



**MunaiTas NWPC LLP**

Financial statements for the year ended  
31 December 2023

**MunaiTas NWPC LLP**

**TABLE OF CONTENTS**

---

	<b>Page</b>
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS:	
Statement of Financial Position	5
Statement of Profit or Loss and Other Comprehensive Income	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9-48

## MunaiTas NWPC LLP

### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

---

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 2023, and its financial performance, cash flows, and changes in equity for the year then ended, in compliance with IFRS Accounting Standards (further - "IFRS").

Management's responsibility for the 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 IFRS Accounting Standards is insufficient to enable users to understand the impact of 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 Accounting standards;
- 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 2023 were approved by management on 9 February 2024.

#### On behalf of the Company's management:

 _____ <b>Kulekeyev D.Zh.</b> <b>General Director</b> <b>(Chairman of the Management Board)</b>	 _____ <b>Nagayev R.M.</b> <b>Executive Director for Economics and Finance</b>	 _____ <b>Sydykova G.B.</b> <b>Chief Accountant</b>
9 February 2024 Almaty, Republic of Kazakhstan	9 February 2024 Almaty, Republic of Kazakhstan	9 February 2024 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 2023, and the Company's financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards.

### What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- 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, comprising material accounting policy information 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 IFRS Accounting 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.




# MunaiTas NWPC LLP


## STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2023


(in thousands of Kazakhstani Tenge)

	Notes	31 December 2023	31 December 2022
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	40.884.523	48.777.580
Intangible assets		48.203	107.758
Right-of-use assets	9	157.798	305.657
Other non-current assets	10	859.781	542.866
<b>Total non-current assets</b>		<b>41.950.305</b>	<b>49.733.861</b>
<b>CURRENT ASSETS</b>			
Inventories	11	47.928	450.816
Current income tax prepayments		23.661	-
Other current assets	12	123.636	570.834
Short-term financial investments	13	5.947.775	6.064.360
Cash and cash equivalents	14	13.095.792	8.501.652
<b>Total current assets</b>		<b>19.238.792</b>	<b>15.587.662</b>
<b>TOTAL ASSETS</b>		<b>61.189.097</b>	<b>65.321.523</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Charter capital	15	10.048.600	10.048.600
Retained earnings		33.889.654	34.337.382
Revaluation reserve	16	4.762.430	9.588.499
<b>Total equity</b>		<b>48.700.684</b>	<b>53.974.481</b>
<b>NON-CURRENT LIABILITIES</b>			
Provision for asset retirement obligation	17	7.168.347	4.582.195
Deferred income tax liability	29	2.033.235	3.580.838
Long-term lease liabilities	18	-	182.517
<b>Total non-current liabilities</b>		<b>9.201.582</b>	<b>8.345.550</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	19	1.124.517	1.064.925
Contract liabilities arising from contracts with customers	20	1.458.775	1.262.918
Short-term lease liabilities	18	175.092	263.000
Other current liabilities	21	528.447	410.649
<b>Total current liabilities</b>		<b>3.286.831</b>	<b>3.001.492</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>61.189.097</b>	<b>65.321.523</b>

On behalf of the Company's management:

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

  
Nagayev R.M.  
Executive Director for Economics  
and Finance

  
Sydykova G.B.  
Chief Accountant

9 February 2024  
Almaty, Republic of Kazakhstan

9 February 2024  
Almaty, Republic of Kazakhstan

9 February 2024  
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 AS OF 31 DECEMBER 2023


(in thousands of Kazakhstani Tenge)

	Notes	2023	2022
REVENUE FROM CONTRACTS WITH CUSTOMERS	22	13.237.062	13.398.630
COST OF SERVICES	23	(10.341.034)	(9.101.865)
IMPAIRMENT LOSS, NET	8	(1.889.667)	(839.081)
<b>GROSS PROFIT</b>		<b>1.006.361</b>	<b>3.457.684</b>
General and administrative expenses	24	(1.718.451)	(1.664.518)
Other operating income	25	1.522.358	141.587
Other operating expense		(15.061)	(96.395)
<b>OPERATING PROFIT</b>		<b>795.207</b>	<b>1.838.358</b>
Finance income	26	1.913.268	1.212.180
Finance expense	27	(448.976)	(329.957)
Foreign exchange (losses)/gains, net	28	(98.155)	407.360
<b>PROFIT BEFORE TAX</b>		<b>2.161.344</b>	<b>3.127.941</b>
Income tax expense	29	(420.396)	(680.614)
<b>PROFIT FOR THE YEAR</b>		<b>1.740.948</b>	<b>2.447.327</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
(Loss)/gain from changes in estimates for asset retirement obligation	16, 17	(2.187.043)	2.785.608
(Loss)/gain from revaluation of property, plant and equipment		(3.002.099)	231.009
Income tax benefit/(expense)	16, 29	1.037.829	(603.323)
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF INCOME TAX</b>		<b>(4.151.313)</b>	<b>2.413.294</b>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		<b>(2.410.365)</b>	<b>4.860.621</b>

On behalf of the Company's management:

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

9 February 2024  
Almaty, Republic of Kazakhstan

  
Nagayev R.M.  
Executive Director for Economics  
and Finance

9 February 2024  
Almaty, Republic of Kazakhstan

  
Sydykova G.B.  
Chief Accountant

9 February 2024  
Almaty, Republic of Kazakhstan



**MunaiTas NWPC LLP**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023**  
(in thousands of Kazakhstani Tenge)

	Charter Capital	Revaluation reserve	Retained earnings	Total equity
<b>Balance at 1 January 2022</b>	<b>10.048.600</b>	<b>7.679.532</b>	<b>36.556.031</b>	<b>54.284.163</b>
Profit for the year	-	-	2.447.327	2.447.327
Other comprehensive income for the year	-	2.413.294	-	2.413.294
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>2.413.294</b>	<b>2.447.327</b>	<b>4.860.621</b>
Dividends	-	-	(5.170.303)	(5.170.303)
Realised revaluation reserve, net of tax	-	(504.327)	504.327	-
<b>Balance at 31 December 2022</b>	<b>10.048.600</b>	<b>9.588.499</b>	<b>34.337.382</b>	<b>53.974.481</b>
Profit for the year	-	-	1.740.948	1.740.948
Other comprehensive loss for the year	-	(4.151.313)	-	(4.151.313)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(4.151.313)</b>	<b>1.740.948</b>	<b>(2.410.365)</b>
Dividends	-	-	(2.863.432)	(2.863.432)
Realised revaluation reserve, net of tax	-	(674.756)	674.756	-
<b>Balance at 31 December 2023</b>	<b>10.048.600</b>	<b>4.762.430</b>	<b>33.889.654</b>	<b>48.700.684</b>

On behalf of the Company's management:

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

9 February 2024  
Almaty, Republic of Kazakhstan

Nagayev R.M.  
Executive Director for Economics and Finance

9 February 2024  
Almaty, Republic of Kazakhstan

Sydykova G.B.  
Chief Accountant

9 February 2024  
Almaty, Republic of Kazakhstan

# MunaiTas NWPC LLP

## STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2023

(in thousands of Kazakhstani Tenge)

	Notes	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit for the period before tax		2.161.344	3.127.941
Adjustments for:			
Depreciation and amortisation		3.939.938	3.495.603
Impairment loss, net	8	1.889.667	839.081
Finance income	26	(1.913.268)	(1.212.180)
Finance expense	27	448.976	329.957
Foreign exchange losses/(gains), net		98.212	(407.360)
Loss on disposal of property, plant and equipment		1.065	-
Provision for obsolete inventories		(46)	81.009
Provisions for expected credit losses		58	-
		<b>6.625.946</b>	<b>6.254.051</b>
Cash flows from operating activities before changes in working capital		85.973	17.992
Change in inventories		447.198	754.906
Change in other current assets		67.200	140.136
Change in trade payables		195.857	(4.295)
Changes in contract liabilities arising from contracts with customers		(390.367)	73.344
Cash flows from operating activities		<b>7.031.807</b>	<b>7.236.134</b>
Income tax paid		(844.411)	(714.733)
Interest income received		1.488.848	989.205
		<b>7.676.244</b>	<b>7.510.606</b>
<b>Net cash generated from operating activities</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of property, plant and equipment and intangible assets		(86.616)	(965.784)
Placement of cash deposits		(12.390.365)	(6.084.199)
Refund of cash deposits		12.425.261	6.070.797
		<b>(51.720)</b>	<b>(979.186)</b>
<b>Net cash used in investing activities</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Dividends paid	15	(2.863.432)	(5.170.303)
Payments for lease liabilities	18	(190.371)	(141.324)
		<b>(3.053.803)</b>	<b>(5.311.627)</b>
<b>Net cash used in financing activities</b>		<b>(3.053.803)</b>	<b>(5.311.627)</b>
Effect of change in foreign exchange on cash and cash equivalents		23.416	-
Provisions for expected credit losses		3	-
		<b>4.594.140</b>	<b>1.219.793</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
CASH AND CASH EQUIVALENTS, at the beginning of the year		8.501.652	7.281.859
		<b>13.095.792</b>	<b>8.501.652</b>
<b>CASH AND CASH EQUIVALENTS, at the end of the year</b>			

