf of the Company's management:


Kulekeyev D.Zh.
General Director
(Chairman of the Management Board)

31 January 2023
Almaty, Republic of Kazakhstan




Nagayev R.M.
Executive Director
for Economics and Finance

31 January 2023
Almaty, Republic of Kazakhstan

The accompanying notes are an integral part of these financial statements


MUNAITAS NWPC LLP

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

(in thousands of Kazakhstani Tenge)

	Notes	2022	2021
REVENUE FROM CONTRACTS WITH CUSTOMERS	17	13.398.630	10.206.100
COST OF SERVICES	18	(9.101.865)	(6.466.712)
IMPAIRMENT LOSS	6	(839.081)	-
GROSS PROFIT		3.457.684	3.739.388
General and administrative expenses	19	(1.664.518)	(1.434.961)
Other operating income		141.587	112.236
Other operating expense		(96.395)	(167.428)
OPERATING PROFIT		1.838.358	2.249.235
Finance expense		(329.957)	(157.936)
Foreign exchange gains, net	20	407.360	128.889
Interest income	21	1.212.180	712.810
PROFIT BEFORE TAX		3.127.941	2.932.998
Income tax expense	22	(680.614)	(619.061)
PROFIT FOR THE YEAR		2.447.327	2.313.937
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Changes in estimates for asset retirement obligation	13	2.785.608	(23.592)
Income from revaluation of property, plant and equipment	13	231.009	-
Income tax expense	22	(603.323)	4.724
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		2.413.294	(18.868)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4.860.621	2.295.069

On behalf of the Company's management:


Kulekeyev D.Zh.
General Director
(Chairman of the Management Board)

31 January 2023
Almaty, Republic of Kazakhstan




Nagayev R.M.
Executive Director
for Economics and Finance

31 January 2023
Almaty, Republic of Kazakhstan

MUNAITAS NWPC LLP

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

(in thousands of Kazakhstani Tenge)

	Charter Capital	Revaluation reserve	Retained earnings	Total equity
Balance at 1 January 2021	10.048.600	8.125.664	33.814.830	51.989.094
Profit for the year	-	-	2.313.937	2.313.937
Other comprehensive income for the year	-	(18.868)	-	(18.868)
Total comprehensive income for the year	-	(18.868)	2.313.937	2.295.069
Realised revaluation reserve, net of tax	-	(427.264)	427.264	-
Balance at 31 December 2021	10.048.600	7.679.532	36.556.031	54.284.163
Profit for the year	-	-	2.447.327	2.447.327
Other comprehensive income for the year	-	2.413.294	-	2.413.294
Total comprehensive income for the year	-	2.413.294	2.447.327	4.860.621
Dividends	-	-	(5.170.303)	(5.170.303)
Realised revaluation reserve, net of tax	-	(504.327)	504.327	-
Balance at 31 December 2022	10.048.600	9.588.499	34.337.382	53.974.481

On behalf of the Company's management:


Kulekeyev D.Zh.
General Director
(Chairman of the Management Board)

31 January 2023
Almaty, Republic of Kazakhstan




Nagayev R.M.
Executive Director
for Economics and Finance

31 January 2023
Almaty, Republic of Kazakhstan

MUNAITAS NWPC LLP

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022 (in thousands of Kazakhstani Tenge)


	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the period before tax		3.127.941	2.932.998
Adjustments for:			
Depreciation and amortisation		3.495.603	2.956.966
Impairment loss	6	839.081	-
Interest income	21	(1.212.180)	(712.510)
Finance expense		329.957	157.936
Loss from disposal of property, plant and equipment		-	155.684
Provision for obsolete inventories	7	81.009	-
Foreign exchange gain, net	20	(407.360)	(141.771)
Cash flows from operating activities before changes in working capital		6.254.051	5.349.303
Change in trade receivables		-	17.321
Change in inventories		17.992	(361.886)
Change in other current assets		754.906	(60.627)
Change in trade payables		140.136	(786.102)
Change in advances received		(4.295)	438.184
Change in other current liabilities		73.344	49.960
Cash flows from operating activities		7.236.134	4.646.153
Income tax paid		(714.733)	(602.882)
Interest income received		989.205	712.882
Net cash generated from operating activities		7.510.606	4.756.153
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment and intangible assets		(965.784)	(5.873.968)
Placement of cash deposits		(6.084.199)	(16.673.756)
Refund of cash deposits		6.070.797	16.690.167
Net cash used in investing activities		(979.186)	(5.857.557)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid	12	(5.170.303)	-
Payments for lease liabilities		(141.324)	(270.184)
Net cash received from financing activities		(5.311.627)	(270.184)
Effect of change in foreign exchange on cash and cash equivalents		-	(34.035)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1.219.793	(1.405.623)
CASH AND CASH EQUIVALENTS, at the beginning of the year	9	7.281.859	8.687.482
CASH AND CASH EQUIVALENTS, at the end of the year	9	8.501.652	7.281.859

On behalf of the Company's management:


Kulekeyev D.Zh.
General Director
(Chairman of the Management Board)

31 January 2023
Almaty, Republic of Kazakhstan




Nagayev R.M.
Executive Director
for Economics and Finance

31 January 2023
Almaty, Republic of Kazakhstan

1. NATURE OF OPERATIONS

Under the applicable legislation of the Republic of Kazakhstan, the Company is a legal entity, to which all the rights and obligations of the reorganised Joint Stock Company MunaiTas North-West Pipeline Company have been transferred. The participants of the Company are KazTransOil JSC (“KazTransOil”), a subsidiary of KazMunaiGas National Company JSC (“KazMunaiGas”) and CNPC Exploration and Development Company Ltd. (“CNPC E&D”), a subsidiary of PetroChina, owning 51% and 49% in the charter capital, respectively. The Company is jointly controlled by KazTransOil and CNPC E&D on an equal basis in accordance with the constituent documents. KazTransOil is ultimately controlled by NWF Samruk – Kazyna JSC (“Samruk – Kazyna”) which is owned by the government of the Republic of Kazakhstan, and the ultimate controlling party of CNPC E&D is CNPC, a state company of China.

The Company was founded to construct and operate the oil pipeline Kenkiyak (Aktobe oblast) – Atyrau (Atyrau oblast) located in the West Kazakhstan. On 18 June 2004, the Company put the pipeline into operations. The Company is considered a monopolist and, accordingly, subject to regulation by the Committee on Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan (the “Committee”). The Committee approves tariff rates, which are based on return of capital used to construct the assets. During the year ended 31 December 2022, the Company transported 5.612 thousand tons of oil (during the year ended 31 December 2021: 4.277 thousand tons of oil).

The Company’s legal address is: Republic of Kazakhstan, Almaty, 26/29, Timiryazev St.

2. FINANCIAL STATEMENTS PRESENTATION**Basis for financial statement preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The Company’s financial statements are prepared under the historical cost convention, as modified by the valuation of financial instruments and revaluation of property, plant and equipment. The principal accounting policies applied in the preparation of these financial statements are set out below in Note 4. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to new and revised standards adopted by the Company in Note 3).

Use of estimates and assumptions

Preparation of the financial statements in accordance with IFRS assumes that the management makes an estimates and assumptions that affect the assets and liabilities recognised in the financial statements and income and expenses and disclosure of contingent assets and liabilities during the subsequent financial period. Estimates and judgements are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also uses professional judgements and estimates in the process of applying the accounting policies. Due to uncertainty specific to such estimates, actual results reflected in future accounting periods might be based on amounts, which differ from these estimates. Important accounting estimates and professional judgements are presented in Note 5.

Functional and presentation currency

The functional and presentation currency of the Company, which reflects economic essence of the Company’s operations is Kazakhstani Tenge (“Tenge”). All amounts in these financial statements are presented in thousands of Tenge, unless otherwise stated.

3. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS**Application of new or revised standards and interpretations**

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022). The application of the amendments had no significant impact on the Company's financial statements.

New accounting pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, and which the Company has not early adopted.

- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021, the effective date subsequently modified to 1 January 2023).
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Transition option for insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).
- Unless otherwise indicated above, it is expected that these new standards and explanations will not materially affect the Company's financial statements.

4. PRINCIPLES OF ACCOUNTING POLICY

Property, plant and equipment

Property, plant and equipment after recognition as asset are carried at revaluation cost less accumulated depreciation and provision for impairment, where required.

Property, plant and equipment are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that, which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for property, plant and equipment included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset or as the asset is used by the Company; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred.

Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year within other operating income or costs.

4. PRINCIPLES OF ACCOUNTING POLICY (CONTINUED)**Depreciation**

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their revalued amounts to their residual values over their estimated useful lives:

	Useful lives (in years)
Buildings and constructions	5-45
Oil pipeline	15-45
Machinery and equipment	1-30
Vehicles	2-10
Office equipment and furniture	3-20
Other	3-20

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets

The Company's intangible assets have definite useful lives and primarily include capitalised computer software and licences.

Intangible assets are recorded at purchase cost and amortised using the straight-line method over their estimated economic useful lives from two to seven years.

The gain or loss on derecognition of an intangible asset is measured as the difference between the net disposal of the asset and the carrying amount of the asset and is recognized in profit or loss in the reporting period in which the asset was derecognised.

Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory on release to production or other disposal is determined on the first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Financial instruments

Depending on their classification, financial instruments are carried at fair value or amortised cost as described below.

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 best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

4. PRINCIPLES OF ACCOUNTING POLICY (CONTINUED)

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

4. PRINCIPLES OF ACCOUNTING POLICY (CONTINUED)

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial assets and liabilities

Financial assets – classification and subsequent measurement – measurement categories. The Company classifies financial assets in the following measurement categories: fair value through profit or loss (“FVTPL”), fair value through other comprehensive income (“FVTOCI”) and amortised cost. The classification and subsequent measurement of debt financial assets depends on: (i) the Company’s business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

The Company’s financial assets are measured at amortised cost and include short-term financial investments, trade receivables and other financial receivables and cash and cash equivalents.

Classification and subsequent measurement of financial assets: a business model. The business model reflects the way the Company applied to manage assets for cash flow: is the goal of the company (i) only to receive the contractual cash flows from the assets (“retaining the assets to get the contractual cash flows”), or (ii) contractual cash flows and cash flows arising from the sale of assets (“retention of assets to obtain contractual cash flows”), or, if either paragraph (i) or paragraph does not apply t (ii), financial assets are classified as "other" business models and measured at FVTPL.

A business model is defined for a group of assets (at the portfolio level) on the basis of all relevant evidence of the activities that the Company intends to carry out in order to achieve the goal set for the portfolio at the valuation date. The factors taken into account by the Company in determining the business model include the purpose and composition of the portfolio, past experience in obtaining cash flows for the respective assets, approaches to risk assessment and management, methods for assessing the profitability of assets and the scheme of payments to managers.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest (“SPPI”).

If the terms of the contract provide for exposure to risk or volatility that does not match the terms of the underlying loan agreement, the relevant financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

4. PRINCIPLES OF ACCOUNTING POLICY (CONTINUED)

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Company did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at amortised cost and FVTOCI for the exposures arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (“12 Months ECL”). If the Company identifies a significant increase in credit risk (“SICR”) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (“Lifetime ECL”). Refer to Note 25 for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company’s definition of credit impaired assets and definition of default is explained in Note 25. For financial assets that are purchased or originated credit-impaired (“POCI Assets”), the ECL is always measured as a Lifetime ECL. Note 25 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Company incorporates forward-looking information in the ECL models.

Financial assets - derecognition. The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

4. PRINCIPLES OF ACCOUNTING POLICY (CONTINUED)

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

The Company's financial liabilities are represented by the category “financial liabilities measured at amortised cost” and include trade payables and lease liabilities.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

4. PRINCIPLES OF ACCOUNTING POLICY (CONTINUED)**Trade and other payables**

Trade payables are accrued when the counterparty has performed its obligations under the contract. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Value added tax

Value added tax (“VAT”) related to sales is payable to tax authorities when goods are shipped or services are rendered. Input VAT is reclaimable against output VAT upon receipt of a tax invoice from a supplier. The tax legislation permits the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases, which have not been settled at the statement of financial position date is recognised in the statement of financial position on a net basis.

Right-of-use assets

The Company recognises right-of-use assets at the date the lease begins (that is, at the date when the underlying asset is available for use). Right-of-use assets are measured at historical cost less accumulated depreciation and impairment losses and adjusted for revaluation of lease obligations. The value of right-of-use assets includes the amount of recognised lease obligations, initial direct expenses incurred and rental payments made as of the date or before the start of the lease date, less any lease exemptions received. If the Company is not confident enough in obtaining ownership of the leased asset at the end of the lease term, then recognised assets in the form of right to use are amortised on a straight-line basis over the shortest estimated useful life and the lease term. Right-of-use assets are generally subject to impairment.

Lease obligations

At the lease commencement date, the Company recognises lease obligations that are measured at the present value of the lease payments that must be made during the lease term. Rental payments include fixed payments (including fixed payments on the merits) less any rental incentives to be received, variable rental payments that depend on the index or rate, and amounts that are expected to be paid against residual value guarantees. Lease payments also include the exercise price of the purchase option reasonably determined for execution by the Company and the payment of fines for terminating the lease agreement, if the lease term reflects the Company's option to terminate the lease agreement. Variable rental payments that are independent of the index or rate are recognised as expenses in the period in which the event or condition initiates the payment.

4. PRINCIPLES OF ACCOUNTING POLICY (CONTINUED)

When calculating the present value of rental payments, the Company uses the rate of raising additional borrowed funds at the date of commencement of the lease if the interest rate implicit in the lease agreement cannot be easily determined. After initial recognition, lease liabilities are adjusted by capitalising the cost of discounting and reducing rental payments. In addition, the book value of lease obligations is revalued if there is a modification, a change in the lease term, a change in fixed lease payments or a change in estimate for the purchase of the underlying asset.

Since IFRS 16 contains essentially the same accounting requirements for a lessor as IAS 17, the Company does not expect any significant impact on its financial statements in connection with the reflection of transactions relating to the activities of the Company as a lessor.

Revenue recognition

The Company's activities are related to the transportation of oil through main pipelines in the territory of the Republic of Kazakhstan. Revenue from contracts with customers is recognized when control of the services is transferred to the customer and is measured at an amount that reflects the consideration to which the Company expects to be entitled in exchange for such services. The Company has concluded that, as a rule, it acts as the principal in the contracts it has entered into, since the Company controls the services before they are transferred to the customer.

The Company recognises revenue from the provision of oil transportation services based on the actual volumes of services rendered during the transportation period.

(i) Variable consideration

In contracts with customers, there is no variable part of the reimbursement, due to the absence of discounts, loans, price concessions, incentives, performance bonuses or other similar items.

(ii) Significant financing component

Typically, the Company receives short-term advance payments from customers. As a result of using the practical expedient in IFRS 15, the Company does not adjust the promised consideration for the impact of a significant financing component if, at inception of the contract, it expects that the period between the transfer of the promised good or service to the customer and the customer's payment date for the good or services will be no more than one year.

Provisions for liabilities and charges

Provisions for liabilities and charges are recognised when the Company has a present obligation (legal or constructive) as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be insignificant.

4. PRINCIPLES OF ACCOUNTING POLICY (CONTINUED)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Income tax

Income taxes have been provided for in the financial statements in accordance with Kazakhstani legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in the statement of comprehensive income unless it relates to transactions that are recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than income tax are recorded within operating expenses.

Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets in respect of reducing the taxable base of temporary differences and tax losses incurred for future periods are recognised only when there is a sufficient likelihood of future taxable profit, which can be reduced by the amount of such deductions.

Uncertain tax positions

The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions of Company were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than income tax are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

4. PRINCIPLES OF ACCOUNTING POLICY (CONTINUED)**Foreign currency transactions**

The Company's monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Tenge at the official exchange rate of the JSC "Kazakhstan Stock Exchange" (KASE) at the reporting date. Foreign currency transactions are accounted for using the exchange rate of the JSC "Kazakhstan Stock Exchange" (KASE) at the dates of transactions. Foreign exchange gains and losses arising as of the settlement date on these transactions, as well as resulting from the restatement of monetary assets and liabilities denominated in foreign currency are recorded within profit and loss.