On behalf of the Company's management:

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

Nagayev R.M.  
Executive Director for Economics and Finance

Sydykova G.B.  
Chief Accountant

9 February 2024  
Almaty, Republic of Kazakhstan

9 February 2024  
Almaty, Republic of Kazakhstan

9 February 2024  
Almaty, Republic of Kazakhstan

The accompanying notes are an integral part of these financial statements

**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 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 2023, the Company transported 5.533 thousand tons of oil (during the year ended 31 December 2022: 5.612 thousand tons of oil).

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

**2. OPERATING ENVIRONMENT**

On 24 February 2022, Russia launched a military invasion of Ukraine. In response, the United States, the European Union, and a number of other states imposed widespread sanctions on Russia, including banning Russian banks from the Swift system. Russia is Kazakhstan's largest trade partner. Kazakhstan is also heavily reliant on the Caspian Pipeline Consortium (CPC), which carries up to 80% of its oil exports.

The war in Ukraine and sanctions imposed on Russia have affected commodity prices and increased the volatility of the Tenge exchange rate. Inflation moderated to 9,8% in December 2023 after peaking at 21,3% in February 2023. During 2023 the economy grew 4,8% and according to the analysts' forecasts, the growth rate of the national economy over the next three years will average just under 4% annually. As at the date of issuing these financial statements, the official exchange rate of the National Bank of the Republic of Kazakhstan was Tenge 450.34 per US Dollar 1 compared to Tenge 454.56 per US Dollar 1 as at 31 December 2023 (31 December 2022: Tenge 462.65 per 1 US Dollar).

In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Additionally, the oil and gas industry in the Republic of Kazakhstan is impacted by political, legislative, fiscal, and regulatory developments. Uncertainty remains in relation to the exchange rate of Tenge and commodity prices.

The economic environment has a significant impact on the Company's operations and financial position. Management believes it is taking appropriate measures to support the sustainability and growth of the Company's business in the current circumstances. The long-term effects of the current economic situation are difficult to predict, and management’s current expectations and estimates could differ from the actual results. 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 and political developments, which are beyond the Company’s control.

### **3. FINANCIAL STATEMENTS PRESENTATION**

#### **Basis for financial statement preparation**

These financial statements have been prepared in accordance with IFRS Accounting Standards.

The Company's financial statements are prepared in accordance with the historical cost convention, except for property, plant and equipment, which are carried at revalued amounts, and other items described in the accounting policies and notes to the financial statements. Significant information about the accounting policies applied in the preparation of these financial statements is disclosed in Note 5. The accounting policies have been applied consistently to all periods presented unless otherwise stated (see new and revised standards adopted by the Company in Note 4).

#### **Use of estimates and assumptions**

Preparation of the financial statements assumes that the management makes 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 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 6.

#### **Functional and presentation currency**

The functional and presentation currency of the Company, which reflects the 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.

### **4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS**

#### ***New and revised IFRS accounting standards effective for the current year***

The following revised standards became effective for the Company on 1 January 2023, but did not have a material impact on the Company:

- 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 and non-current – bringing forward the 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).
- Amendments to IFRS 17 and amendments to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Transition option to 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).

**4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS  
(CONTINUED)**

*New and revised IFRS accounting standards issued but not yet effective*

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, and which the Company has not early adopted.

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023).
- Amendments to IAS 21 “Lack of Exchangeability” (issued 15 August 2023).

Amendments published but deferred and which the Company has not early adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

Unless otherwise stated above, these new standards and interpretations are not expected to have a material effect on the Company's financial statements.

**5. SIGNIFICANT INFORMATION ABOUT 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.

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.

**5. SIGNIFICANT INFORMATION ABOUT ACCOUNTING POLICY (CONTINUED)**

**Depreciation**

Land is not depreciated. Construction in progress is not depreciated until the asset is ready for use. Depreciation of construction projects begins when the construction of such projects is completed, and they are put into operation. 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 life (in years)
Buildings and constructions	5-50
Oil pipeline	15-33
Machinery and equipment	3-30
Vehicles	8-12
Office equipment and furniture	2-10
Other	3-15

The annual transfer from the asset revaluation surplus to retained earnings is made by the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. In addition, accumulated depreciation at the date of revaluation is eliminated from the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. On disposal, any revaluation surplus attributable to the specific asset sold is transferred to retained earnings.

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.

**Fair value measurement**

The Company measures assets such as property, plant and equipment (except land and construction in progress) at fair value at each reporting date.

The measurement of the fair value of a non-financial asset considers the ability of a market participant to generate economic benefits either by using the asset in its best and most efficient way or by selling it to another market participant that will use the asset in its best and most efficient way.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to estimate fair value, while making maximum use of relevant observable inputs and minimizing the use of unobservable inputs.

For assets and liabilities that are remeasured in the financial statements on a periodic basis, the Company determines whether they need to be transferred between levels of the hierarchy by re-evaluating the classification (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External appraisers are used to value significant assets, such as real estate, and significant liabilities, such as contingent consideration.

At each reporting date, the Company analyzes changes in the value of assets and liabilities, which must be reassessed or revalued in accordance with the Company's accounting policies. As part of this review, the Company verifies the key inputs used in the last valuation by comparing the information used in the valuation with contracts and other relevant documents.

**5. SIGNIFICANT INFORMATION ABOUT ACCOUNTING POLICY (CONTINUED)**

**Inventories**

Inventories are recorded at the lower of cost and net realisable price. The cost of inventory on release to production or other disposal is determined on the first in first out basis.

**Other non-current assets**

The Company's inventories acquired for construction-in-progress and spare parts for property, plant and equipment are classified as non-current assets.

**Financial assets and liabilities**

**Classification and subsequent valuation of financial assets: valuation categories.** 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.

**Impairment of financial assets: allowance for expected credit losses.** Based on forecasts, the Company estimates expected credit losses associated with debt instruments measured at amortised cost.

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 the expected prepayments, if any ("Lifetime ECL"). Refer to Note 32 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 32. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 31 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.

**Derecognition of financial assets.** 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.

**Categories for assessing financial liabilities.** The Company's financial liabilities are represented by the category "financial liabilities measured at amortised cost" and include trade payables and lease liabilities.

**Derecognition of financial liabilities.** Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

**5. SIGNIFICANT INFORMATION ABOUT ACCOUNTING POLICY (CONTINUED)**

**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. 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.

Short-term, highly liquid investments with an original contractual maturity of more than three months, but less than twelve months, are recognised as part of short-term financial investments. Restricted cash balances are excluded from cash and cash equivalents for purposes of preparing the cash flow statement. Cash balances that are restricted from being exchanged or used to settle liabilities for at least twelve months after the reporting date are included in other non-current assets.

**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.

**Revenue recognition**

The Company's activities are related to the transportation of oil through main pipelines in the territory of the Republic of Kazakhstan. The point at which ownership passes and revenue is recognised is the moment the oil physically enters the pipeline. Revenue from contracts with customers is recognised when control of goods or 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 goods or 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 recognizes revenue from the provision of oil transportation services based on the actual volumes of services provided 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.



**5. SIGNIFICANT INFORMATION ABOUT ACCOUNTING POLICY (CONTINUED)**

**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.

No provision is made for litigation that is at a very early stage.

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).

**Obligation to decommission assets and reclaim land**

A liability typically arises when the asset is placed into service on site or when the soil and environment at the site of the asset's operation are affected. On initial recognition of the liability, the present value of the estimated costs is capitalised by increasing the carrying amount of the related property, plant and equipment to the extent they were incurred to develop and construct the site. Any decommissioning obligations that arise from the production of inventory items are expensed when the inventory items are recognised in cost of goods sold.

Changes in estimates of the timing or cost of decommissioning are made prospectively through adjustments to the reserve and corresponding adjustments to property, plant and equipment.

Any reduction in the decommissioning liability, and therefore any deduction from the asset to which it relates, cannot exceed the carrying amount of that asset. Otherwise, any excess over the carrying amount is recognised immediately in the statement of profit or loss and other comprehensive income.

If a change in estimates increases the decommissioning liability and therefore increases the carrying amount of the asset, the Company considers whether this is an indication that the asset as a whole is impaired and, if necessary, performs an impairment test.

If the carrying amount of fixed assets less reserves for site restoration and liquidation exceeds their recoverable amount, the difference is recognised directly as an expense.

Over time, the discounted liability is increased by changes in present value based on a discount rate that reflects current market valuations and risks specific to the liability. The amortization of the discount is recognised in the statement of profit or loss and other comprehensive income as a finance cost.

**5. SIGNIFICANT INFORMATION ABOUT ACCOUNTING POLICY (CONTINUED)**

**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. 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.

**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.

**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.

Transactions in foreign currencies are initially recognized by the Company in its functional currency at the exchange rate prevailing on the date the transaction qualifies for recognition. 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 2023, the official exchange rate used for revaluating foreign currency balances was KZT 454.56 to US\$1 (31 December 2022: KZT 462.65 to US\$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 in the Subsequent Events note if they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorized for issue.

**5. SIGNIFICANT INFORMATION ABOUT ACCOUNTING POLICY (CONTINUED)**

**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.

The Company offers its employees long-term benefits before and after retirement in accordance with the Rules on social guarantees, compensation and benefits provided to the Company's employees. The above rules provide for the payment of one-time benefits upon retirement, monthly payments to non-working pensioners, payments for holidays, on the occasion of anniversaries and death. Eligibility for pension benefits is usually conditional on the employee's need to continue working until retirement.

**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.

**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*. During 2023, the Company did not accrue reserves, contingent liabilities and contingent assets for the negative balance sheet.

**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.

**6. 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.

**Impairment of property, plant and equipment**

The Company renews the carrying value of its property, plant and equipment for any impairment indicators. 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 2023, the Company identified impairment indicators of property, plant and equipment, including the receipt of administrative acts from DCRNM (Note 31), a decrease in operating effectiveness (increased expenses in the absence of income growth due to a fixed tariff) and changes in the discount rate from 16,5% in 2022 to 17,4% in 2023.

As part of the revaluation, the Company 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 40.884.523 thousand Tenge. The following assumptions were used in the profitability test:

- The forecast period is up to 2041, based on the average economic life of the fields of key oil producing companies in the region.
- The forecast volumes of transported oil, amounting to 5.612 thousand in 2024, are determined according to historical volumes, and 6.000 thousand tons per year from 2025 until the end of the forecast period, according to the maximum throughput capacity. Also, the Company's management determined that 80 percent of all future transported volumes will be directed to the domestic market.
- In the forecast, tariffs for the domestic market and exports were determined at different levels. In 2024 – 2025, the tariff was forecasted at the level of the current weighted average tariff – 2.421 Tenge per ton (weighted average export tariff – 2.279 Tenge per ton). The tariff for 2026 was projected at 2.996 Tenge per ton for the domestic market and 3.067 Tenge per ton for export. This tariff was calculated in accordance with the tariff formation rules. Calculation of the tariff in accordance with these rules considers economically justified costs, the base of assets involved and the acceptable level of profit.

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

Tariff in the period from 2027 to 2041 was projected based on tariffs for 2026, plus inflation rate for each year.

- Production and administrative costs were projected considering actual historical costs per 1 ton of transported oil, considering inflation rates. Every year, production and administrative costs increase based on the inflation rate for each year.
- The discount rate was determined at 17,4%
- The inflation rates in the forecast periods are 8,8% in 2024, 6,8% in 2025 and between 3,9% and 4,9% in the period from 2026 to 2041.

Management believes that as at 31 December 2023, 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 2023 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:

<i>In thousands of Kazakhstani Tenge</i>	<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)	(177.400)
Tariff change (-5%)	(3.539.637)
Change in volume (-10%)	(10.111)
Change in discount rate (+ 5%)	<u>(3.600.258)</u>

**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>2023</u>	<u>2022</u>
Discount rate	8,71%	10,50%
Inflation rate	4,5%	4,3%
Term of execution of the obligation on the Kenkiyak-Atyrau pipeline	<u>18 year</u>	<u>15 year</u>

During 2023, the Company increased the period of fulfillment of the oil pipeline obligation from 15 to 18 years. The period is based on the average economic life of the fields of key oil producing companies in the region.

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

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 2023, the carrying amount of the reserve for asset retirement obligation amounted to 7.168.347 thousand Tenge (2022: 4.582.195 thousand Tenge) (Note 17).

The increase is primarily due to changes in discount rates and inflation rates.

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.

Management assessed the sensitivity of fair value estimates to changes in unobservable inputs in determining the carrying amount of the provision for environmental remediation liability. A sensitivity analysis indicating the amount of change in the carrying amount if one of the assumptions were changed and the other assumptions held constant is presented below:

<i>In thousands of Kazakhstani Tenge</i>	<b>Effect of change</b>	
	<b>2023</b>	<b>2022</b>
Discount increase by 2%	(1.619.136)	(1.101.690)
Discount decrease by 2%	2.124.387	1.410.825
Inflation increase by 2%	2.515.320	1.590.017
Inflation decrease by 2%	(1.898.949)	(1.239.013)
Discount period increase by 5 years	(1.429.712)	(1.219.289)
Discount period decrease by 5 years	1.775.129	1.589.970

**Going concern principle**

Management has prepared these financial statements on a going concern basis. Management's judgment is based on its consideration of the Company's financial condition, current plans, profitability of operations and access to financial resources, as well as an analysis of the impact of recent changes in macroeconomic conditions on the Company's future operations.

**7. AUDITORS FEE**

Below are the amounts of remuneration paid or to be paid to PricewaterhouseCoopers LLP for audit services provided to the Company.

<i>In thousands of Kazakhstani Tenge</i>	<b>2023</b>	<b>2022</b>
Audit and review of financial statements in accordance with IFRS Accounting Standards	34.208	31.371
	<b>34.208</b>	<b>31.371</b>

# MunaiTas NWPC LLP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

### 8. PROPERTY, PLANT AND EQUIPMENT

The changes in the carrying amount of property, plant and equipment at revalued amounts are presented below:

<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 2022	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)	-
Disposals	-	5.061.797	-	-	-	-	-	-	5.061.797
Transfer to intangible assets	-	(103.848)	-	(41.261)	-	-	-	(304)	(145.413)
Write-off of accumulated depreciation at revaluation through cost	-	(8.217.690)	(472.102)	(59.587)	(116)	(167.317)	(8.301)	(204.644)	(9.129.757)
<b>At 31 December 2022</b>	<b>677.425</b>	<b>21.456.313</b>	<b>3.843.564</b>	<b>19.705.076</b>	<b>100</b>	<b>97.542</b>	<b>16.360</b>	<b>4.078.056</b>	<b>49.874.436</b>
Additions	-	-	-	15.583	-	5.370	-	785.668	806.621
Internal movements	-	-	18.203	(230.471)	-	-	-	212.268	-
Disposals	-	-	-	(70.827)	-	(1.553)	(211)	-	(72.591)
<b>At 31 December 2023</b>	<b>677.425</b>	<b>21.456.313</b>	<b>3.861.767</b>	<b>19.419.361</b>	<b>100</b>	<b>101.359</b>	<b>16.149</b>	<b>5.075.992</b>	<b>50.608.466</b>
<b>Accumulated depreciation and impairment losses</b>									
At 1 January 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	-	-	-	-	-	(27.415)	(2.356)	(1)	(29.772)
(Impairment)/revaluation recognised in profit or loss	-	(85.036)	(123.486)	(394.807)	36	(29.352)	(944)	(205.492)	(839.081)
Impairment recognised in the revaluation reserve	-	(3.434.694)	69.831	3.573.000	65	11.572	11.235	-	231.009
Write-off of accumulated depreciation at revaluation through cost	-	8.217.690	472.102	59.587	116	167.317	8.301	204.644	9.129.757
<b>At 31 December 2022</b>	<b>-</b>	<b>(350.692)</b>	<b>(66.049)</b>	<b>(462.376)</b>	<b>(16)</b>	<b>(9.826)</b>	<b>(2.404)</b>	<b>(205.493)</b>	<b>(1.096.856)</b>
Charged for the year	-	(1.519.197)	(264.680)	(1.911.629)	(84)	(17.989)	(9.006)	-	(3.722.585)
Depreciation on disposals	-	-	-	7.965	-	489	193	-	8.647
Impairment loss within profit or loss	(297)	(257.090)	(253.642)	(853.593)	-	(4.400)	(172)	(520.473)	(1.889.667)
Write-off of accumulated depreciation at revaluation	(72.094)	(1.835.963)	(123.693)	(968.767)	-	(1.411)	(171)	-	(3.002.099)
Other	-	-	-	-	-	(19.662)	(1.721)	-	(21.383)
<b>At 31 December 2023</b>	<b>(72.391)</b>	<b>(3.962.942)</b>	<b>(708.064)</b>	<b>(4.188.400)</b>	<b>(100)</b>	<b>(52.799)</b>	<b>(13.281)</b>	<b>(725.966)</b>	<b>(9.723.943)</b>
<b>Residual amount</b>									
At 31 December 2022	677.425	21.105.621	3.777.515	19.242.700	84	87.716	13.956	3.872.563	48.777.580
At 31 December 2023	605.034	17.493.371	3.153.703	15.230.961	-	48.560	2.868	4.350.026	40.884.523