As of 31 December 2022, the official exchange rate used for revaluing foreign currency balances was Tenge 462.65 for USD 1 (31 December 2021: Tenge 431.67 for USD 1). Exchange restrictions and currency controls exist relating to converting Tenge into other currencies. Currently, Tenge is not freely convertible in most countries outside of the Republic of Kazakhstan.

Charter capital

Assets contributed to charter capital are recognised at fair value at the time of contribution. The amount of any excess of the fair value of the funds received over the nominal value of the contribution to the charter capital at the time of its legal registration is credited directly to the capital under the heading "share premium".

Dividends

Dividends are recorded as a liability and deducted from equity at the end of reporting period only if they are declared before or at the reporting date inclusively. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

Employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and other benefits are accrued in the year in which the associated services are rendered by the employees of the Company.

In accordance with the legal requirements of the Republic of Kazakhstan, the Company withholds pension contributions from employees' salaries and transfers them into state pension fund. As pension contributions transferred, the Company does not have further pension obligations. Upon retirement of employees, all pension payments are administered by such pension fund directly.

Oil for filling pipeline

In order to realise permanent process of oil extracting and according to technical agreement on intake, transportation and oil custody to related contract on providing service for transportation of oil, main oil pipeline "Kenkiyak-Atyrau" is fulfilled by oil of service consumers of Company. The Company bears full responsibility for the safety of this oil and will return it to owners, if pipeline is decommissioned or at the end of validity periods of transportation contracts.

The Company does not record an asset or liability on this filled oil as of reporting date.

4. PRINCIPLES OF ACCOUNTING POLICY (CONTINUED)**Positive or negative unbalance**

According to the Preliminary national standard of the Republic of Kazakhstan "Main oil pipelines. The Instruction for the calculation of oil» PST RK 43-2015, the Company on a monthly basis conducts an inventory of oil by mass in the oil pipeline. The weight of oil in the linear part of the oil pipeline is determined by the product of the oil volume in the pipeline at the values of the average density, using the temperature and pressure factors (hereinafter referred to as "inventory data"). The calculation is made for individual sites of technological oil pipeline; results obtained are summed and rounded up to a whole number.

In addition, the Company on monthly basis estimates transportation volumes for the current month with consignors (the "estimates"). This estimate contains information in metric tons on oil balance as of month beginning, oil receipt and delivery volume, oil losses and balance as of month end.

Any difference between estimates and inventory data forms positive or negative oil unbalance.

The Company does not recognise positive unbalance in financial statements. Negative unbalance is accounted for in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

Related parties

Related parties include the Company's participants, key management personnel and entities wherein the participants or key management personnel of the Company have an interest that ensures significant influence on such entities.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies.

Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Useful life of property, plant and equipment

Assessment of useful lives of property, plant and equipment is subject to judgement based on the management's experience of using similar assets. Future economic benefits from assets are mainly gained through their usage. Nevertheless, other factors such as technical and commercial obsolescence often lead to decrease of economic benefits to be derived from the assets. Management assesses the remaining useful life of the assets based on their current technical conditions and expected period during which these assets will bring such benefits to the Company. The following key factors should be considered: (a) expected use of assets; (b) estimated wear and tear, which depends on operational factors and operational programs; (c) technical and commercial obsolescence as a result of changes in market conditions.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)**Revaluation of property, plant and equipment**

The Company's property, plant and equipment is carried at revalued cost. In 2022, the Company engaged an independent professional appraiser, AAR – Advisory and Research LLP (the "Appraiser") to perform a revaluation of property, plant and equipment and construction in progress as of 1 October 2022. The Appraiser has professional qualifications as well as relevant experience. The valuation was carried out in accordance with the current legislation of the Republic of Kazakhstan and the requirements of the International Valuation Standards.

The inputs to determine the fair value of property, plant and equipment relate to the Level 3 of the fair value hierarchy (unobservable inputs).

The revaluation methodology used was originally based on the valuation of the depreciable replacement cost (the "cost approach"). The cost approach is used if the property being valued is new or under construction, refers to properties with a limited market (specialized properties), for which it is not possible to obtain information on possible sale prices (in the absence of an active market).

Most of the Company's property is classified as specialized, and its alternative use for other activities is impossible. There are no transactions with assets similar to those being appraised.

When using the cost approach, certain key elements are taken into account, such as:

- understanding of the specifics of the asset, its function and environment;
- study and analysis to determine the remaining useful life (to assess depreciation) and the economic useful life of the asset;
- knowledge of the requirements of financial and economic activities (to assess functional or technical obsolescence);
- awareness of property, plant and equipment through access to available market data; knowledge of construction technologies and materials (to assess the cost of a modern equivalent asset); and
- sufficient knowledge to determine the impact of economic/external obsolescence on value.

For the calculation of the fair value of assets, estimated using the cost approach, the Appraiser assessed their recoverability through the discounted cash flows method. For these purposes, all of the Company's assets were combined into one cash-generating unit, for which future cash flows were analysed to determine the value from the use of these assets. In assessing value in use, future cash flows were discounted at a pre-tax discount rate that reflected market valuation of the time value of money and the risks inherent to the Company at the date of the revaluation.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

As part of the revaluation, the Appraiser performed a test for adequate profitability using the income method in analyzing the economic depreciation of the Company's specialized property, plant and equipment, as a result of which the value in use was determined in the amount of Tenge 48.794.921 thousand. The following assumptions were used in the profitability test:

- Forecast period – up to 2037, based on the life of the pipeline.
- The forecast volumes of transported oil are 5.409 thousand tons per year and their ratio between the domestic market and exports is determined according to the data of KazTransOil JSC for the period from 2022 to 2026, with extrapolation of transportation volumes for the last forecast year to the entire calculation horizon – up to 2037. Also, the Company's management has determined that 79 percent of all future transported volumes will be directed to the domestic market;
- In the forecast, the tariff for the domestic market and for export was determined at the same level. In the first half of 2023, the tariff was predicted at the current tariff level– Tenge 5.912 per ton. The tariff for the second half of 2023 was forecasted at Tenge 8.424 per ton. This tariff was calculated in accordance with the tariff formation rules. Tariff calculation in accordance with these rules considers economically justified costs, the base of assets involved and the allowable level of profit. Tariff in the period from 2023 to 2037 was forecasted based on Tenge 8.424 considering inflation rates for each year;
- Production and administrative expenses were forecasted considering the actual historical costs per 1 ton of oil transported, taking into account the Company's business plan. Annually, production and administrative costs increase considering inflation rates for each year;
- The discount rate was set at 16.5%;
- Inflation rates in the forecast period are 7.4% in 2023, 5.4% in 2024, and from 4% to 4.4% between 2025 and 2037.

Management believes that as at 31 December 2022, the estimates of future cash flows based on the above judgments reflect fair and reasonable assumptions and represent the Company's best estimate.

Below is a sensitivity analysis as at 31 December 2022 showing the amounts of possible impairment at various levels of the most significant assumptions (all other variables held constant) as they deviate from the values used in forecasting cash flows:

In thousands of Kazakhstani Tenge

	<u>Impairment loss</u>
Change in the ratio of the volumes to be transported between the domestic market and export since 2026 (90% and 10%, respectively)	(726.322)
Tariff change (-5%)	(10.827.935)
Change in volume (-10%)	(1.017.361)
Change in discount rate (+ 5%)	<u>(4.965.670)</u>

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Impairment of property, plant and equipment

The Company analyses the carrying value of its property, plant and equipment to identify impairment indicators of such assets. The carrying value of property, plant and equipment and other non-financial assets is tested for impairment in case any indicators identified that the carrying value of the assets may not be recoverable.

As of 31 December 2022, the Company has not identified any impairment indications of property, plant and equipment.

Provision for asset retirement obligation

In accordance with the Law of the Republic of Kazakhstan “On the magistral pipeline”, which entered into force on 4 July 2012 the Company has a legal obligation to liquidate the magistral pipeline (oil pipeline) after the end of operation and to undertake subsequent implementation measures to restore the environment, including land restoration. Land remediation measures are carried out when replacing of pipeline is performed at the end of its useful life.