**MunaiTas NWPC LLP**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

**8. 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>	<u>Land</u>	<u>Pipeline</u>	<u>Buildings and constructions</u>	<u>Machinery and equipment</u>	<u>Vehicles</u>	<u>Office equipment and furniture</u>	<u>Other</u>	<u>Construction in progress</u>	<u>Total</u>
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)
<b>Carrying amount at 31 December 2022</b>	<b>42.883</b>	<b>15.360.498</b>	<b>3.453.549</b>	<b>15.951.022</b>	<b>-</b>	<b>107.483</b>	<b>5.214</b>	<b>4.215.747</b>	<b>39.136.396</b>
Cost at 31 December 2023	42.883	33.715.016	4.909.694	22.246.707	265	306.257	106.646	5.423.103	66.750.571
Accumulated depreciation and impairment loss at 31 December 2023	-	(17.459.268)	(1.679.306)	(7.941.708)	(265)	(233.958)	(103.607)	(205.493)	(27.623.605)
<b>Carrying amount at 31 December 2023</b>	<b>42.883</b>	<b>16.255.748</b>	<b>3.230.388</b>	<b>14.304.999</b>	<b>-</b>	<b>72.299</b>	<b>3.039</b>	<b>5.217.610</b>	<b>39.126.966</b>



**8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

On 30 March 2018, the Company received a positive conclusion No. 01-0119/18 on the construction of the project “Increasing the throughput of the Kazakhstan-China oil pipeline to 6 million tons per year” (hereinafter referred to as the “Reverse Project”) from the Republican State Enterprise on the right of economic management “State non-departmental examination of projects” (RSE “Gosexpertiza”) of the Committee for Construction and Housing and Communal Services of the Ministry of Investment and Development of the Republic of Kazakhstan. 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 an adjusted business plan for five years, taking into account capital investments for the Reverse Project. In 2020, the Company commissioned the first start-up complex of the Reverse Project for a total cost of 8.391.443 thousand Tenge. On 30 June 2021, the Company commissioned the II start-up complex (technological facilities) of the Reverse Project for a total cost of 12.245.943 thousand Tenge and on 29 October 2021, the Company commissioned oil heating furnaces as part of the Reversal Project for a total cost of 2.364.659 thousand Tenge. On 30 November 2022, the Company commissioned a gas pipeline to oil heating furnaces as part of the Reversal Project at a total cost of 1.568.813 thousand Tenge. On 16 May 2023, the Company entered into an agreement with Deloitte TCF LLP for the purchase of services for an independent assessment of the remaining work on the 3rd start-up complex for the Reverse Project. On 23 June 2023, an agreement was signed with KING JSC to adjust the design and estimate documentation of the basic project for the 3rd start-up complex of the Reverse Project. On 29 December 2023, an Agreement was signed with the RSE “Gosexpertiza”.

As at 31 December 2023 and 31 December 2022, the Company had no restrictions on the use of property, plant and equipment.

**Depreciation charge is allocated to the following items:**

<i>In thousands of Kazakhstani Tenge</i>	<u>2023</u>	<u>2022</u>
Cost of services	3.706.091	3.211.287
General and administrative expenses	16.494	19.947
<b>Total</b>	<b><u>3.722.585</u></b>	<b><u>3.231.234</u></b>

## MunaiTas NWPC LLP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

#### 9. RIGHT-OF-USE ASSETS

<i>In thousands of Kazakhstani Tenge</i>	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Carrying amount as of 31 December 2022	<b>234.496</b>	<b>71.161</b>	<b>305.657</b>
Historical cost as of 31 December 2022	585.634	583.796	1.169.430
Accumulated depreciation as of 31 December 2022	(351.138)	(512.635)	(863.773)
Additions	245.154	70.442	315.596
Disposals	(585.634)	(583.796)	(1.169.430)
Depreciation on disposals	351.138	512.635	863.773
Depreciation for the year	(122.577)	(35.221)	(157.798)
<b>Carrying amount as of 31 December 2023</b>	<b>122.577</b>	<b>35.221</b>	<b>157.798</b>
Historical cost as of 31 December 2023	245.154	70.442	315.596
Accumulated depreciation as of 31 December 2023	(122.577)	(35.221)	(157.798)

#### 10. OTHER NON-CURRENT ASSETS

<i>In thousands of Kazakhstani Tenge</i>	<u>31 December 2023</u>	<u>31 December 2022</u>
Emergency inventory stock	828.884	493.697
Spare parts	104.790	123.108
Provision for obsolescence	(80.963)	(81.009)
Advances given for property, plant and equipment	7.070	7.070
<b>Total</b>	<b>859.781</b>	<b>542.866</b>

#### 11. INVENTORIES

<i>In thousands of Kazakhstani Tenge</i>	<u>31 December 2023</u>	<u>31 December 2022</u>
Oil	-	283.117
Spare parts	6.660	30.782
Other inventory	41.268	136.917
<b>Total</b>	<b>47.928</b>	<b>450.816</b>

The Company has currently transferred oil and other inventories to non-current assets.

#### 12. OTHER CURRENT ASSETS

<i>In thousands of Kazakhstani Tenge</i>	<u>31 December 2023</u>	<u>31 December 2022</u>
VAT receivable	47.708	398.393
Other current assets	75.928	172.441
<b>Total</b>	<b>123.636</b>	<b>570.834</b>

During 2023, VAT receivable was used against VAT liabilities.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

**13. SHORT-TERM FINANCIAL INVESTMENTS**

As at 31 December 2023, short-term financial investments represent cash on bank deposit with Bank of China in Kazakhstan SB JSC with a maturity of more than three months to one year, with an effective interest rate of 3,08% per annum and denominated in US dollars, without the right of partial withdrawal and replenishment (as at 31 December 2022: on a bank deposit with Halyk Bank of Kazakhstan JSC for a period of more than three months to one year, with an effective interest rate of 0,2% per annum and denominated in US dollars, without rights of partial withdrawal and replenishment).

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>Cash on bank deposits</b>	<b>Cash on bank deposits</b>
- Good level	<u>5.947.775</u>	<u>6.064.360</u>
<b>Total short-term financial investments</b>	<b><u>5.947.775</u></b>	<b><u>6.064.360</u></b>

**14. CASH AND CASH EQUIVALENTS**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Cash on bank deposits with maturity less than three months, in Tenge	12.507.605	8.415.300
Cash on bank accounts, in Tenge	588.217	86.407
Expected credit loss allowance	<u>(30)</u>	<u>(55)</u>
<b>Total</b>	<b><u>13.095.792</u></b>	<b><u>8.501.652</u></b>

Cash on bank deposits have maturities of less than three months as at the opening date.

The table below presents an analysis of the credit quality of cash and cash equivalent balances based on the levels of credit risk as at 31 December 2023. A description of the Company's credit risk classification policy is presented in Note 32.

<i>In thousands of Kazakhstani Tenge</i>	<b>Cash on bank deposits</b>	<b>Cash on bank accounts</b>	<b>Total</b>
- Perfect level	-	-	-
- Good level	12.507.575	588.217	13.095.792
- Requires special monitoring	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total cash and cash equivalents</b>	<b><u>12.507.575</u></b>	<b><u>588.217</u></b>	<b><u>13.095.792</u></b>

## MunaiTas NWPC LLP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

#### 14. CASH AND CASH EQUIVALENTS (CONTINUED)

Below is an analysis of the credit quality of cash and cash equivalent balances based on credit risk levels as at 31 December 2022.

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

#### 15. CHARTER CAPITAL

Presented below is the participants' structure of the Company at 31 December 2023:

<i>In thousands of Kazakhstani Tenge</i>	<u>Ownership percentage</u>	<b>31 December 2023</b>		
		<u>Paid capital</u>	<u>Unpaid capital</u>	<u>Total</u>
KazTransOil	51%	5.124.786	-	5.124.786
CNPC E&D	49%	4.923.814	-	4.923.814
<b>Total</b>	<b>100%</b>	<b>10.048.600</b>	<b>-</b>	<b>10.048.600</b>

During 2023, the Company paid dividends to Participants in the amount of 2.863.432 thousand Tenge. In 2022, dividend payments to Participants amounted to 5.170.303 thousand Tenge.

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

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

#### 16. REVALUATION RESERVE

<i>In thousands of Kazakhstani Tenge</i>	<u>2023</u>	<u>2022</u>
Amount at the beginning of the year	9.588.499	7.679.532
Revaluation of property, plant and equipment	(3.002.099)	231.009
Changes in estimates of provision for asset retirement obligation	(2.187.043)	2.785.608
Deferred tax liabilities	1.037.829	(603.323)
Reclassification to retained earnings	(674.756)	(504.327)
<b>Amount at the end of the year</b>	<b>4.762.430</b>	<b>9.588.499</b>

## MunaiTas NWPC LLP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

#### 17. PROVISION FOR ASSET RETIREMENT OBLIGATION

<i>In thousands of Kazakhstani Tenge</i>	<u>2023</u>	<u>2022</u>
At 1 January	4.582.195	2.005.298
Provision recognised during the year	-	5.061.797
Change in accounting estimates for the year	2.187.043	(2.785.608)
Amortisation of discount for the year	399.109	300.708
<b>At 31 December</b>	<b><u>7.168.347</u></b>	<b><u>4.582.195</u></b>

In accordance with the Law of the Republic of Kazakhstan “On the Main Pipeline” No. 21-V dated 22 June 2012, the Company has a legal obligation to dismantle and liquidate the pipeline and restore and reclaim the land. As at 31 December 2023, and 31 December 2022, the Company made best estimation of the asset retirement obligation and recognised liabilities in the Statement of Financial Position.

#### 18. LEASE LIABILITIES

<i>In thousands of Kazakhstani Tenge</i>	<u>31 December 2023</u>	<u>31 December 2022</u>
Short-term part of lease liabilities	175.092	263.000
Long-term part of lease liabilities	-	182.517
<b>Total</b>	<b><u>175.092</u></b>	<b><u>445.517</u></b>

<i>In thousands of Kazakhstani Tenge</i>	<u>For the year ended 31 December 2023</u>	<u>For the year ended 31 December 2022</u>
At 1 January	445.517	227.172
Liabilities incurred in the reporting year	-	380.520
Amortisation of discount for the year	49.867	29.249
Payments for the year	(190.371)	(141.324)
Impact of revision of judgments under new contracts	(129.921)	(50.100)
<b>At the end of the year</b>	<b><u>175.092</u></b>	<b><u>445.517</u></b>

Below is information on the expenses recognised in the profit and loss statement:

<i>In thousands of Kazakhstani Tenge</i>	<u>For the year ended 31 December</u>	
	<u>2023</u>	<u>2022</u>
Depreciation of right-of-use assets (Note 9)	(157.798)	(173.159)
Amortisation of discount for the year	(49.867)	(29.249)
<b>Total</b>	<b><u>(207.665)</u></b>	<b><u>(202.408)</u></b>

**19. TRADE PAYABLES**

<i>In thousands of Kazakhstani Tenge</i>	
Trade payables to third parties Trade payables to related parties (Note 30)	Total
785,302 339,215	1,124,517
318,488 746,437	1,064,925
31 December 2023	31 December 2022

As of 31 December 2023 and 31 December 2022, Tel's trade payables are denominated in Kazakhstani Tenge.

**20. CONTRACT LIABILITIES ARISING FROM CONTRACTS WITH CUSTOMERS**

<i>In thousands of Kazakhstani Tenge</i>	
Contract liabilities arising from contracts with customers – related parties (Note 30) Contract liabilities arising from contracts with customers – third parties	Total
1,145,083 313,692	1,458,775
1,050,207 212,711	1,262,918
31 December 2023	31 December 2022

**21. OTHER CURRENT LIABILITIES**

<i>In thousands of Kazakhstani Tenge</i>	
Short-term employee benefits debt Liabilities for taxes and other obligatory payments Other accounts payable	Total
403,016 75,032 50,399	528,447
287,787 70,979 51,883	410,649
31 December 2023	31 December 2022

**22. REVENUE FROM CONTRACTS WITH CUSTOMERS**

<i>In thousands of Kazakhstani Tenge</i>	
Revenue from related parties (Note 30) Revenue from third parties	Total
10,335,938 2,901,124	13,237,062
10,983,957 2,414,673	13,398,630
2023	2022
<i>In thousands of Kazakhstani Tenge</i>	
Revenue from oil transportation services to domestic market Revenue from oil transportation services to export market	Total
10,697,113 2,539,949	13,237,062
10,727,480 2,671,150	13,398,630
2023	2022

## MunaiTas NWPC LLP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

#### 23. COST OF SERVICES

<i>In thousands of Kazakhstani Tenge</i>	<u>2023</u>	<u>2022</u>
Depreciation and amortisation	3.745.761	3.250.957
Pipeline maintenance	3.653.131	3.130.058
Property tax	683.362	611.833
Payroll and related taxes	464.267	454.598
Security services	483.175	441.739
Fuel, energy in the process of production	354.214	347.891
Insurance of pipeline	128.112	113.593
Materials for repairs	102.385	25.075
Maintenance of communication equipment	101.101	65.772
Air patrol of pipeline	21.214	47.143
Depreciation of a right-of-use assets	12.327	32.956
Other	591.985	580.250
<b>Total</b>	<b><u>10.341.034</u></b>	<b><u>9.101.865</u></b>

#### 24. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of Kazakhstani Tenge</i>	<u>2023</u>	<u>2022</u>
Payroll and related taxes	1.114.516	1.121.290
Amortisation of right-of-use assets	145.471	140.203
Operating rent expenses	126.321	127.061
Business trip expenses	50.933	34.636
Consulting services expenses	36.253	40.513
Depreciation and amortisation	34.818	40.155
Security services	12.155	9.798
Entertainment expense	4.600	4.159
Other	193.384	146.703
<b>Total</b>	<b><u>1.718.451</u></b>	<b><u>1.664.518</u></b>

#### 25. OTHER OPERATING INCOME

During 2023, the Company recognised income on the amounts of requested bank guarantees for the execution of contracts in the total amount of 1.413.459 thousand Tenge due to the failure of the contractor GAZ stroy montazh KZ LLP to fulfill all obligations and violation of the terms of contracts concluded as part of the implementation of the project "Increasing throughput capabilities of the Kazakhstan-China oil pipeline. The first stage of reversing the section of the Kenkiyak-Atyrau oil pipeline with a capacity of up to 6 million tons per year (further "Reverse Project") (Note 31). The Company also recognized income from bank quality guarantees in the amount of 89.400 thousand Tenge.

#### 26. FINANCE INCOME

Financial income for 2023 in the amount of 1.913.268 thousand Tenge mainly includes interest on deposits in the amount of 1.805.422 thousand Tenge (for 2022: 1.212.180 thousand Tenge).