Provision for asset retirement obligation is estimated based on the cost calculated by the Company for dismantling works and land reclamation in accordance with the technical rules and regulations in force in the Republic of Kazakhstan.

The amount of reserves was determined at the end of the reporting period using the projected inflation rate for the expected term of the obligation and the discount rate at the end of the reporting period, presented below:

The “Kenkiyak-Atyrau” oil pipeline:

	<u>2022</u>	<u>2021</u>
Discount rate	10.5%	6.74%
Inflation rate	4.3%	5.50%
Term of execution of the obligation on the Kenkiyak-Atyrau pipeline	<u>15 years</u>	<u>16 years</u>

The calculation of the discount rate is based on risk-free rates of US government bonds adjusted for the long-term inflation rate and country risk.

As at 31 December 2022, the carrying amount of the reserve for asset retirement obligation amounted to Tenge 4.582.195 thousand (2021: Tenge 2.005.298 thousand) (Note 14).

The increase is mainly due to the requirements of the legislation of the Republic of Kazakhstan (Note 24), as well as the implementation of start-up complexes EPC-1, EPC-2, EPC-3, EPC-4, which are a part of the project “Increasing the capacity of the Kazakhstan-China oil pipeline (hereinafter referred to as the “Reverse project”).

Estimates of the cost of rectifying damage are subject to potential changes in environmental requirements and interpretations of legislation. In addition, uncertainties in estimates of such costs include potential changes in alternatives, methods for eliminating and restoring breached lands, levels of discount and inflation rates and the period during which this obligation occurs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

6. PROPERTY, PLANT AND EQUIPMENT

Below presented are movements in the carrying value of property, plant and equipment at revalued amount:

<i>In thousands of Kazakhstani Tenge</i>	Land	Pipeline	Buildings and constructions	Machinery and equipment	Vehicles	Office equipment and furniture	Other	Construction in progress	Total
At 1 January 2021	677,425	22,417,799	2,110,463	7,743,927	216	255,512	23,290	13,376,230	46,604,862
Additions	-	-	-	25,310	-	1,815	648	6,108,311	6,136,084
Internal movements	-	902,163	2,162,508	11,510,831	-	10,548	-	(14,586,050)	-
Disposals	-	(102,048)	(1,916)	(2,54,889)	-	(5,631)	(1,092)	-	(365,576)
Transfer to intangible assets	-	-	-	-	-	-	-	(169,602)	(169,602)
At 31 December 2021	677,425	23,217,914	4,271,055	19,025,179	216	262,244	22,846	4,728,889	52,205,768
Additions	-	-	-	311,540	-	1,410	1,740	1,567,351	1,882,041
Internal movements	-	1,498,140	44,611	469,205	-	1,205	75	(2,013,236)	-
Revaluation	-	(3,434,694)	69,831	3,573,000	65	11,572	11,235	-	231,009
Provision for asset retirement obligation	-	5,061,797	-	-	-	-	-	-	5,061,797
Disposals	-	(103,848)	-	(41,261)	-	-	-	(304)	(145,413)
Write-off of accumulated depreciation at revaluation through cost	-	(4,697,959)	(418,447)	(3,237,780)	(216)	(149,536)	(18,594)	(204,644)	(8,727,176)
At 31 December 2022	677,425	21,541,350	3,967,050	20,099,883	65	126,895	17,302	4,078,056	50,508,026
Accumulated depreciation and impairment losses									
At 1 January 2021	-	(2,450,561)	(140,519)	(991,117)	(165)	(60,457)	(9,999)	(204,644)	(3,857,462)
Charged for the year	-	(1,313,192)	(135,029)	(1,187,691)	(51)	(24,736)	(3,808)	-	(2,664,507)
Depreciation on disposals	-	98,553	1,887	78,265	-	(25,421)	(2,213)	-	151,071
At 31 December 2021	-	(3,665,200)	(273,661)	(2,100,543)	(216)	(110,614)	(16,020)	(204,644)	(6,370,898)
Charged for the year	-	(1,384,399)	(210,891)	(1,611,973)	(17)	(21,334)	(2,620)	-	(3,231,234)
Depreciation on disposals	-	947	56	12,360	-	-	-	-	13,363
Other	-	-	-	-	(1)	(27,415)	(2,356)	-	(29,772)
Impairment loss within profit or loss	-	(85,036)	(123,486)	(394,807)	36	(29,352)	(944)	(205,492)	(839,081)
Write-off of accumulated depreciation at revaluation	-	4,697,959	418,447	3,237,780	216	149,536	18,594	204,644	8,727,176
At 31 December 2022	-	(435,729)	(189,535)	(857,183)	18	(39,179)	(3,346)	(205,492)	(1,730,446)
Residual amount									
At 31 December 2021	677,425	19,552,714	3,997,394	16,924,636	-	151,630	6,826	4,524,245	45,834,870
At 31 December 2022	677,425	21,105,621	3,777,515	19,242,700	83	87,716	13,956	3,872,564	48,777,580

Revaluation of property, plant and equipment to market value was carried out as of 1 October 2022 (Note 5).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Below presented are movements in the carrying value of property, plant and equipment at historic cost:

<i>In thousands of Kazakhstani Tenge</i>	Land	Pipeline	Buildings and constructions	Machinery and equipment	Vehicles	Office equipment and furniture	Other	Construction in progress	Total
Cost at 31 December 2021	42,883	27,804,211	4,846,177	21,822,435	265	304,558	118,684	5,021,681	59,960,894
Accumulated depreciation and impairment loss at 31 December 2021	-	(15,297,779)	(1,247,880)	(5,205,704)	(265)	(148,605)	(112,201)	(292,792)	(22,305,226)
Carrying amount at 31 December 2021	42,883	12,506,432	3,598,297	16,616,731	-	155,953	6,483	4,728,889	37,655,668
Cost at 31 December 2022	42,883	31,527,973	4,891,490	22,548,421	265	306,998	120,500	4,421,240	63,859,770
Accumulated depreciation and impairment loss at 31 December 2022	-	(16,167,475)	(1,437,941)	(6,597,399)	(265)	(199,515)	(115,286)	(205,493)	(24,723,374)
Carrying amount at 31 December 2022	42,883	15,360,498	3,453,549	15,951,022	-	107,483	5,214	4,215,747	39,136,396

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

On 30 March 2018 the Company received the positive conclusion No. 01-0119/18 on the construction of the “Reverse Project” from the Republican State Enterprise “State out of departmental examination of projects” of the Committee on Construction and Housing utility of the Ministry of Investments and Development of the Republic of Kazakhstan. Also, the construction of the project was approved by the investment committees of KazTransOil JSC on 25 April 2018, National Company KazMunayGas JSC on 12 June 2018 and National Welfare Fund Samruk-Kazyna JSC on 10 July 2018. On 18 October 2018, representatives of both participants of the Company approved the adjusted business plan for five years, taking into account the capital expenditures under the Reverse Project. In 2020, the Company commissioned the first stage of the Reverse Project of the Kenkiyak-Atyrau oil pipeline section for a total cost of Tenge 8.391.443 thousand. On 30 June 2021, the Company put into operation technological part of the second stage of the Reverse Project of the Kenkiyak-Atyrau oil pipeline for the total amount of Tenge 12.245.943 thousand and on 29 October 2021, the Company put into operation technological part of the third stage of the Reverse Project of the Kenkiyak-Atyrau oil pipeline for the total amount of Tenge 451.512 thousand. On 30 November 2022, the Company put into operation a gas pipeline under the Reverse Project for the total cost of Tenge 1.568.813 thousand.

As at 31 December 2022 and 31 December 2021, the Company had no any restrictions on use of its property, plant and equipment.