## MunaiTas NWPC LLP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

#### 27. FINANCE EXPENSE

<i>In thousands of Kazakhstani Tenge</i>	<u>2023</u>	<u>2022</u>
Amortisation of discount on liquidation liability (Note 17)	399.109	300.708
Amortisation of discount on lease liability (Note 18)	49.867	29.249
<b>Total</b>	<b><u>448.976</u></b>	<b><u>329.957</u></b>

#### 28. FOREIGN EXCHANGE (LOSSES)/GAINS, NET

Foreign exchange gains and losses represent net gain/(loss) from the revaluation of short-term financial assets and cash and cash equivalents denominated in US dollars. During 2023, the national currency of the Republic of Kazakhstan devalued against the US dollar by approximately 1% compared to the beginning of the year. During 2022, the national currency of the Republic of Kazakhstan devalued against the US dollar by approximately 6,7% compared to 1 January 2022.

#### 29. INCOME TAX EXPENSE

Income tax expense includes the following:

<i>In thousands of Kazakhstani Tenge</i>	<u>2023</u>	<u>2022</u>
Current income tax expense	930.170	1.045.212
Deferred income tax benefit	(509.774)	(364.598)
<b>Income tax expense</b>	<b><u>420.396</u></b>	<b><u>680.614</u></b>

Income tax for the year ended 31 December 2023 is assessed at an average annual effective rate of 20% (for the year ended 31 December 2022: 20%).

Below is a reconciliation of expected and actual tax expense:

<i>In thousands of Kazakhstani Tenge</i>	<u>2023</u>	<u>2022</u>
Profit before tax	2.161.344	3.127.941
Effective tax rate	20%	20%
Expected charge at rate of 20%	432.269	625.588
Non-deductible expenses	11.209	55.026
Revision of estimates of taxable temporary differences associated with property, plant and equipment	(23.082)	-
<b>Income tax expenses for the year</b>	<b><u>420.396</u></b>	<b><u>680.614</u></b>



## 29. 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 accounting standards are presented as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>1 January 2023</b>	<b>Recognised in profit or loss</b>	<b>Recognised in other comprehensive income</b>	<b>31 December 2023</b>
<b>Tax effect of temporary differences:</b>				
Provision for asset retirement obligation	916.439	79.821	437.409	1.433.669
Provision for unused vacation	57.371	13.107	-	70.478
Impairment provision for construction in progress	41.099	104.093	-	145.192
Lease liabilities	89.103	(54.085)	-	35.018
Provision for obsolescence	16.202	(10)	-	16.192
Other	5.970	3.041	-	9.011
<b>Gross deferred tax assets</b>	<b>1.126.184</b>	<b>145.967</b>	<b>437.409</b>	<b>1.709.560</b>
Deferred tax liabilities from:				
Property, plant and equipment and intangible assets	(4.645.891)	334.235	600.420	(3.711.236)
Right-of-use assets	(61.131)	29.572	-	(31.559)
<b>Gross deferred tax liabilities</b>	<b>(4.707.022)</b>	<b>363.807</b>	<b>600.420</b>	<b>(3.742.795)</b>
Less: offset against deferred tax assets	1.126.184	145.967	437.409	1.709.560
<b>Net position on deferred income tax</b>	<b>(3.580.838)</b>	<b>509.774</b>	<b>1.037.829</b>	<b>(2.033.235)</b>

## 29. INCOME TAX (CONTINUED)

<i>In thousands of Kazakhstani Tenge</i>	<b>1 January 2022</b>	<b>Recognised in profit or loss</b>	<b>Recognised in other comprehensive income</b>	<b>31 December 2022</b>
<b>Tax effect of temporary differences:</b>				
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
<b>Gross deferred tax assets</b>	<b>533.796</b>	<b>1.149.509</b>	<b>(557.121)</b>	<b>1.126.184</b>
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
<b>Net position on deferred income tax</b>	<b>(3.342.113)</b>	<b>364.598</b>	<b>(603.323)</b>	<b>(3.580.838)</b>

## 30. 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 2023 and 2022 is presented below.

**30. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

Outstanding balances on cash and cash equivalents and short-term financial investments placed in related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>Nature of relations</b>	<b>2023</b>	<b>2022</b>
<i>Cash and cash equivalents</i>			
Bank of China Kazakhstan JSC SB	Company under control of CNPC	877	3.646
Altyn Bank JSC	Company under control of CNPC	6.560.799	-
<b>Total cash and cash equivalents</b>		<b>6.561.676</b>	<b>3.646</b>
<i>Short-term financial investments</i>			
Bank of China Kazakhstan JSC SB	Company under control of CNPC	5.947.775	-
<b>Total short-term financial investments</b>		<b>5.947.775</b>	<b>-</b>
<b>Total assets</b>		<b>12.509.451</b>	<b>3.646</b>

Amounts payable to related parties are presented as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>Nature of relations</b>	<b>2023</b>	<b>2022</b>
KazTransOil JSC	Company under control of Samruk-Kazyna	337.478	317.600
KazTransGas Aimak LLP	Company under control of Samruk-Kazyna	595	-
KMG Kumkol LLP	Company under control of Samruk-Kazyna	451	-
Branch "Western Intersystem Electric Networks" JSC "KEGOC"	Company under control of Samruk-Kazyna	539	888
Energy Solutions Center LLP	Company under control of Samruk-Kazyna	152	-
<b>Total</b>		<b>339.215</b>	<b>318.488</b>

## MunaiTas NWPC LLP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

#### 30. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

The outstanding balances of advances received from related parties are as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>Nature of relations</b>	<b>2023</b>	<b>2022</b>
Mangistaumunaigas JSC	Company under control of Samruk-Kazyna	596.153	637.080
CNPC-Aktobemunaigas JSC	Company under control of CNPC	89.006	492
Kazakhstanmunai JSC	Company under control of Samruk-Kazyna	31.907	16.032
Embamunaigas JSC	Company under control of Samruk-Kazyna	351.145	335.421
Kazakhoil Aktobe LLP	Jointly controlled company of Samruk-Kazyna	47.245	38.594
Urikhtau Operating LLP	Company under control of Samruk-Kazyna	57	-
CNPC International (Buzachi) B.V. Corporation	Company under control of CNPC	29.570	22.588
<b>Total</b>		<b>1.145.083</b>	<b>1.050.207</b>

During 2023, the Company paid dividends to Participants in the amount of 2.863.432 thousand Tenge (In 2022: 5.170.303 thousand Tenge).

# MunaiTas NWPC LLP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

### 30. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Sales to related parties for the year ended 31 December are as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>Nature of relations</b>	<b>2023</b>	<b>2022</b>
<i>Transportation services:</i>			
CNPC-Aktobemunaigas JSC	Company under control of CNPC	1.212.578	1.237.195
Mangistaumunaigas JSC	Company under control of Samruk-Kazyna	5.404.254	5.890.682
Kazakhturkmunai LLP	Company under control of Samruk-Kazyna	222.638	200.809
Kazakhoil Aktobe LLP	Jointly controlled company of Samruk-Kazyna	482.088	400.451
Embamunaigas JSC	Company under control of Samruk-Kazyna	2.802.249	3.071.668
Urikhtau Operating LLP	Company under control of Samruk-Kazyna	7.613	-
CNPC International (Buzachi) B.V. Corporation	Company under control of CNPC	204.518	183.152
<b>Total</b>		<b>10.335.938</b>	<b>10.983.957</b>
<i>Rental of FOL:</i>			
KazTransOil JSC	Company under control of Samruk-Kazyna	-	28.864
<b>Total</b>		<b>-</b>	<b>28.864</b>

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

<i>In thousands of Kazakhstani Tenge</i>	<b>Nature of relations</b>	<b>2023</b>	<b>2022</b>
<i>Pipeline maintenance:</i>			
KazTransOil JSC	Company under control of Samruk-Kazyna	3.665.375	3.131.563
<i>Other services:</i>			
Samruk-Kazyna Contract LLP	Company under control of Samruk-Kazyna	14.090	13.119
Branch of KEGOC JSC «Западные межсист.электр.сети»	Company under control of Samruk-Kazyna	5.779	4.758
KMG Kumkol LLP	Company under control of Samruk-Kazyna	4.836	-
KazTransOil JSC	Company under control of Samruk-Kazyna	4.469	4.842
KazTransGas Aimak JSC	Company under control of Samruk-Kazyna	2.745	536
Energy Solutions Center LLP	Company under control of Samruk-Kazyna	1.628	-
Bank of China Kazakhstan JSC SB	Company under control of CNPC	54	24
Altyn Bank JSC (China Citic Bank Corporation Ltd SB)	Company under control of CNPC	51	-
<b>Total</b>		<b>3.699.027</b>	<b>3.154.842</b>

**30. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

**Terms of transactions with related parties**

Outstanding balances at the end of the year are unsecured and settlements are made in cash. No guarantees have been given or received with respect to related party receivables. Management is unable to predict the extent of changes or assess their likely impact on the financial statements.

**Remuneration for key management personnel**

Key management personnel consist of the Company's management, which numbered 3 people as of 31 December 2023 (2022: 4 people). The total amount of remuneration to key management personnel recognized in the statement of profit or loss and other comprehensive income as general and administrative expenses was Tenge 114.826 thousand for 2023 (2022: Tenge 178.358 thousand). Remuneration paid to key management personnel for the performance of their duties in permanent executive management positions consists of contractual salaries, bonuses, vacation pay and financial assistance.

**31. CONTINGENCIES AND COMMITMENTS**

**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**

From time to time and in the normal course of business, the Company may receive claims. On the basis of its own appraisal, management believes that these claims will not lead to any substantial losses.

**31. CONTINGENCIES AND COMMITMENTS (CONTINUED)**

*Litigation with GAZ Stroy Montazh KZ LLP*

On 12 December 2019 and 25 August 2021, the Company entered into agreements No. EPC2-PTM-TM-GSM-4-2019 and No. EPC4-PMT-MT-GSM-10-2021 with GAZ Stroy Montazh KZ LLP (hereinafter - the "Contractor") on the procurement of works under the project "Increasing of Throughput Capacity of Kazakhstan-China Oil Pipeline". The first stage of reversing the section of the oil pipeline "Kenkiyak-Atyrau" with a capacity of up to 6 million tons per year" was 12,4 billion Tenge and 1,7 billion Tenge, respectively. According to the terms of the agreements, the Contractor provided bank guarantees of proper fulfilment of contracts, each equalling 10% of the corresponding contract price.

On 9 January 2023, the Company requested and received bank guarantees in the amount of 1.413.459 thousand Tenge into its accounts.

On 7 February 2023, the Company received pre-trial claims No.1 and No.2 from the Contractor of 169,6 million Tenge and 1,2 billion Tenge, respectively. The crux of the claims is a requirement to return the funds received earlier by the Company in the form of bank guarantees of proper fulfilment of contracts.

In this regard, on 12 May 2023, the Contractor filed a lawsuit with the Specialized Interdistrict Economic Court of Almaty (the "Court") asking the court to invalidate the Company's claims addressed to Forte Bank JSC, namely:

- claim No. 10/1261 dated 30 December 2022 on payment of bank guarantee in the amount of 1,2 billion Kazakhstani Tenge;
- claim No. 10/1262 dated 30 December 2022 on payment of bank guarantee in the amount of 169,6 million Kazakhstani Tenge.

The Court, by a ruling dated 24 May 2023, accepted the claim for proceedings and initiated a civil case. On the same day, the Court issued a ruling on the preparation of this case for trial. On 21 June 2023, the Company sent a response to the lawsuit. On 14 June 2023 and 4 July 2023, the Court prepared the civil case for a trial. On 8 August 2023, the Court issued a ruling to terminate the proceedings in the civil case, which was appealed by the Contractor to the appellate court. On 14 September 2023, the Contractor's private complaint was received by the Almaty City Court. On 3 October 2023, the Company sent a response to the Contractor's private complaint. Court hearings in the Almaty City Court as part of the consideration by the court of appeal of the Contractor's appeal (private) complaint took place on 27 October 2023, 31 October 2023, and 7 November 2023, during which the court listened to the arguments of the parties and studied the materials of the civil case. Based on the results of consideration of the Contractor's appeal (private), the court of appeal on 15 November 2023, issued a ruling to cancel the ruling of the Almaty SIES dated 8 August 2023 and to send the civil case for a new trial to the court of first instance, with a different composition. On 28 November 2023, the SIES of Almaty issued a ruling to accept the civil case for new proceedings. On 27 December 2023, a preliminary hearing was held. On the same day (27 December 2023), the court issued a ruling to extend the preparation period by one month. The court has not yet set a date for the next court hearing.

Based on its own assessment, management believes that the legal proceedings are at a very early stage of consideration and accordingly, as 31 December 2023, the financial statements do not include provisions for these proceedings.

**31. CONTINGENCIES AND COMMITMENTS (CONTINUED)**

*Litigations with Zeinet LLP*

In May 2021, the Contractor and Zeinet LLP, the Contractor's subcontractor for the above-mentioned project, entered a meditative agreement per the court's order regarding the Contractor's debt to Zeinet LLP in the amount of 534 million Tenge. Subsequently, the Contractor did not comply with the terms of the meditative agreement which was the reason for Zeinet LLP to apply to the court for the issuance of a writ of execution, with its subsequent direction for execution. On 14 October 2021 court bailiff adopted resolutions in relation to the Company "On foreclosure of accounts receivable" and "On the prohibition of transferring property to third parties". On the basis of these resolutions, the Company had to transfer to the bailiff's current account the settlement of the Contractor's receivables in the amount of 415,9 million Tenge. The Company appealed the decisions of the bailiff to the court. In accordance with the legislation of the Republic of Kazakhstan, appealing an administrative act (in this case, decisions of a bailiff) is grounds for suspending its action. In the period from 15 October 2021 to 4 March 2022, based on the written request of the Contractor, the Company transferred funds for the payment of the Contractor's works to the accounts of third parties, namely, other subcontractors and suppliers of the Contractor.

On 30 June 2023, Zeinet LLP appealed to the court with a request to recognize the Company's actions on transferring funds to third parties as illegal. On 17 July 2023, the Specialized Interdistrict Economic Court of Almaty initiated the preparation of a civil case for a trial with a preliminary hearing. On 25 July 2023, a response to the claim was sent to the court. During the court hearing held on 28 September 2023, the Company filed two motions. On 3 October 2023, the next court hearing was held during which the court heard the Plaintiff's objections to the Company's petitions and decided to involve GAZ Stroy Montazh KZ LLP and a private bailiff in the consideration of the case as third parties. During subsequent court hearings, held on 12, 19 and 20 October 2023, as well as 2 and 6 November 2023, the court examined the documents provided by the parties as confirmation of the arguments presented to the court in support of their claims and objections, listened to the explanations of the parties, studied the materials of the civil affairs. On 9 November 2023, the operative part of the decision was announced, according to which the court satisfied the claims of Zeinet LLP in full. The final judgment was made on 17 November 2023. On 12 December 2023, the Company's appeal against the court decision was sent to the SIES of Almaty. On 22 December 2023, the appeal was transferred to the Almaty City Court. On 9 January 2024, the Company's appeal was registered in the Almaty City Court. On 24 January 2024, the Partnership's petition was sent to the Almaty City Court to consider the appeal with the presence of the parties in person. The date of the first court hearing and consideration of the Company's appeal in the Almaty City Court is set for 13 February 2024.

The Company does not have contractual relations with Zeinet LLP and other subcontractors of the Contractor. Based on its own assessment, the Company's management believes that the requirements of Zeinet LLP are not justified and that the risk of a negative outcome of the above case is possible. Accordingly, as at 31 December 2023, the financial statements do not include provisions for this proceeding.



**31. CONTINGENCIES AND COMMITMENTS (CONTINUED)**

*Litigation with DCRNM*

The company provides oil pumping services through the Kenkiyak-Atyrau main oil pipeline system, which are included in the list of services regulated by the legislation of the Republic of Kazakhstan on natural monopolies. The consumers of the Company's regulated services are about forty oil producing companies (hereinafter referred to as the Shippers). On 4 October 2023, the Company received a letter from the Department of the Committee for the Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan for the city of Almaty (hereinafter referred to as the Department) dated 4 October 2023 No. 04/983 (hereinafter referred to as the Letter), in which the Department notified the Company that it had issued the following three orders (hereinafter collectively referred to as the Orders):

- Order No. 108-OD dated 3 October 2023, establishing a reduction in the tariff level for the Company's services from 5.912 to 3.839 Tenge/ton per 1000 km excluding VAT by excluding profit from the tariff calculation;
- Order No. 109-OD dated 3 October 2023, providing for a further reduction of the tariff to 2.570 Tenge/ton per 1000 km excluding VAT by excluding profit and depreciation from the calculation of the tariff, with its introduction into force from 1 January 2023;
- Order No. 110-OD dated 4 October 2023, on the approval of a temporary compensating tariff in the amount of 2.400,7 Tenge and its entry into force from 1 December 2023.