Depreciation charge is allocated to the following items:

<i>In thousands of Kazakhstani Tenge</i>	2022	2021
Cost of services	3.211.287	2.642.051
General and administrative expenses	19.947	22.456
Total	3.231.234	2.664.507

7. OTHER NON-CURRENT ASSETS

<i>In thousands Kazakhstani Tenge</i>	31 December 2022	31 December 2021
Emergency inventory stock and spare parts	616.805	470.767
Advances given for property, plant and equipment	7.070	401.415
Provision for obsolescence	(81.009)	
Total	542.866	872.182

8. INVENTORY

<i>In thousands Kazakhstani Tenge</i>	31 December 2022	31 December 2021
Oil	283.117	283.117
Spare parts	30.782	67.488
Other inventory	136.917	183.232
Total	450.816	533.837

9. CASH AND CASH EQUIVALENTS

<i>In thousands Kazakhstani Tenge</i>	<u>31 December 2022</u>	<u>31 December 2021</u>
Cash on bank deposits with maturity less than three months, in Tenge	8.415.300	7.265.500
Cash on bank accounts, in Tenge	86.407	16.453
Expected credit loss allowance	<u>(55)</u>	<u>(94)</u>
Total	<u>8.501.652</u>	<u>7.281.859</u>

Cash on bank deposits have maturities of less than three months as at opening date. The table below presents the analysis of the credit quality of cash and cash equivalents based on the levels of credit risk as at 31 December 2022. Description of the Company's credit risk classification policy is presented in Note 25.

<i>In thousands of Kazakhstani Tenge</i>	<u>Cash on bank deposits</u>	<u>Cash on bank accounts</u>	<u>Total</u>
- Good level	<u>8.415.245</u>	<u>86.407</u>	<u>8.501.652</u>
Total cash and cash equivalents	<u>8.415.245</u>	<u>86.407</u>	<u>8.501.652</u>

The table below presents the analysis of the credit quality of cash and cash equivalents based on the levels of credit risk as at 31 December 2021.

<i>In thousands of Kazakhstani Tenge</i>	<u>Cash on bank deposits</u>	<u>Cash on bank accounts</u>	<u>Total</u>
- Perfect level	<u>-</u>	<u>1.581</u>	<u>1.581</u>
- Good level	<u>7.265.406</u>	<u>14.872</u>	<u>7.280.278</u>
- Requires special monitoring	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u>7.265.406</u>	<u>16.453</u>	<u>7.281.859</u>

10. SHORT-TERM FINANCIAL INVESTMENTS

Short-term financial investments represent cash on a bank deposit with Halyk Bank of Kazakhstan JSC for a term of more than three months, with an effective rate of 0.2% per annum and denominated in US Dollars, without the right to partial withdrawal and replenishment.

<i>In thousands of Kazakhstani Tenge</i>	<u>31 December 2022</u>	<u>31 December 2021</u>
	<u>Cash on bank deposits</u>	<u>Cash on bank deposits</u>
- Good level	<u>6.064.360</u>	<u>5.643.898</u>
Total short-term financial investments	<u>6.064.360</u>	<u>5.643.898</u>

11. OTHER CURRENT ASSETS

<i>In thousands of Kazakhstani Tenge</i>	<u>31 December 2022</u>	<u>31 December 2021</u>
Input VAT	398.393	1.232.484
Other current assets	<u>172.441</u>	<u>93.256</u>

MUNAITAS NWPC LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Total	570.834	1.325.740
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11. OTHER CURRENT ASSETS (CONTINUED)

Management estimates that input VAT will be used against future VAT liabilities during the subsequent reporting period.

12. CHARTER CAPITAL

Presented below is the participants' structure of the Company at 31 December 2022:

<i>In thousands Kazakhstani Tenge</i>	31 December 2022			Total
	Ownership percentage	Paid capital	Unpaid capital	
KazTransOil	51%	5.124.786	-	5.124.786
CNPC E&D	49%	4.923.814	-	4.923.814
Total	100%	10.048.600	-	10.048.600

During the year, the Company paid dividends to participants in the amount of Tenge 5.170.303 thousand (there were no dividend payments in 2021).

Presented below is the participants' structure of the Company at 31 December 2021:

<i>In thousands Kazakhstani Tenge</i>	31 December 2021			Total
	Ownership percentage	Paid capital	Unpaid capital	
KazTransOil	51%	5.124.786	-	5.124.786
CNPC E&D	49%	4.923.814	-	4.923.814
Total	100%	10.048.600	-	10.048.600

13. REVALUATION RESERVE

<i>In thousands of Kazakhstani Tenge</i>	2022	2021
Amount at the beginning of the year	7.679.532	8.125.664
Revaluation of property, plant and equipment	231.009	
Changes in estimates of provision for asset retirement obligation	2.785.608	(23.592)
Deferred tax liabilities	(603.323)	4.724
Reclassification to retained earnings	(504.327)	(427.264)
Amount at the end of the year	9.588.499	7.679.532

14. PROVISION FOR ASSET RETIREMENT OBLIGATION

<i>In thousands of Kazakhstani Tenge</i>	<u>2022</u>	<u>2021</u>
At 1 January	2.005.298	1.856.415
Provision recognized during the year	5.061.797	
Change in estimates for the period	(2.785.608)	23.592
Amortisation of discount for the period	300.708	125.291
At 31 December	<u>4.582.195</u>	<u>2.005.298</u>

In accordance with Law of the Republic of Kazakhstan “On Main Pipeline” No. 21-V dated 22 June 2012, the Company is under a legal obligation to dismantle and liquidate the pipeline, as well as to restore the land. As at 31 December 2022 and 31 December 2021, the Company made best estimation of asset retirement obligation and recognised liabilities in the statement of financial position.

15. TRADE PAYABLES

<i>In thousands of Kazakhstani Tenge</i>	<u>31 December 2022</u>	<u>31 December 2021</u>
Trade payables to third parties	747.325	264.204
Trade payables to related parties (Note 23)	317.600	213.724
Total	<u>1.064.925</u>	<u>477.928</u>

As at 31 December 2022 and 31 December 2021, trade payables of the Company are expressed in Kazakhstani Tenge.

16. CONTRACT LIABILITIES ARISING FROM CONTRACTS WITH CUSTOMERS

<i>In thousands of Kazakhstani Tenge</i>	<u>31 December 2022</u>	<u>31 December 2021</u>
Contract liabilities arising from contracts with customers – related parties (Note 23)	1.027.619	964.371
Contract liabilities arising from contracts with customers – third parties	235.299	302.842
Total contract liabilities arising from contracts with customers	<u>1.262.918</u>	<u>1.267.213</u>

17. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company receives revenue from oil transportation services during the period in Kazakhstan.

<i>In thousands of Kazakhstani Tenge</i>	<u>2022</u>	<u>2021</u>
Revenues from related parties (Note 23)	10.800.805	7.504.845
Revenues from third parties	2.597.825	2.701.255
Total revenue from contracts with customers	<u>13.398.630</u>	<u>10.206.100</u>

17. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

<i>In thousands of Kazakhstani Tenge</i>	<u>2022</u>	<u>2021</u>
Revenue from oil transportation services to domestic market	10.727.480	6.716.815
Revenue from oil transportation services to export market	2.671.150	3.489.285
Total revenue from contracts with customers	<u>13.398.630</u>	<u>10.206.100</u>

18. COST OF SERVICES

<i>In thousands of Kazakhstani Tenge</i>	<u>2022</u>	<u>2021</u>
Depreciation and amortisation	3.250.957	2.679.967
Pipeline maintenance	3.130.058	1.904.026
Property tax	611.833	496.782
Payroll and related taxes	454.598	266.171
Security services	441.739	369.207
Fuel, energy in the process of production	347.891	115.397
Insurance of pipeline	113.593	80.892
Maintenance of communication equipment	65.772	101.624
Air patrol of pipeline	47.143	39.002
Materials for current repair	25.075	19.638
Other	613.206	394.006
Total	<u>9.101.865</u>	<u>6.466.712</u>

19. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of Kazakhstani Tenge</i>	<u>2022</u>	<u>2021</u>
Payroll and related taxes	1.121.290	943.500
Amortisation of right-of-use assets	140.203	181.714
Operating rent expenses	127.061	31.504
Consulting services expenses	40.513	42.767
Depreciation and amortisation	40.155	45.167
Business trip expenses	34.636	16.930
Security services	9.798	9.625
Entertainment expense	4.159	9.000
Other	146.703	154.754
Total	<u>1.664.518</u>	<u>1.434.961</u>

20. FOREIGN EXCHANGE GAINS AND LOSSES, NET

Foreign exchange gains and losses represent net gain/(loss) from revaluation of short-term financial assets and cash and cash equivalents denominated in US dollars. During 2022, the national currency of the Republic of Kazakhstan devalued against the US dollar by approximately 10% compared to the beginning of the year.