The Department obliges the Company to conduct recalculation for services provided by shippers at a rate of 3.839 Tenge/ton per 1,000 km for the period from January to December 2022, and at a rate of 2.570 Tenge/ton per 1,000 km for the period from January to October 2023 in its letter.

The consequence of such recalculation will be an amount of about 9.7 billion Tenge. In October 2023, the Company appealed the Orders and Letter of the Department to the Committee for the Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter referred to as CRNM) in the manner established by Article 91 of the Administrative Procedure Code of the Republic of Kazakhstan. In November 2023, CRNM received responses regarding the refusal to satisfy the complaints, in connection with which on 30 November 2023, the Company filed an administrative claim with the specialized interdistrict administrative court of Almaty (hereinafter referred to as the court) to challenge and cancel the Orders and Letters of the Department.

On 6 December 2023, the court accepted the Company's claim for its proceedings and initiated an administrative case. As part of the preparation of the case for trial in court, three court hearings were held - on 14 and 25 December 2023, as well as on 16 January 2024. The trial was opened by the court on 23 January 2024, and continued 25 January 2024.

On 30 January 2024, the court heard arguments between the parties. On 31 January 2024, the court announced a court decision, according to which the court refused to satisfy the administrative claim of the Company in terms of declaring the DCRNM Orders No. 108-OD and 109-OD dated 3 October 2023, and No. 110-OD dated 4 October 2023, illegal.

Regarding the recognition of the DCRNM Letter of 4 October 2023, as illegal, the court terminated the proceedings on the grounds that, in the court's opinion, the said letter is not an administrative act, because is a document of a notification nature, and not a burdensome one. On 8 February 2024, the Company received the final judgment, after which the Company will take steps to appeal it to the appellate court.

**31. CONTINGENCIES AND COMMITMENTS (CONTINUED)**

Based on its own assessment, the Company's management believes that DCRNM's orders are not justified and that the risk of a negative outcome to the above case is possible. Accordingly, as at 31 December 2023, no provisions for this proceeding have been recognized in the financial statements.

***Pre-trial claims***

On 14 February 2023, the Company received a pre-trial claim from GAZ Stroy Montazh KZ LLP in the amount of 8,6 billion Tenge. The crux of the claim was to require reimbursement by the the excess of the actual costs incurred on the project over the contract amount. The Company responded to the claim, and there was no further written response from GAZ Stroy Montazh KZ LLP. Based on its own assessment, management believes that this claim is not substantiated and will not result in any significant losses.

**Environmental and site restoration obligations**

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 newly introduced norms of the environmental code, enterprises have obligations to eliminate the consequences of operating facilities that have a negative impact on the environment, but the requirements for eliminating the consequences depend on the category of production enterprises and construction projects, which are determined depending on the nature of the objects, the degree of impact on the environment and spheres of activity of enterprises. From the moment new requirements come into force, the Company evaluates the new requirements on the Company's financial statements. The Company's facilities were identified in the second category, i.e. facilities that have a moderate negative impact on the environment. Based on the results of such work, the Company recognized an obligation to eliminate the consequences of the operation of its facilities (Note 17).

**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.

**31. CONTINGENCIES AND COMMITMENTS (CONTINUED)****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 2023, oil for the pipeline filling was 110 thousand tons (2022: 102 thousand tons).

**Contractual commitments**

As of 31 December 2023, the Company had contractual capital commitments totalling 534.993 thousand Tenge on capital construction and acquisition of non-current assets (2022: 980.612 thousand Tenge).

**32. 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>	<b>31 December 2023</b>	<b>31 December 2022</b>
<i>Financial assets at amortized cost:</i>		
Short-term financial investments	5.947.775	6.064.360
Cash and cash equivalents	13.095.792	8.501.652
<b>Total financial assets</b>	<b>19.043.567</b>	<b>14.566.012</b>
<i>Financial liabilities at amortized cost:</i>		
Trade payables	1.124.517	1.064.925
Short-term lease liabilities	175.092	263.000
Long-term lease liabilities	-	182.517
<b>Total financial liabilities</b>	<b>1.299.609</b>	<b>1.510.442</b>

## 32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

## 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>	At 31 December 2023			At 31 December 2022		
	Monetary financial assets	Monetary financial liabilities	Net position	Monetary financial assets	Monetary financial liabilities	Net position
USD	5,947.775	-	5,947.775	6,064.360	-	6,064.360
	<u>5,947.775</u>	<u>-</u>	<u>5,947.775</u>	<u>6,064.360</u>	<u>-</u>	<u>6,064.360</u>

<i>In thousands of Kazakhstani Tenge</i>	At 31 December 2023		At 31 December 2022	
	Effect on profit	Effect on capital	Effect on profit	Effect on capital
US dollar appreciation by 10% (2022: appreciation by 10%)	475.822	475.822	485.149	485.149
US dollar depreciation by 10% (2022: depreciation by 10%)	<u>(475.822)</u>	<u>(475.822)</u>	<u>(485.149)</u>	<u>(485.149)</u>

## 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 2023 and 31 December 2022 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.

## 32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

<i>In thousands of Kazakhstani Tenge</i>	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>Over 3 years</u>
<b>31 December 2023</b>						
Trade payables	(1.124.517)	(1.124.517)	(1.124.517)	-	-	-
Short-term lease liabilities	(175.092)	(190.371)	(190.371)	-	-	-
Long-term lease liabilities	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>(1.299.609)</b>	<b>(1.314.888)</b>	<b>(1.314.888)</b>	<b>-</b>	<b>-</b>	<b>-</b>

<i>In thousands of Kazakhstani Tenge</i>	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>Over 3 years</u>
<b>31 December 2022</b>						
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)	-	-
<b>Total financial liabilities</b>	<b>(1.510.442)</b>	<b>(1.454.891)</b>	<b>(1.250.953)</b>	<b>(203.938)</b>	<b>-</b>	<b>-</b>

**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.

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 19.043.567 thousand Tenge and represents the maximum amount exposed to a credit risk (2022: 14.566.012 thousand Tenge).

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 moderate credit risk.
- Satisfactory – moderate credit quality with satisfactory credit risk.
- Special monitoring – facilities that require more closer monitoring and remedial management.
- Default – facilities in which default has occurred.

## MunaiTas NWPC LLP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

#### 32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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.

The table below presents an analysis of financial assets by credit quality based on the S&P rating as of 31 December 2023 and 31 December 2022:

<i>In thousands of Kazakhstani Tenge</i>		<u>31 December 2023</u>	<u>31 December 2022</u>
<i>Cash and cash equivalents</i>			
BB/stable/B, kzA+	Halyk Bank of Kazakhstan JSC	6.534.116	8.498.006
A/stable/A-1	Bank of China Kazakhstan JSC SB	877	3.646
BB/stable	Altyn Bank JSC	<u>6.560.799</u>	<u>-</u>
<b>Total cash and cash equivalents</b>		<u><b>13.095.792</b></u>	<u><b>8.501.652</b></u>
<i>Short-term financial investments</i>			
BB/stable/B, kzA+	Halyk Bank of Kazakhstan JSC	-	6.064.360
A/stable/A-1	Bank of China Kazakhstan JSC SB	<u>5.947.775</u>	<u>-</u>
<b>Total short-term financial investments</b>		<u><b>5.947.775</b></u>	<u><b>6.064.360</b></u>
<b>Total financial assets</b>		<u><b>19.043.567</b></u>	<u><b>14.566.012</b></u>

**32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**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.

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.

**32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

The assessment whether 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 a 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.

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 uses two approaches to estimate expected credit losses: (i) on an individual basis; (ii) assessment based on external ratings. The Company evaluates trade receivables on a case-by-case basis depending on their materiality. The Company performs assessments 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.



**32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

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.

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 2023 and 31 December 2022, the Company did not have outstanding borrowings or other obligations with flexible interest rate. Accordingly, at 31 December 2023 and 31 December 2022, 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 2023 and 31 December 2022, management believes that the Company has adequate insurance policy for civil liability and loss of assets.

**33. 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 48,700,684 thousand Tenge (2022: 53,974,481 thousand Tenge).

**34. 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).

**34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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.

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 amortized 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.

**35. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved and authorised for issue by the management of the Company on 9 February 2024.