21. INTEREST INCOME

Interest income represents accrued interest on deposits for the years 2022 and 2021.

22. INCOME TAX

Income tax expense includes the following:

<i>In thousands of Kazakhstani Tenge</i>	<u>2022</u>	<u>2021</u>
Current income tax expense	1,045,213	680,618
Deferred income tax benefit	(364,599)	(61,557)
Income tax expense	<u>680,614</u>	<u>619,061</u>

Income tax for the year ended 31 December 2022 was assessed at the annual average effective rate of 20 percent (for the year ended 31 December 2021: 20 percent).

Reconciliation between the expected and the actual taxation charge is provided below:

<i>In thousands of Kazakhstani Tenge</i>	<u>2022</u>	<u>2021</u>
Profit before tax	3,127,941	2,932,998
Effective tax rate	20%	20%
Expected charge at rate of 20%	<u>625,588</u>	<u>586,600</u>
Non-deductible expenses	<u>55,026</u>	<u>32,461</u>
Income tax expense for the year	<u>680,614</u>	<u>619,061</u>

22. INCOME TAX (CONTINUED)

Net deferred tax liabilities arising from temporary differences between tax accounting in the Republic of Kazakhstan and accounting in accordance with IFRS are presented as follows:

<i>In thousands of Kazakhstani Tenge</i>	1 January 2022	Recognised in profit or loss	Recognised in other comprehensiv e income	31 December 2022
Tax effect of temporary differences:				
Provision for asset retirement obligation	401.060	1.072.500	(557.121)	916.439
Provision for unused vacation	44.947	12.424		57.371
Impairment provision for construction in progress	40.929	170		41.099
Lease liabilities	45.434	43.669		89.103
Provision for obsolescence	-	16.202		16.202
Other	1.426	4.544		5.970
Gross deferred tax assets	533.796	1.149.509	(557.121)	1.126.184
Deferred tax liabilities from:				
Property, plant and equipment and intangible assets	(3.846.230)	(753.459)	(46.202)	(4.645.891)
Right-of-use assets	(29.679)	(31.452)		(61.131)
Gross deferred tax liabilities	(3.875.909)	(784.911)	(46.202)	(4.707.022)
Less: offset against deferred tax assets	533.796	1.149.509	(557.121)	1.126.184
Net position on deferred income tax	(3.342.113)	364.598	(603.323)	(3.580.838)

22. INCOME TAX (CONTINUED)

<i>In thousands of Kazakhstani Tenge</i>	1 January 2021	Recognised in profit or loss	Recognised in other comprehensiv e income	31 December 2021
Tax effect of temporary differences:				
Provision for asset retirement obligation	371.283	25.053	4.724	401.060
Provision for unused vacation	45.542	(595)	-	44.947
Impairment provision for construction in progress	40.929	-	-	40.929
Lease liabilities	92.908	(47.474)	-	45.434
Provision for obsolescence	2.440	(2.440)	-	-
Other	5.731	(4.305)	-	1.426
Gross deferred tax assets	558.833	(29.761)	4.724	533.796
Deferred tax liabilities from:				
Property, plant and equipment and intangible assets	(3.891.182)	44.952		(3.846.230)
Right-of-use assets	(76.045)	46.366		(29.679)
Gross deferred tax liabilities	(3.967.227)	91.318		(3.875.909)
Less: offset against deferred tax assets	558.833	(29.761)	4.724	533.796
Net position on deferred income tax	(3.408.394)	61.557	4.724	(3.342.113)

23. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The related parties include Company's participants, affiliates or companies over which the Company or its participants have a significant influence, and key management personnel.

The nature of relations with those related parties with whom the Company entered into significant transactions or had significant balances outstanding at 31 December 2022 and 2021 is presented below.

Trade accounts payable to related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Nature of relations	2022	2021
KazTransOil JSC	Company under control of Samruk-Kazyna	317.600	213.724
KazTransGas Aimak LLP	Company under control of Samruk-Kazyna	-	-
Total		317.600	213.724

23. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Outstanding balances on advances received from related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Nature of relations	2022	2021
Mangistaumunaigas JSC	Company under control of Samruk-Kazyna	637.080	552.549
CNPC Aktobemunaigas JSC	Company under control of CNPC	492	94.283
Kazakhturkmunai LLP	Company under control of Samruk-Kazyna	16.032	24.752
Embamunaigas JSC	Company under control of Samruk-Kazyna	335.421	228.132
Kazakhoil Aktobe LLP	Jointly controlled company of Samruk-Kazyna	38.594	64.655
Total		1.027.619	964.371

Trade transactions with related parties for the year ended 31 December were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Nature of relations	2022	2021
<i>Transportation services:</i>			
CNPC Aktobemunaigas JSC	Company under control of CNPC	1.237.195	1.779.047
Mangistaumunaigas JSC	Company under control of Samruk-Kazyna	5.890.682	4.347.403
Kazakhturkmunai LLP	Company under control of Samruk-Kazyna	200.809	113.047
	Jointly controlled company of Samruk-Kazyna		
Kazakhoil Aktobe LLP		400.451	347.349
Embamunaigas JSC	Company under control of Samruk-Kazyna	3.071.668	917.999
KazTransOil JSC	Company under control of Samruk-Kazyna	-	-
<i>Rental of FOL:</i>			
KazTransOil JSC	Company under control of Samruk-Kazyna	28.864	29.098
Total		10.829.669	7.533.943

Purchase transactions with related parties for the year ended 31 December were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Nature of relations	2022	2021
<i>Pipeline maintenance:</i>			
KazTransOil JSC	Company under control of Samruk-Kazyna	3.131.563	1.904.026
<i>Other services:</i>			
Samruk-Kazyna Contract LLP	Company under control of Samruk-Kazyna	13.119	12.147
KazTransOil JSC	Company under control of Samruk-Kazyna	4.842	5.022
KazTransGas Aimak LLP	Company under control of Samruk-Kazyna	536	
Total		3.150.060	1.921.195

Terms and conditions of related party transactions

The outstanding balances at the end of the year do not have collateral and settlements are performed in cash. No warranties have been provided or received with regards to trade receivables from related parties. Management is unable to predict the extent of the changes or assess their possible impact on the financial statements.

23. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**Key management personnel compensation**

Key management personnel consist of the Company's management, which comprised 4 persons as of 31 December 2022 (2021: 4 persons). The total compensation to key management personnel which is included in general and administrative expenses in the statement of profit or loss and other comprehensive income was Tenge 178.358 thousand for the year 2022 (2021: Tenge 138.701 thousand). Compensation payable to key management personnel for fulfilment of their executive management functions consists of contractual salary, bonuses, vacation payments and financial aid.

24. CONTINGENCIES AND COMMITMENTS**COVID-19**

In March 2020, the World Health Organization announced an outbreak of a new type of coronavirus, COVID19, as a pandemic. In response to the pandemic, Kazakh authorities have taken a range of measures to contain the spread and mitigate the impact of COVID-19, such as travel bans and restrictions, quarantines, self-isolation, and restrictions on commercial activities, including business closures. Some of the above measures were subsequently relaxed, however at 31 December 2022, there is still risk that state authorities may introduce additional restrictions in 2023 in response to possible new virus types.

War between Russia and Ukraine

On 21 February 2022, the President of Russia announced the recognition of the Luhansk and Donetsk People's Republics, and on 24 February sent military mobilized troops to the territory of Ukraine. In response to Russia's actions, the United States of America, the European Union and several other countries have imposed sanctions against Russia, including cutting off a number of Russian financial institutions from SWIFT. Russia is Kazakhstan's largest trading partner, accounting for up to 40% of non-oil exports, and is a key trade transit, in particular, through the Caspian Pipeline Consortium (CPC), which allows the export of up to 80% of Kazakhstani crude oil.

CPC operations were interrupted in March 2022 due to hurricane damage, but this did not have a significant impact on the budget due to rising oil prices, however, Russia's prolonged closure of the CPC route for Kazakhstani crude oil will have serious consequences for Kazakhstan's exports and the economy as a whole. Kazakhstani authorities are considering alternative routes to the Caspian Sea, including through Azerbaijan, Georgia and Turkey, but these will require significant investment in additional infrastructure, and the replacement of the CPC route will take many years.

As a result of the conflict between Russia and Ukraine and its consequences, the Tenge exchange rate has become more volatile, with inflation reaching almost 20.3% in December 2022. To date, the National Bank of the Republic of Kazakhstan has taken a number of measures to maintain the stability of the financial system of Kazakhstan.

The future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

24. CONTINGENCIES AND COMMITMENTS (CONTINUED)

In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices and other commodities, which constitute major part of the country's export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets. High inflation, problems caused by recent internal disturbances in January 2022, ongoing political tension in the region, volatility of exchange rate have caused and may continue to cause negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity and creation of difficulties in attracting of international financing.

On 20 August 2015 the National Bank and the Government of the Republic of Kazakhstan made a resolution about discontinuation of supporting the exchange rate of Tenge and implement of new monetary policy, which is based on inflation targeting regime, cancellation of exchange rate trading band and start a free floating exchange rate. However, the National Bank's exchange rate policy allows it to intervene to prevent dramatic fluctuations of the Tenge exchange rate and to ensure financial stability.

As at the date of this report the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 459.92 per USD 1, compared to Tenge 462.65 per USD 1 as at 31 December 2022 (31 December 2021: Tenge 431.67 per USD 1). Therefore, uncertainty remains in relation to exchange rate of Tenge and future action of National Bank and the Government of the Republic of Kazakhstan and the impact of these factors on the economy of the Republic of Kazakhstan.

In September 2022, S&P Global Ratings, international rating agency affirmed the sovereign credit rating of Kazakhstan of "BBB-". The outlook on changes in credit rating was lowered to "negative" as a result of increase in external and financial risks. Fitch agency affirmed Kazakhstan's long-term rating of "BBB" with "stable" outlook. The stable outlook is supported by the government's strong balance sheet, financial flexibility, built on accumulated savings from oil income, net financial crediting position, as well as measures implemented by the Government of the Republic of Kazakhstan.

The complexities associated with social tensions, which resulted in internal unrest in early 2022, and the consequences of the conflict between Russia and Ukraine and subsequent sanctions, are balanced by high prices for major exported commodities and increased oil production from 2024, when the expansion of the Tengiz oil field begins. According to analysts' forecasts, the economic growth rate will be about 3.6% on average in 2022-2025.

Economic environment has a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Additionally, oil and gas sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the Company's control.

24. CONTINGENCIES AND COMMITMENTS (CONTINUED)

Management is unable to predict the extent or duration of changes in the Kazakhstani economy or evaluate their possible impact on the financial position of the Company in the future. Management believes that it is taking all necessary measures to maintain the sustainability and growth of the Company in current circumstances.

For the purpose of measurement of ECL the Company uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 25 provides additional information on how the Company includes forecast information in expected credit loss models.

Tax legislation

The tax environment in the Republic of Kazakhstan is subject to changes and inconsistent application and interpretations. Non-compliance with Kazakhstani law and regulations as interpreted by the Kazakhstani authorities may lead to the accrual of the additional taxes, penalties and interest.

Kazakhstani tax legislation and practice is in the state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may be retroactive. In certain situations, to determine a tax base, the tax legislation refers to IFRS provisions. In such cases, interpretation of IFRS provisions by the Kazakhstani tax authorities may differ from accounting policies, judgments and estimates used by the management for preparation of these financial statements, and this may result in additional tax liabilities for the Company. Tax periods remain open to retroactive review by the Kazakhstani tax authorities for five years.

The Company management believes that its interpretation of the relevant legislation is appropriate and the Company's tax positions will be sustained. In the Company's management opinion, no material losses will be incurred in respect of existing and potential tax claims in excess of provision that have been made in these financial statements.

Legal proceedings

In the ordinary course of business, the Company may be subject to litigations and claims. The Company's management believes that the final obligation, if any, arises from such litigations and claims, will not have a material adverse effect on the future financial position or core business of the Company.

Environmental and site restoration obligations

The Company believes it is currently in compliance with all existing Republic of Kazakhstan environmental laws and regulations. However, Kazakhstan environmental laws and regulations may change in the future. The Company is unable to predict the timing or extent to which these environmental laws and regulations may change. Such change, if it occurs, may require the Company to modernise technology to meet more stringent standards.

24. CONTINGENCIES AND COMMITMENTS (CONTINUED)**Environmental issues**

At present, environmental legislation is being tightened in the Republic of Kazakhstan and the review of the position of Kazakhstani state authorities regarding its enforcement continues. In 2021, a new environmental code came into force in the Republic of Kazakhstan, which regulates social relations in the area of interaction between human and nature (environmental relations) arising due to the implementation by individuals and legal entities of activities that have or can have an impact on the environment. In addition to increasing the responsibility of industrial enterprises for environmental pollution, the Code also provides for the introduction of a waste management hierarchy and prescribes requirements for the elimination of the consequences of activities.

The provisions of this Code obliges to obtain integrated environmental permits related to the use of the best available techniques (BAT), issued by the Committee for Environmental Regulation and Control of the Ministry of Ecology, Geology and Natural Resources of the Republic of Kazakhstan.

According to the norms of the Environmental Code, all enterprises have obligations to eliminate the consequences of their activities, but the requirements for liquidation of the consequences depend on the category of industrial enterprises and construction projects, which are determined depending on the degree of environmental impact and the scope of activities of enterprises. The Company passed the categorization of facilities in 2022. The Company's facilities were classified as Category II.

The Company periodically evaluates its obligations related to environmental protection, at least on an annual basis. As liabilities are identified, they are promptly reflected in the financial statements. Potential liabilities that may arise as a result of changes in existing laws and regulations, as well as as a result of judicial practice, cannot be estimated with a sufficient degree of reliability, although they may be significant. The Company's management believes that under the existing system of control over compliance with the current environmental legislation, there are no significant obligations arising from environmental damage.

Insurance

The Company insured workers against damage related to accidents and sudden illness, obligations of third parties (life, health and property) and has environmental insurance in relation with its main activity. The Company has an insurance contract for the property complex of the "Kenkiyak-Atyrau" pipeline.

Oil for pipeline filling

The Company obtained oil for the pipeline filling required for its operation from the customers free of charge under the oil transportation contracts. The Company is fully liable for such oil safety and shall return it to the owners in case of the pipeline decommissioning or upon expiration of the oil transportation contracts. The Company did not record any assets or liabilities in respect to this oil filled at the reporting date. As of 31 December 2022, oil for the pipeline filling was 102 thousand tons (2021: 89 thousand tons).

Contractual commitments

As of 31 December 2022, the Company had contractual capital commitments totalling Tenge 980.612 thousand on capital construction and acquisition of non-current assets (2021: Tenge 984.419 thousand).

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

In the normal course of business, the Company is subject to currency, credit and operational risks. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company does not use any derivative financial instruments to hedge risk exposures.

Main categories of financial instruments

<i>In thousands of Kazakhstani Tenge</i>	<u>31 December 2022</u>	<u>31 December 2021</u>
<i>Financial assets at amortised cost:</i>		
Short-term financial investments	6,064,360	5,643,898
Cash and cash equivalents	8,501,652	7,281,859
Total financial assets	<u>14,566,012</u>	<u>12,925,757</u>
<i>Financial liabilities at amortised cost:</i>		
Trade payables	1,064,925	477,928
Short-term lease liabilities	263,000	227,172
Long-term lease liabilities	182,517	-
Total financial liabilities	<u>1,510,442</u>	<u>705,100</u>

Currency risk

In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored on a monthly basis.

The table below summarises the Company's exposure to foreign currency exchange rate risk at the end of the reporting period:

<i>In thousands of Kazakhstani Tenge</i>	<u>At 31 December 2022</u>			<u>At 31 December 2021</u>		
	<u>Monetary financial Assets</u>	<u>Monetary financial liabilities</u>	<u>Net position</u>	<u>Monetary financial Assets</u>	<u>Monetary financial liabilities</u>	<u>Net position</u>
US Dollars	6,064,360	-	6,064,360	5,643,898	-	5,643,898
	<u>6,064,360</u>	<u>-</u>	<u>6,064,360</u>	<u>5,643,898</u>	<u>-</u>	<u>5,643,898</u>

<i>In thousands of Kazakhstani Tenge</i>	<u>At 31 December 2022</u>		<u>At 31 December 2021</u>	
	<u>Effect on profit</u>	<u>Effect on capital</u>	<u>Effect on profit</u>	<u>Effect on capital</u>
US Dollar appreciation by 10% (2021: appreciation by 10%)	485.149	485.149	451.512	451.512
US Dollar depreciation by 10% (2021: depreciation by 10%)	(485.149)	(485.149)	(451.512)	(451.512)

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial liabilities as they mature. The Company controls the risk of insufficient cash using the current liquidity planning instrument. This instrument is used for maturity analysis, as well as to forecast cash flows from operating activities.

For these purposes, the Company has developed a range of internal policies, aimed at establishing control procedures for appropriate placing of temporary excess cash, invoice processing and payments, as well as preparation of operational budgets.

The table below provides analysis of the Company's financial liabilities by relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The fair value of the Company's financial liabilities at 31 December 2022 and 31 December 2021 falls within Level 3 hierarchy. The data provided based on the undiscounted cash flows of financial statements of the Company based on the earliest date on which the Company can be required to pay.

<i>In thousands of Kazakhstani Tenge</i>	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	Over 3 years
31 December 2022						
Trade payables	(1,064,925)	(1,064,925)	(1,064,925)	-	-	-
Short-term lease liabilities	(263,000)	(186,028)	(186,028)	-	-	-
Long-term lease liabilities	(182,517)	(203,938)	-	(203,938)	-	-
Total financial liabilities	(1,510,442)	(1,454,891)	(1,250,953)	(203,938)	-	-
<i>In thousands of Kazakhstani Tenge</i>						
31 December 2021						
Trade payables	(477,928)	(477,928)	(477,928)	-	-	-
Short-term lease liabilities	(227,172)	(232,280)	(232,280)	-	-	-
Total financial liabilities	(705,100)	(710,208)	(710,208)	-	-	-

Credit risk

The Company exposes itself to a credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Company's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The Company's maximum exposure to a credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. Financial assets which are potentially subject to a credit risk mainly consist of cash and cash equivalents, bank deposits, trade and other receivables. Total carrying value of cash and bank deposits is Tenge 14,566,012 thousand and represents the maximum amount exposed to a credit risk (2021: Tenge 12,925,757 thousand).

Management carefully manages its exposure to a credit risk. The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

For measuring credit risk and grading financial instruments by the amount of credit risk, the Company applies two approaches – an Internal Risk-Based (IRB) rating system or risk grades estimated by external international rating agencies (Standard & Poor's - "S&P", Fitch, Moody's). Internal and external credit ratings are mapped on an internally defined master scale with a specified range of probabilities of default.

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- Excellent – strong credit quality with low expected credit risk;
- Good – adequate credit quality with a moderate credit risk;
- Satisfactory – moderate credit quality with a satisfactory credit risk;
- Special monitoring – facilities that require closer monitoring and remedial management; and
- Default – facilities in which a default has occurred.

Cash is placed with financial institutions of the Republic of Kazakhstan which are considered to have minimal risk of default at the moment of placement.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The table below presents an analysis of financial assets by credit quality based on the S&P rating as of 31 December 2022 and 31 December 2021:

<i>In thousands of Kazakhstani Tenge</i>		<u>31 December 2022</u>	<u>31 December 2021</u>
<i>Cash and cash equivalents</i>			
BB/stable/B, kzA+	Halyk Bank of Kazakhstan JSC	8.498.006	7.280.278
	Bank of China in Kazakhstan SB		
A/stable/A-1	JSC*	3.646	1.581
Total cash and cash equivalents		<u>8.501.652</u>	<u>7.281.859</u>
<i>Short-term financial investments</i>			
BB/stable/B, kzA+	Halyk Bank of Kazakhstan JSC	6.064.360	5.643.898
Total short-term financial investments		<u>6.064.360</u>	<u>5.643.898</u>
Total financial assets		<u>14.566.012</u>	<u>12.925.757</u>

* Rating is given for the international bank. Rating for the Kazakhstani branch of the bank is unavailable.

Expected credit loss (ECL) measurement

ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Company: Probability of Default (“PD”), Exposure at Default (“EAD”), Loss Given Default (“LGD”) and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor (“CCF”). CCF is a coefficient that shows the probability of conversion of the committed amounts to an on-balance sheet exposure within a defined period.

PD is an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate (“EIR”) for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument’s lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Management models Lifetime ECL, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The 12-month ECL, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining lifetime period of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider forward looking information, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

For purposes of measuring PD, the Company defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- international rating agencies have classified the borrower in the default rating class;
- the borrower meets the unlikeliness-to-pay criteria listed below:
 - the borrower is insolvent;
 - the borrower is in breach of financial covenant(s);
 - it is becoming likely that the borrower will enter bankruptcy.

For purposes of disclosure, the Company fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Company.

The assessment whether or not there has been a significant increase in credit risk (“SICR”) since initial recognition is performed on an individual basis and on a portfolio basis. For other financial assets, SICR is assessed either on a portfolio basis or an individual basis, depending on the existence of scoring models. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the management of the Company. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

The level of ECL that is recognised in these financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset’s effective interest rate to the carrying amount, net of ECL, when calculating interest income.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Company monitors whether that indicator continues to exist or has changed. ECL for POCI financial assets is always measured on a lifetime basis. The Company therefore only recognises the cumulative changes in lifetime expected credit losses.

The Company has two approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment based on external ratings. The Company assesses on an individual basis for trade receivables, depending on its materiality. The Company performs an assessment based on external ratings for cash and cash equivalents. In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future year during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The key principles of calculating the credit risk parameters

The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation. For revolving products, the EAD is predicted by taking the current drawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument. The Company uses different statistical approaches depending on the segment and product type to calculate lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrixes, developing lifetime PD curves based on the historical default data, hazard rate approach or other.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of the claim, and the availability of collateral or other credit support. The 12-month and lifetime LGDs are determined based on the factors that impact the expected recoveries after a default event.

Interest rate risk

As at 31 December 2022 and 31 December 2021, the Company did not have outstanding borrowings or other obligations with flexible interest rate. Accordingly, at 31 December 2022 and 31 December 2021, the Company was not exposed to interest rate risk.

Operational risk

Operational risk is the risk that the Company may incur financial loss caused by business interruption or potential damage of the Company's property as a result of natural disasters or technological emergencies.

As of 31 December 2022 and 31 December 2021, management believes that the Company has adequate insurance policy for civil liability and loss of assets.

26. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for participants and benefits for other partners and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain and adjust the level of the capital, the Company may adjust the amount of dividends paid to participants, return capital to participants, make an additional contribution to the charter capital, or sell assets to reduce debt. The amount of the capital that the Company managed as at 31 December 2022 amounted to Tenge 53,974,481 thousand (2021: Tenge 54,284,163 thousand).

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which a financial instrument can be exchanged in a current transaction between interested parties, except in cases of sale or liquidation under compulsion. The best evidence of fair value is the price of a financial instrument quoted in an active market.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs).

All financial instruments of the Company are carried at amortised cost. Their fair values were determined using Level 3 measurements of the fair value hierarchy, based on the available market data or relevant valuation techniques.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

However, judgement is required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions, and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on the credit risk of the counterparty. Due to the short-term nature of trade receivables, their carrying amount approximates their fair value.

Financial liabilities carried at amortised cost

Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities. The fair value of liabilities repayable on demand or after a notice period (“demandable liabilities”) is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid. Due to the short-term nature of trade payables, their carrying amount approximates their fair value.

28. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the management of the Company on 31 January 2023.